

Social Protection in the Nordic Countries 1999

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Scope, expenditure and financing

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The basic data for this publication's tables on income distribution, typical cases, social expenditure, and the specifications hereof, may be downloaded from the NOSOSCO home page:

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You can navigate through the statistics by clicking on the 'Statistics' menu. Data may also be obtained from NOSOSCO's Secretariat (please refer to the address at the top on this page).

Preface

The Nordic Social-Statistical Committee (NOSOSCO) is a permanent Committee under the Nordic Council of Ministers and the Nordic Committee on Social Policy. Set up to coordinate the Nordic countries' social statistics, it analyzes and comparatively describes the scope and content of social welfare measures.

The Committee is composed of three representatives from each country as well as a number of substitutes. The Committee is chaired by the countries in turn for three years, with Denmark having the chairmanship for the period 1999-2001.

In its report, *Social Protection in the Nordic Countries*, NOSOSCO publishes its findings regarding current social developments.

As all Nordic countries are obliged, as a result of their EU membership or as participants in the EEA cooperation, to report data on social security to EUROSTAT, the EU's statistical office, NOSOSCO has decided to follow the specifications and definitions in ESSPROS, EUROSTAT's nomenclature.

In the present report, a theme section concerning taxation on working income and transfer income in the Nordic countries.

In connection with the preparation of the present report, NOSOSCO set up an editorial group to assist the Committee Secretariat in its work.

PREFACE

The Nordic Social-Statistical Committee is currently composed of the following:

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Johannes Nielsen, Head of NOSOSCO's Secretariat, is the editor of the present report and acted as secretary to the editorial group.

Nordic Social-Statistical Committee, 2001.

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Symbols Used in the Tables:

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Chapter 1

Changes in Nordic Social Policies since 1998

DENMARK: During recent years, the Danish economy has been characterized by stable development without any serious balance problems. The average annual increase of the GDP was 2.7 per cent from 1995 to 2000. In 2001 and 2002, a somewhat smaller growth of 1.5-2 per cent is expected as a result of the curb of the international trends.

The employment rate has increased by almost 250,000 since 1994, and the unemployment rate declined markedly from 12.3 per cent in 1994 to 5.4 per cent in 2000, but is expected to increase slightly in 2001. The reforms in the labour market have contributed to the unemployment rate declining without any large price and wage development taking place. Wages have, however, recently increased slightly more than in the other EU countries. Recent years have seen a surplus on the total public finances of 2-3 per cent of the GDP, whereas the surplus on the balance of payments was about 2 per cent of the GDP.

As a result of the demographic development, where large years of older people leave the labour market at the same time as small years of young people step in, the coming years will see a need for an increase in the labour force. This could for example take place through a later withdrawal from the labour market, more flexibility and better integration of refugees and immigrants into the labour market. A number of changes have been implemented in the social and labour market policies with a view to enhancing the development in the labour force and the employment rate.

The access to the transition allowance to the long-term unemployed 50-59 year-olds stopped in 1996, for which reason the number of recipients has been more than halved from 46,000 in 1996 to about 20,000 in 2001. In 1999, a reform of the voluntary early retirement benefit scheme was implemented to make it more financially advantageous to continue working and to postpone the transition to voluntary early retirement benefit. The increase in the access to the voluntary early retirement scheme seems to have

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seized at the beginning of 2001.

In order to improve older long-term unemployed people's possibilities of finding employment on general terms and to improve the municipal service, a service-job scheme was introduced in 2000. Service jobs may be established within the public services for long-term daily-cash benefit recipients of 48 years or more. The State grants an annual subsidy of DKK 100,000 per service job as well as a supplementary subsidy of DKK 50,000 to service jobs within the geriatric sector for training and education of employees. At the beginning of 2001, 1,200 people were employed in service jobs.

In 2001, a anticipatory-pension reform was adopted that enters into force on 1 January 2003 and applies to new anticipatory pensioners. The aim of the reform is to enhance efforts towards active as opposed to passive maintenance. Focus must be put on citizens' resources rather than on their limitations, so that they get help towards getting an active life in the labour market. Only in cases where it is impossible to maintain or bring a person back into the labour market on normal terms or in subsidized employment will anticipatory pension be granted.

The anticipatory pension system will be more simplified and transparent, as the present four benefit levels will be replaced by one benefit, which for single people corresponds to daily cash benefits and for cohabiting and married couples to 85 per cent of the daily cash benefits. Anticipatory pensioners will no longer be granted special benefits according to the Pensions Act, but will, like other people, be entitled to for example housing benefit and a disability-compensating benefit towards extra costs, which is granted to all disabled people. Besides a voluntary supplementary pension scheme will be introduced for anticipatory pensioners, while payment of contributions to the Labour Market Supplementary Pension Scheme will be made compulsory.

The reform of the anticipatory pension scheme requires a more flexible labour market with more employment options for people with reduced working capacities. Consequently, the flex-job scheme for people with reduced working capacities was improved in 2001, including entitlement to benefits in connection with unemployment and introduction of an early retirement scheme (flex benefit) for people in flex-jobs. The company-related rehabilitation must be enhanced through for example increase of the reimbursement from Central Government of the expenditure of the local authorities. Moreover, the provision of company-related social job offers must be enhanced through establishment of a number of local provision units.

The follow-up on long-term cases concerning sickness benefit has been made more flexible in order to enhance activities to maintain sickness bene-

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fit recipients in the labour market. Besides, local authorities' co-financing of the expenditure on sickness benefit was brought forward from occurring after eight weeks to occurring after four weeks in order to give municipalities more economic responsibility for an early follow-up on sickness-benefit cases. Moreover, labour-environment efforts were enhanced through economic incentives for companies to improve the labour environment and to reduce the number of industrial injuries and occupational diseases.

A new Act on Integration of Foreigners was introduced in 1999. This Act lays down that local authorities assume the integration activities towards newly arrived refugees and other foreigners, who are offered a 3-year introduction programme, comprising a course in Danish, civics and activation. The number of immigrants and descendants of the age group 16-66 years, who are employed, has increased from 45 per cent in 1995 to 51 per cent in 2000, but continues to be somewhat lower than for the rest of the population, where 76 per cent of the 16-66 year-olds were employed in 2000.

As a result of recent years' strong development of day-care offers, there were at the beginning of 2001 no more than 3,500 children on waiting lists. Municipalities offering a child-minding guarantee for children aged six months to school age have been given the option of increasing parents' payment by up to 1 percentage point for the period 2000-2002, but to a maximum of 33 per cent. In 2001, 86 per cent of the municipalities offer such a child-minding guarantee of which the majority will use the option of increasing parents' payment.

With effect from 2001, the special support to children and adolescents has been enhanced. In relation to children and adolescents at risk, preventive measures must be applied as early as possible in order to solve any problems before they become too serious. If placement outside of the home is a necessary and right solution, it should take place as early as possible. During placement, support to the parents will be enhanced, and the possibilities of more stability and continuity in placements will be improved. Moreover, the follow-up on the 18-22 year-olds, who have been placed outside of their homes, has been improved.

The number of secured residential institution places for criminal children and adolescents has been extended, and a new youth sanction has been introduced in the shape of a structured, controlled socio-educational treatment for two years of 15-17 year-old socially disadvantaged and maladjusted young criminals.

With a view to a better targeting of the special child allowance to old-age and anticipatory pensioners, the allowance has become income-adjusted as from

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April 2000. To improve the economic conditions for students with children, a new income-dependant child allowance to students was introduced in 2001.

To improve conditions for pensioners with low incomes, changes of the rules governing personal supplements were introduced in 2001. A health supplement was introduced which will be granted according to fixed, uniform rules towards payment of expenditure on medicine and other health-related costs, depending on income and fortune. Besides, improvements of the heating supplement to pensioners have been made. The income-adjustment has furthermore been eased in relation to the personal supplements and the pension supplement to pensioners who are married to or cohabiting with a person who does not receive any social pensions.

During recent years, a considerable increase has taken place in the activities in the hospital sector in order to reduce waiting times in connection with examinations and treatment; the number of heart surgeries has for example been more than doubled as part of the Government and council heart plan from 1995 to 2000, and the number of patients who receive treatment within four weeks has increased from 50 to 70 per cent. As from September 2001, the treatment guarantee within the cancer area will be extended to include all life-threatening cancer diseases.

Efforts targeted at mental patients have been extended and improved during recent years. The number of district-psychiatric centres has been increased, so that the whole country is now covered, and the number of people who are in contact with the district psychiatry has become almost doubled from 1993 to 1999. More single rooms have been fitted into the psychiatric wards, and at the end of 2002 two thirds of all rooms are expected to be single rooms. New collective housing units have been established for the mentally ill, and 4,700 mentally ill people were in 2000 covered by a support and contact-person scheme that was introduced in 1996.

Also in relation to other disadvantaged groups, the social efforts have been enhanced. The expenditure on treatment of substance abusers has been more than doubled from 1995 to 2000, where 8,200 substance abusers were receiving treatment. The Government has furthermore in 2000 entered into an agreement with councils and municipalities concerning an action plan for the homeless. More offers of housing to the homeless must be established, including so-called "wry housing for wry lives", acute offers in the shape of places to sleep and soup kitchens open at night, alternative nursing homes and other offers to ill homeless people, etc.

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FINLAND: Economic growth in Finland has remained very strong. The gross domestic product has continued its rapid increase for seven years already and the forecast for the year 2001 is a growth of an additional four per cent. The financing surplus of the public sector has been high and it is estimated to be 5 per cent of the GDP in 2001. With the surplus public debt is reduced and will fall to an estimated 40 per cent in relation to the GDP in 2001.

Both the demand for a labour force and the amount of available jobs has grown. The employment rate has risen to 67 per cent and the unemployment rate is estimated to drop to about nine per cent in 2001. As a result of the favourable total development in employment, unemployment expenditure has decreased, as has social assistance expenditure. On the other hand, however, expenditure on pensions has increased as the population ages. Expenditure on health care is also growing, although it has only just reached the level that was prevalent before the recession. The total growth of social expenditure is still lower than that of the national economy. Compared with almost 35 per cent in 1993, Finland's social protection expenditure in relation to the GDP will decline to less than 25 per cent in 2001.

During the recession, almost all social benefits were cut. During the last few years, the benefit level has clearly been developing more slowly than the general income level or the work productivity. Child allowance, for example, has not been increased since 1995. After the mid-1990s the balancing effect of income transfers and income differences in taxation has been weakened. This is partially due to the rise in employment. Attempts have been made to direct more clearly income transfers at low-income households.

In order to increase the amount of working years and postpone retirement some changes were made to pensions from the outset of the year 2000. Among other things, the age limit for entitlement to part-time pension will remain at 56 years until the end of 2002 and that for individual early invalidity pension will rise from 58 to 60 years. Furthermore, unemployed persons aged over 55 years now have better opportunities to accept short-term jobs without their pension cover being weakened. At the same time, the bases for calculation of unemployment pension were changed slightly; the new unemployment pensions are about 4 per cent lower than earlier.

In addition to changes made to the pension acts, other measures have been added in order to support continued employment. By means of rehabilitation the working and functional capacity of the population is promoted. Challenges for rehabilitation are disabled ageing workers, long-term unemployed, young people at risk of becoming marginalised and severely disabled persons.

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The quality of services has become a subject of concern, especially that of the care services for older persons and mental health services. At the beginning of the year 2001, the Ministry of Social Affairs and Health issued the first National framework for care and services for older people.

Although the differences have decreased slightly, there are still considerable differences in the activity of municipal social welfare and health services and in inhabitant-related costs. In the year 2000, a four-year Programme of Target and Action for Social Welfare and Health Care for the years 2000-2003 was issued based on the Government Programme. In the Programme, the central aims of social welfare and health care were specified. The Programme does not bind the local authorities, but the Government for its part does commit to supporting its implementation. One of the central aims of the Programme is to support the independent living of older and disabled persons. In addition to this, preventive work is emphasised as well as the importance of preventing marginalization. Another aim is to increase mental health services.

The high level of unemployment that has prevailed for a long time has increased the risk of marginalization. In order to avoid this, a working group has been preparing the ensemble of measures of the administrative sector in order to prevent the development of marginalization. In addition to this, an act on rehabilitating work experience will come into force in September 2001. In it, the local social welfare and health authorities are obligated to draw up an activation plan together with the unemployed person, when the person entitled to labour market support or receiving social assistance has been unemployed for a long time. An under 25-year-old is entitled to the plan after a shorter period of unemployment than an older unemployed person. An under 25-year-old, who without any acceptable reason does not take part in the rehabilitating work experience assigned to him/her loses his/her labour market support for a fixed period of time and the level of his/her social assistance may be lowered. For people aged 25 and over, participation in rehabilitating work experience is voluntary.

As of the beginning of the year 2000 an annual ceiling of FIM 3.500 per 12 months was applied to client fees in health care. The fees included under the annual ceiling comprise medical services within outpatient care, visits to a hospital outpatient department, day surgery and short-term institutional care, both in health care and social welfare institutions. After exceeding the annual ceiling a client receives outpatient services free of charge. It is, however, possible to levy FIM 70 per day for short-term care in an inpatient department. By the end of October 2000, over 40.000 persons had applied for the so-called free card after the ceiling was exceeded.

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During the entire 1990s, attempts have been made to broaden dental health care in order to include the entire population, but the reform had to be postponed because of decisions concerning savings. In April 2001, health insurance dental health care indemnity was broadened to include people born in 1946 and later. At the same time, dental health care organised by the local authorities is expanding in phases. In December 2002 the age-limits will be removed and the entire population will finally be included within the sphere of dental health care.

Almost all local authorities have been able to organise day care for all children needing it. As of August 2001 the local authorities will be obligated to provide one year of free pre-school education for six-year-old children before the beginning of basic education. Pre-school education can be arranged within either the educational or social welfare system. The local authorities have been free to arrange pre-school education according to the new provisions as of August 2000.

ICELAND: Recent years have seen a favourable economic development. During the second half of the 1990s growth has been 4-6 per cent per year, but growth in 2000 was down to 3.6 per cent. Since 1997, there has been a surplus on the state finances each year. It is expected that this strong growth will be checked in the years to come and the prognosis for 2001 shows signs of a growth of about 2 per cent.

According to the Institute of Economics, the inflation rate was 3.9 per cent in 1999, 4.3 per cent in 2000, and it is estimated that inflation will be about 5 per cent in 2001. During some of the years, the purchasing power increased steeply; in 1999, the increase was 5 per cent while it was 1.9 per cent in 2000, and it is expected to be almost at that level in 2001. Most indicators seem, however, to point to a positive development in government finances. Problems may, however, arise due to an increasing deficit on the balance of trade with foreign countries as well as an increasing inflation.

Unemployment dropped during the second half of the 1990s, and the unemployment rate was only 1.3 per cent in 2000, and in 2001, it is expected to be 2.1 per cent. This corresponds to 3,500 people on average being without a job. There is, however, still a difference in the employment rates for men and women, respectively, and the difference is getting larger from year to year. Unemployment among young people is also higher than the unemployment rate on average.

In the social insurance field, the most important questions concerned the elderly and the disabled. The organisations working for the elderly and the

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disabled have pointed out that conditions concerning these groups must be improved considerably. It has also been criticized that their income is linked to a spouse's income, which in reality has led to pensioners who are married to an employee only being granted the basic amount. The basic amount was very low until the beginning of 2001. The organisations working for the disabled brought this matter before the courts and the Supreme Court ruled that there must be limits to the income-adjustment in relation to a spouse's income. At the same time, the basic amount was increased considerably. Furthermore, the Government set up a commission that is to submit an action plan for an improvement of the conditions for the most disadvantaged elderly and disabled.

The number of disabled people has increased during recent years, which is mainly due to changes in the assessment basis. According to the social insurance fund, there was in 1985 3,500 disabled people in Iceland, and 10 years later, the number was 7,175. At the end of 1999, the number of disabled people was 8,673 and of these, 60,5 per cent were women. In all age groups there are more disabled women than men, with the exception of the 16-24 year-olds, where the majority is men. In order to counter this development, efforts are to a higher degree concentrated on rehabilitation.

In 2000, a new Act on Patient Insurance was adopted, aimed at insuring patients against injuries suffered in connection with examination and treatment within the health sector. This Act will facilitate treatment of complaints with demands for compensation for injuries suffered, just as it is a large step forward in securing patients' legal position.

In 1999, an independent autonomous committee was set up to deal with complaints about decisions made by the Social Insurance Fund. Experiences from the committee seem to indicate that more attention is now being paid to patients' demands than was previously the case.

During recent years, there has been a realization as to the necessity of enhancing the effort in order to improve conditions for long-term ill children. Recently an action plan was drawn up by a committee to ensure support to those children and their parents. Among the measures is increased education of specialized staff, enhancement of the psychiatric treatment capacity for children and adolescents, as well as development of service measures for all children with long-term illnesses. The Government initiated this plan in 2000 and set up a commission to implement the changes, just as the Act on general insurance was changed in order to open for support being given to families with long-term ill children.

For quite a while, mothers and fathers have been offered to share the leave period of six months granted in connection with pregnancy and child-

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birth. In 1998, a new law entered into force entitling new fathers to take leave from work for an extra two weeks. The parental leave period will be extended to nine months during a 3-year period, to seven months on 1 January 2001, eight months on 1 January 2002 and nine months on 1 January 2003. The child allowance system was also reevaluated in 2000, which has resulted in payment of increased allowances to families with children.

NORWAY: The Norwegian economy is still strong. The value added and the employment rate is high and the unemployment rate is low. Six years of coherent growth were in the autumn of 1998 replaced by a short-term break in the growth, but already in the second half of 1999, the economic growth set in again. In 2000, the increase in the GDP was about 2 per cent.

The positive economy was reflected on the labour market. In many sectors there is a shortage of manpower, and the number of vacant positions is large. This applies especially to the health sector. Never have more people been in employment in Norway than now, and of the OECD countries, only Switzerland and Iceland have a higher employment rate than Norway. The potential for further growth is however presumably limited, as the unemployment rate was reduced by half during the period 1993 to 2000.

Efforts within the employment and welfare policies are now concentrated on employment. The aim is that more people get and maintain a job in the general labour market instead of becoming permanent recipients of social benefits. Income from oil gives Norway a freedom to act like few other countries have, but the most important resource is still the labour force.

Simultaneously, as there in Norway is a very high employment rate, the expenditure on sickness benefit and anticipatory pension increases. This is especially the case with sickness benefit. Since 1996, the period in which sickness benefit is payable from the Social Security Scheme increased by 40 per cent. Part of the increase in the absence due to illness and the number of anticipatory pensioners may be attributed to changes in the demographic composition of the population.

A continued steep increase in the expenditure on sickness benefit and anticipatory pension in the years to come will alone usurp a large part of the economic action options. Besides the economic growth will be smaller as still more people leave the general labour market. The public authorities therefore consider an enhancement of the employment activities in the employment and welfare policies to be essential.

A public committee has prepared a report on the reasons for the increase in the absence due to illness and the new accession to anticipatory pension.

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The committee submitted suggestions for measures to reduce absenteeism and curb the accession of new anticipatory pensioners (NOU 2000:27 Sykefravær og uførepensjonering). The Government is working on a follow-up on the recommendations from the committee and will during 2001 submit an opinion to the Norwegian Parliament.

Like some other countries, Norway will in a few years be faced with large demographic changes with an increasing number of elderly. This entails increasing expenditure on pensions and on the health and care sectors. An increased number of elderly together with increasing average pension payments will mean large challenges in future. This challenge will furthermore be enhanced by the increased trend towards early retirement from the labour market.

In connection with the Government's long-term programme 2002-2005, a parliamentary pension commission was set up with the participation of political parties, represented in the Norwegian Parliament, together with independent experts. The commission must identify key aims and principles for an overall pension system, and it was also given the task of evaluating conditions in connection with early pensioning and the need for such schemes in future, as well as of evaluating if creation of funds of pension contributions may contribute to ensuring a viable pension system in the long run. The commission must submit its report before 1 October 2003.

Although the trend towards retiring early from the labour market is increasing, Norway still has a high share of elderly employees compared with other countries. In order to counter this trend, the Government allocated NOK 5 million for 2001 for an action plan for policies concerning the elderly. The action plan will be prepared in cooperation with the labour market parties. The aim of the action plan is to stimulate a good working environment and a good staff policy, which can make it attractive for many people to continue working as an alternative to early pensioning. It is also an objective that the plan should contribute to the prevention of the increasing trend of absence due to illness and anticipatory pensioning. The Government wants to allocate means to this project for several years to come.

The Government is working on a follow-up on the declaration from the Norwegian Parliament as to distribution of income and living conditions in Norway (ST.meld.nr.50 (1998-99) Utjamningsmeldinga). In this declaration, several measures have been suggested concerning prevention of poverty and marginalization of groups at risk. In the long-term programme for 2001-2005, an action programme concerning social and economic security was introduced. The action plan stresses measures to improve the income

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and living conditions of people with low incomes who have had living-condition problems for a rather long time. At the same time, priority has been put to measures to improve the labour-market affiliation and the housing situation for disadvantaged people. It is also essential to improve living conditions for children in disadvantaged families. The plan will be implemented with annual allocations until 2005.

The population's need for nursing and care is expected to increase. In 1997, an action plan for care for the elderly was adopted in Norway. The action plan applies to the period 1998-2001; it contains specific aims for new man-years for home help, new housing with care facilities and more places in the care institutions. Results until now show that these aims have by and large been achieved. The plan has for example resulted in more places in the care institutions and has made it possible for local authorities to meet citizens' need in a better way.

In the year 2000, no significant changes have been implemented in the social policy and no significant changes have been scheduled for 2001, although there have been a few activities.

Since 1997, the social authorities have purchased operations and treatment of people who are absent due to illness in order for them to return to work quicker. In 2000, about 7000 people received treatment through this scheme. In 2000, a law was introduced according to which the social authorities may also purchase treatment abroad. The purpose of the scheme is to reduce the waiting lists at the Norwegian hospitals, so that patients who may face an unacceptably long waiting period may get treatment abroad.

In 2000, an experiment was launched as a follow-up on St.meld.nr.50 (1998-99) Utjammingsmeldinga concerning activation of long-term recipients of social assistance. The experiment has been implemented in more detail in 2001. In 2000, a development project was also implemented in five large urban municipalities in order to prevent and combat homelessness. A chain of alternative housing forms adapted to various degrees of abilities and needs linked to health and social services, will be developed

In 2001, new guidelines have been prepared for the calculation of social assistance.

In the autumn of 2000, new rules governing the combination of work and pension for AFP pensioners (pensions fixed by collective agreements) were introduced. The change of rules has made semi-retirement less economic profitable for people with low and medium incomes.

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SWEDEN: The Swedish economy has experienced good development in both 1999 and 2000. The economic growth was 4.1 per cent in 1999 and 3.6 per cent in 2000.

When the Government assumed office in 1996, it was pointed out that the objectives were to reduce the unemployment rate by half to 4 per cent in 2000, and the Swedish Parliament supported this aim. At the time when the objective was fixed, the unemployment rate was about 8 per cent. During recent years, the unemployment rate declined for both women and men. At the same time, the number of participants in the trend-dependent labour-market measures decreased.

The aim of reducing the unemployment rate by half was achieved at the end of 2000, as the rate during the last three months of 2000 was 4 per cent or lower, with an unemployment percentage of 3.7 per cent in December 2000.

Although the total unemployment was reduced and the aims concerning the unemployment rate were achieved, there are still large differences in the unemployment situation from one group in the labour market to another.

In 2000, there was a continued growth in the employment rate. Compared with 1999, the average employment rate increased by about 90,000. According to the labour force surveys (AKU) the increase was highest at the end of the year. In relation to the 20-64 year-olds, the aim was that the employment rate reaches 80 per cent in 2004; it was 77.2 per cent, which was an increase of 1.3 per cent in relation to 1999, and 2.6 per cent in relation to 1998 where it was 74.6 per cent.

Almost all the employment growth from 1999 to 2000 in the private sector took place in the service sector, where there was substantial growth in the period 1999 to 2000.

The aim for the surplus on the public finances is 2.5 per cent of the GDP in 2002. In 2000, the surplus was 4.1 per cent of the GDP and for 2001, it is estimated to be 3.6 per cent of the GDP. The public debt in percentage of the GDP, is declining. In 1999, the public debt was 65.2 per cent of the GDP, but it was reduced to 55.6 per cent of the GDP during 2000.

The large surplus in the public finances has first and foremost been accumulated in the pension system. The aim is to be able to handle future increases in expenditure, to for example pensions, as the population ages.

The average life expectancy is still increasing, and there is no sign of it stagnating. In 2000, it was 82.1 years for women and 77.5 years for men.

In Sweden, the municipal sector (local and county authorities) is responsible for the social services. Following a decline in the employment rate during the period 1990 to 1997, the number of employees in municipalities and

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counties has begun to increase as from 1998. As local authorities to an increasing degree buy services by inviting tenders, the increase may be larger than can be seen from the employment statistics. Increased government grants and higher taxation will contribute to an increase in the employment in municipalities and counties in the future. The increase may, however, be smaller than expected on account of difficulties in recruiting labour in the municipalities.

A number of changes have been introduced in the Swedish social insurance system during the last two years. As part of the budget-restructuring programme the price-basic amount was reduced as from 1993 by 2 per cent in connection with calculation of pension benefits. As from 1999, old-age pension and the Labour-Market Supplementary Pension will again be calculated according to the full basic amount. Consequently, the real value of the old-age pension has increased. The basic amount for 1999 is called the price-basic amount. It was SEK 36,400 in 1999, 36,600 in 2000, and for 2001, it has been fixed at SEK 36,900.

The pension supplement to the old-age pension is maximum 56.7 per cent of the price-basic amount, the pension supplement to the anticipatory pension/illness supplement is 112.9 per cent, and in connection with widow's pension, transitional pension, prolonged transitional pension and special survivor's pension, the supplement is 62.9 per cent. As from June 1999 and up to and including November 2000, the supplement was increased by 1.4 per cent. With this increase, pensioners with low pensions received compensation for the high user payment in connection with pharmaceuticals. In connection with the budget discussions for 2001, it was decided that the temporary increase of the supplement should continue. The housing benefit and the special housing benefit for pensioners were also increased. The lower limit for the housing benefit of SEK 100 was removed and the upper limit increased from SEK 4,000 to SEK 4,500 per month. For most pensioners receiving housing benefit, this change meant an increase in the housing benefit of between SEK 1,080 and SEK 6,480 per year. Apart from the general housing benefit, there is also the special housing benefit to pensioners. This benefit has been structured in such a way that pensioners are ensured a reasonable level of existence after that housing costs, up to a certain level, have been paid. Up to and including 2000, this limit was SEK 5,200 per month, but as from 2001, it increased to SEK 5,700 per month, at the same time as the limit for a reasonable level of existence increased by 6 per cent. For pensioners receiving special housing benefit, the change resulted in an increased benefit of between SEK 2,400 and SEK 8,400 per year.

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As from 1 January 2000, new rules were introduced for the parent insurance in connection with multiple births. For each child exceeding the second (triplets, quadruplets, etc.), parent benefits are payable according to the rates for sickness benefits for a total of 180 days.

Child allowance and study grants were increased from SEK 750 to SEK 850 per month as per 1 January 2000. The multiple births supplement will also be increased by SEK 227 per month for the third child, SEK 680 for the fourth child and SEK 850 per month for the fifth and each additional child. As from 1 January 2001, the child allowance and the study grant will be increased by another SEK 100 to SEK 950. The multiple births supplement will be increased relatively by the same amount.

The rules governing maintenance allowance will be changed as from February 2000. The changes concern the calculation of the amount, which the contributor must pay. Contributory parents, who have very low incomes, do not have to pay if their income is below SEK 80,600. The percentage used for the calculation will be increased for each child from 10 to 14 per cent for two children from 6.25 per cent to 11.5 per cent per child, and for three or more children from 5 to 10 per cent for each child.

As from July 2000, an employer may pay for an employee's transport to and from work instead of paying sick pay. Those days will be included in the sick-pay period. The sickness insurance fund assumes responsibility for the payment in connection with illness after two weeks, irrespective of the employee having been paid sick pay or payment of transport by his employer. Moreover, people without fixed jobs may be paid sickness benefit, depending on how the person in question worked prior to his illness. The scheme applies to people who have had a number of short employment periods where it is impossible to calculate how that person has been working during the first two weeks of the period of illness. So far, such people have not been entitled to sickness benefit within the first two weeks of illness.

The Government is working on a long-term plan to eliminate poverty traps and to reduce the marginal effects. This effort was intensified at the end of the 1990s and at the beginning of 2000. The measure to reduce the marginal effects means motivating people to shift from unemployment to work and to ease the transition from part-time work to full-time work for those who want. According to the calculation in the allocation appendices to the Budget of the year (Prop.2000/2001:100, Appendix 4) the marginal effect will be reduced from 1996 on. The calculated average level of marginal effect in 2001 reaches 45.5 per cent, which is 7.7 per cent lower than in 1996. The reduction, which mainly started in 1999, is first and foremost

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due to the unemployment rate declining during that period. This results in a decrease in the extent of the income-related benefits (social assistance and housing benefits), which contributes to a reduction of the total marginal effects.

In spite of the reduction during recent years, the calculated marginal effect in 2001 is still higher than what was previously calculated for 1991. In February 2001, the Government was presented with a report on family policy ("Ur fattigdomsfällan" SOU2001:24). In the report it is stressed that it is first and foremost families with low incomes, and especially single parents, who are affected by the total marginal effect. The housing benefit contributes by 20 per cent to the total marginal effect. For families with children who receive housing benefits, the average marginal effect will be about 68 per cent.

The maximum tax, which will be introduced as from 2001, will result in a reduced marginal effect for many families with children. An important part of the proposal, from an employment-related view, is that children of unemployed parents will be offered pre-school activities already from the 1 July 2001. This is aimed at enhancing the possibilities for parents with young children of seeking employment in an efficient way and to accept job offers. The reform concerning maximum tax will reduce the marginal effects, especially for single parents. The reform will also contribute to increasing equal opportunities for men and women in the labour market, as high marginal effects especially affect women, single parents and people with low incomes. The general user payments were introduced successively from 1993 and may now constitute up to 7 per cent. As part of reducing the marginal effects, a reform of the income tax system was initiated in 2000. The reform will result in a gradual extended compensation of the general pension expenditure, as well as a reduction of the number of people paying state tax of their income from work.

Chapter 2

Method

The present report follows the structure and definitions of the ESSPROS¹ nomenclature. The overall definition in *Social Protection in the Nordic Countries* was, however, previously almost identical to that used by EUROSTAT.

EUROSTAT uses the following order: Illness; Disabled People; Old Age; Survivors; Families and Children; Unemployment; Housing Benefits; and Other Social Benefits.

For the sake of continuity, NOSOSCO has decided to keep the original order in its description of the social protection systems, which is as follows: Families and Children; Unemployment; Illness; Old Age, Disability and Survivors; Housing Benefits; and Other Social Benefits. Old Age, Disability and Survivors are described together in one chapter of three sections, as pensions and services provided to these groups are interrelated, both at the regulatory and at the organizational level.

Further on the ESSPROS Classification

The main features of ESSPROS are the following: the overall classification is made according to *schemes* to illustrate whether these schemes cover all of a population or only part of it. Furthermore, it must be evident who the decision makers are, whether or not the schemes are subject to payment of contributions, and whether the schemes are voluntary or statutory. EUROSTAT has not previously published figures according to *schemes*, but merely lists of schemes for each country defined by the individual countries within the framework of ESSPROS.

ESSPROS classifies schemes that cover an entire population, irrespective of affiliation with the labour market (*universal schemes*), benefit schemes that cover only the labour force (*general schemes*), and special benefit schemes

¹ESSPROS = European System of Integrated Social Protection Statistics.

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(*special schemes*) that cover only part of a population. The countries define which national schemes fall under the individual *schemes* within the framework of ESSPROS. A distinction is made between *basic schemes* which cover the statutory benefits to the population, and *supplementary schemes* which are benefits provided in addition to the basic amounts, etc., or which extend the coverage of a *basic scheme*.

EUROSTAT gathers tables (data) for each function, including sub-classifications, which depend on each item of expenditure being classified according to a *scheme*, in addition to two main tables covering revenue and expenditure in connection with social benefits and services.

Definitions

Both in the previous versions of *Social Protection in the Nordic Countries* and in ESSPROS, statistics have been based on the notion that they should primarily include all public transfer incomes and service measures aimed at insuring citizens in certain specific situations as well as against the consequences of certain types of social occurrences. Also included are schemes that are compulsory for large groups of people as a result of collective or other kinds of agreements.

The statistics concern current running costs. As a rule, investment spending and tax reductions are not taken into account.

It should be noted that the OECD calculations of expenditure on the health sector (social services in connection with illness) differ considerably from the calculations found in the ESSPROSS system and in the present publication. While it in ESSPROSS is endeavoured to obtain as accurate information on the expenditure on the social services to the elderly and the disabled as possible, the majority of this expenditure has in the OECD calculations been calculated under expenditure on the health sector. Besides, the expenditure in the ESSPROSS calculations is net expenditure, whereas it in the OECD calculations is gross expenditure (i.e. including investments, user payment, etc.).

Social Benefits

The definition of a social benefit is a benefit that is of real advantage to the recipient. This means that the recipient does not pay the market price or the

full running costs for services. That the recipient, by being affiliated with an insurance scheme, has paid contributions – and thereby in reality has financed, fully or partly, what he receives – is of no significance in this context.

The benefits must present a direct value to the citizens. Consequently, subvention to trade and industry, e.g. in the shape of subsidies to housing construction, is not regarded as social benefits.

Registration

Accounts from public authorities and other social administrations are, wherever possible, used in the registration of expenditure and revenue. In some cases, the expenditure and financing will, however, have to be given as calculated amounts. In other cases, the required specification cannot be made on the basis of the national accountancy systems, and consequently the figures have to be broken down on the basis of estimates.

In cases where user charges are payable for social services, the expenditure is registered after deduction of such charges. The expenditure on such social services is consequently not the total running costs, but the net amount for the body in charge of the service in question.

Financing

Incoming funds or contributions to the financing of social expenditure are made up of means deriving from public authorities, employers and insured individuals or households. The incoming funds are used for current payments in the course of the year, and in some cases also for the establishment of funds to ensure future payments. According to need and rules, these funds also cover current payments.

Yield on funds in the shape of income from interest and property can first and foremost be found in relation to pensions. Where transfers are made to funds, and where means from funds have been used for the financing of the current social expenditure, these are listed by net amounts in the expenditure statistics.

Benefits from public authorities payable only to their own employees are regarded as benefits payable by an employer. Certain benefits payable by employers to their employees, such as sickness benefit for part of a period of illness, are regarded as being financed by an employer, even though such benefits in other connections are regarded as part of the employees' salaries.

METHOD

Charges payable by citizens (user charges) for social services have not been included in the social expenditure tables. Yield on real property is included as part of the financing according to ESSPROS's method of calculation.

Specifications

Specification of the individual expenditure entries can be downloaded from NOSOSCO's homepage (cf. the colophon).

Administration Costs

In the present report, administrative costs are listed as one single entry. In principle, only expenditure on direct administration of the social expenditure is listed. It is, however, not always possible to separate administrative costs from other wage/salary or running costs.

Typical Cases

To illustrate the compensation payable in connection with various social occurrences, calculations have been made for different types of families and income levels as to the compensation level of a number of benefits. The calculations are based on the earnings of an 'Average Production Worker' (APW), calculated by the OECD.

A detailed description of the typical cases can be found in Appendix 2 of the present report. The calculations concerning the typical cases can be downloaded from NOSOSCO's home page (cf. the colophon).

Calculation of Distribution of Income

In order to illustrate further the significance of social cash benefits to the distribution of income, information on the composition and distribution of disposable incomes for households in the Nordic countries have been included in Chapters 3, 4 and 7, respectively. A household consists of adults and any children living at one and the same address, irrespective of the children's ages. The data are based on representative samples of the populations in each of the countries. Based on these population segments, calculations have been made of the income distribution. Data have been retrieved in respect of each individual population segment from administrative records and special surveys on income, tax, social benefits and services, family types, etc. In respect of Iceland, only data concerning the disposable incomes for households over and under 65 years, respectively, have been included in chapter 7.

The basis for the calculations for the tables and figures can be seen in Appendix 1.

The spreadsheets, on which the tables and figures in the present report are based, concerning distribution of income can be downloaded from NOSOSCO's home page (cf. the colophon).

Purchasing Power Parities

Purchasing power parities (PPP) are defined as the currency conversion factor corresponding to the purchasing power of the individual currencies. This means that a certain amount, when converted from different currencies by means of PPP factors, will buy the same amount of goods and services in all the countries.

The PPP calculations have partly been used in the comparison of social expenditure, partly in the comparison of compensation levels in connection with various social occurrences.

The PPP calculations used in the present report are in PPP-Euro. The final 1998 estimates have been used, as the 1999 estimates are not yet available. The estimates for the individual countries are as follows: Denmark 9.28; Finland 6.958; Iceland 91.97; Norway 10.45 and Sweden 10.85. In the calculations in the tables of income distribution, which are based on 1998 data, estimates for 1998 have also been used.

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Ways of Comparing the Nordic Countries with Europe

In the other Western European countries (the EU Member States), a substantial expansion of the social protection systems has generally taken place during the past decades. Comparing the Nordic countries with the EU Member States presents some difficulties, but can be done when it comes to the data on social expenditure gathered by EUROSTAT, the statistical office of the EU.

The introductions to the various chapters contain tables of the social expenditure in the respective fields, seen in relation to the overall social expenditure.

Chapter 3

Population and Income Distribution

Population

The demographic composition of the populations in the Nordic countries varies somewhat from one country to another, which is significant both in relation to the need for minding facilities for infants, activities for young children and adolescents, number of unemployed people and their age groups, number of old-age pensioners, as well as the need for care and nursing of the oldest age groups.

While the birth rate in Denmark, Iceland and Norway remained stable during the 1990s, the number of births in both Finland and Sweden decreased.

In relation to the period 1981-1990, the number of births in Denmark and Norway was higher during the last 10 years, which increased the need for child minding in those countries.

At the same time, the number of people in the oldest age groups increased and consequently also the need for care and nursing. There are, however, marked differences between the countries and between the two sexes. In all the countries, there are more women than men in the oldest age groups, which naturally results in many women living alone during their last years.

Of the Nordic countries, Sweden has the oldest population and Iceland the youngest. In relation to the rest of Europe, the average figures for the EU countries show a marked decrease in population in respect of the youngest age groups, and the trend towards there being more people in the oldest age groups, in particular as far as women are concerned, is also found in the EU countries as a whole.

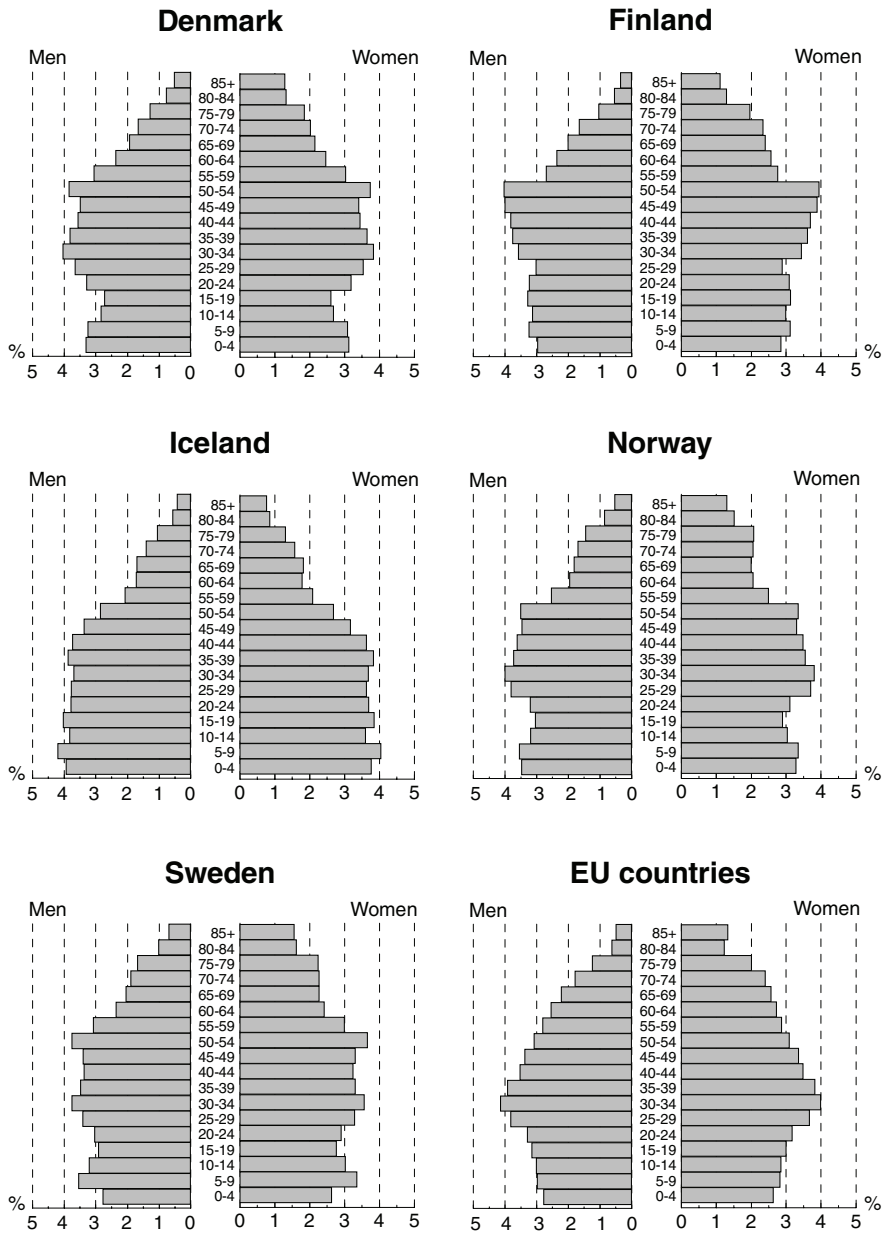
POPULATION AND INCOME DISTRIBUTION

Table 3.1 Mean population by sex and age, 1999

	Denmark		Finland		Iceland		Norway		Sweden	
	1,000	Per cent	1,000	Per cent	1,000	Per cent	1,000	Per cent	1,000	Per cent
<i>Men</i>										
0-6 years	247	9	220	9	16	11	218	10	335	8
7-17 »	337	13	366	15	24	18	319	14	637	15
18-24 »	235	9	233	9	15	11	198	9	369	8
25-49 »	987	38	940	37	51	37	831	38	1,541	35
50-64 »	494	19	470	19	18	13	357	16	828	19
65-79 »	261	10	244	10	12	8	222	10	505	12
80- »	68	3	46	2	3	2	63	3	164	4
Total	2,628	100	2,519	100	139	100	2,208	100	4,379	100
<i>Women</i>										
0-6 years	235	9	212	8	15	11	206	9	319	7
7-17 »	320	12	350	13	23	17	303	13	602	13
18-24 »	228	8	223	8	15	11	192	8	354	8
25-49 »	952	35	907	34	50	36	798	35	1,481	33
50-64 »	494	18	481	18	18	13	354	16	818	18
65-79 »	322	12	348	13	13	9	274	12	606	14
80- »	139	5	125	5	5	3	126	6	300	7
Total	2,691	100	2,646	100	138	100	2,254	100	4,480	100
<i>Men and women</i>										
0-6 years	482	9	432	8	30	11	424	10	654	7
7-17 »	657	12	716	14	47	17	622	14	1,239	14
18-24 »	463	9	457	9	30	11	389	9	723	8
25-49 »	1,940	36	1,847	36	101	36	1,630	37	3,022	34
50-64 »	987	19	950	18	37	13	711	16	1,646	19
65-79 »	583	11	592	11	25	9	496	11	1,111	13
80- »	207	4	171	3	7	3	189	4	464	5
Total	5,319	100	5,165	100	277	100	4,462	100	8,859	100

POPULATION AND INCOME DISTRIBUTION

Figure 3.1 Population by sex and age as percentage of the total population, 1999



Income Distribution

Several previous studies have shown that the differences in the income level are smaller in the Nordic countries than those in most of the OECD countries. Figure 3.2 shows the distribution of the disposable household income for each country in 1998, broken down by quartiles.

The quartiles have been calculated on the basis of the equivalent disposable income. The first quartile is composed of the households with the lowest incomes, whereas the households with the highest incomes constitute the fourth quartile.

As can be seen from the figure, the distribution of income among the households is relatively homogenous in the Nordic countries.

Figures 3.3 and 3.4 show the average disposable incomes for single people and couples, respectively, broken down by quartiles, converted into PPP-Euro. They also show the distribution on factor income and social services and benefits in per cent of the gross income, as well as the tax in per cent of the gross income in 1998.

The quartiles have been fixed on the basis of the disposable incomes for the total number of households. As was the case in Figure 3.2, equivalent incomes have been used.

The average disposable income for single people is highest in the first quartile in Denmark and lowest in Finland. In the fourth quartile, it is highest in Norway and lowest in Finland. For co-habiting couples, the disposable income in the first quartile is highest in Denmark and lowest in Sweden. In the fourth quartile, it is also highest in Denmark and lowest in Sweden.

The proportion of the social benefits of the gross income is for all countries largest for the households with the lowest disposable incomes, and smallest for the households with the highest disposable incomes. The social benefits are in other words contributing to the elimination of differences in the incomes. In all the countries social benefits constitute a relatively large part of the gross incomes in the lowest quartile for single people. For couples with children, social benefits constitute a relatively large part of the gross income in the lowest quartile in Denmark, and to some extent also in Finland, Norway and Sweden. Social benefits also constitute a considerable part of the gross income in the higher quartiles for single people and couples with children in Finland and Sweden.

In all the countries, social cash benefits constitute a larger part of the gross income for all single people than for all couples with children. This is mainly due to the number of pensioners and other households who receive transfer incomes being larger for single people than it is for couples with children.

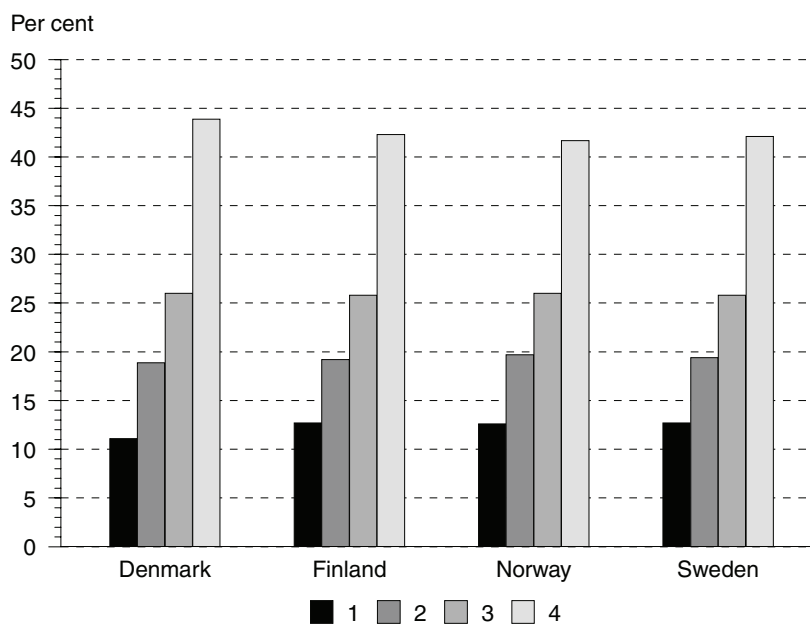
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The tax share of the gross income is in all the countries lowest for the households with the lowest disposable incomes and highest for the households with the highest disposable incomes. Consequently, the tax system is contributing to the elimination of the differences in the income levels.

The tax share of the gross income is higher in Denmark than in the other countries. This is due to the fact that employers' social contributions play a significantly larger role in the financing of public benefits in the other Nordic countries (cf. Chapter 10). Differences in the taxation of social benefits from one country to another are also relevant (cf. Chapter 11).

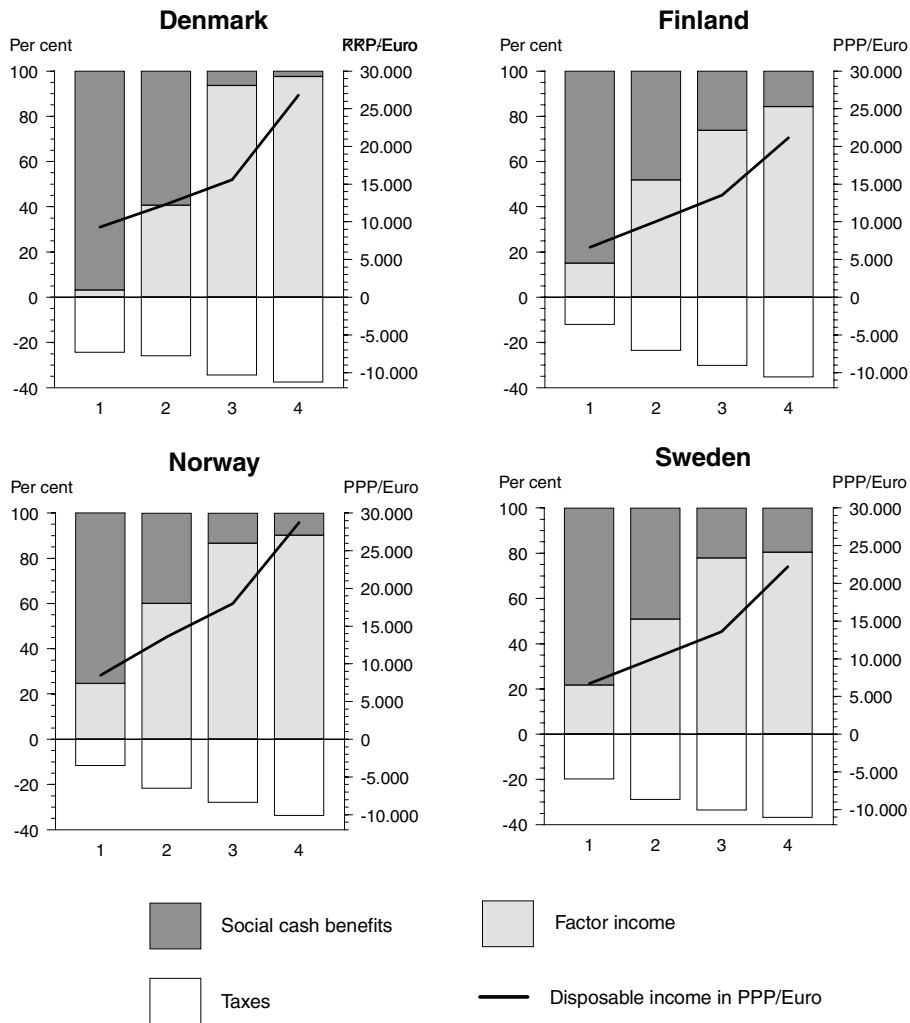
A more detailed description of the calculation basis can be found in Appendix 1.

Figure 3.2 Distribution of household incomes by quartiles, per cent, 1998



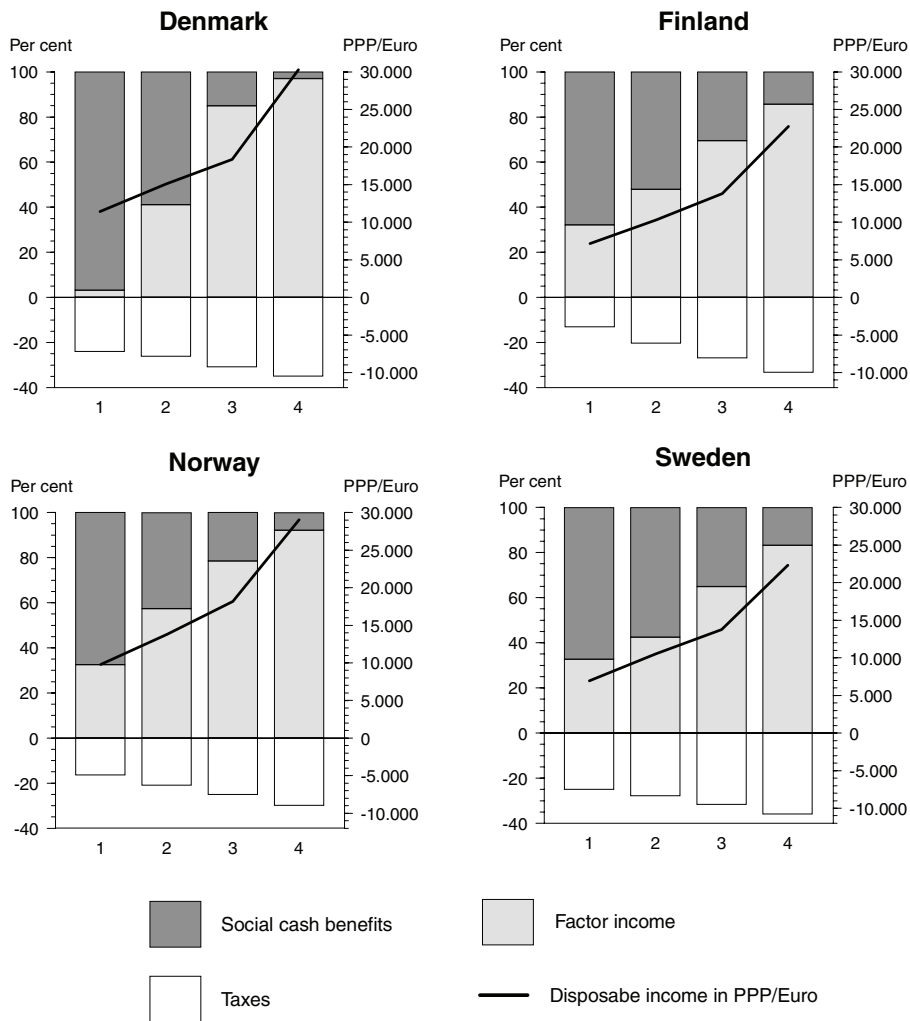
POPULATION AND INCOME DISTRIBUTION

Figure 3.3 Average disposable income in PPP-Euro, distribution in per cent of the gross income on factor incomes, social cash benefits and taxes as percentage of the gross income, broken down by quartiles, 1998; single people



POPULATION AND INCOME DISTRIBUTION

Figure 3.4 Average disposable income in PPP-Euro, distribution in per cent of the gross income on factor incomes, social cash benefits and taxes as percentage of the gross income, broken down by quartiles, 1998; married and cohabiting couples



Chapter 4

Families and Children

While the Nordic countries spend almost identical amounts of the total social expenditure on families and children, somewhat larger differences can be seen in the expenditure patterns in the EU countries.

Table 4.1 Expenditure on families and children as percentage of the total social expenditure in the EU, Iceland and Norway, 1998

Denmark	13.0	Austria	10.0	Italy	3.6
Finland	12.8	Belgium	8.5	Luxembourg	14.1
Iceland	12.6	France	9.8	The Netherlands	4.5
Norway	13.3	Germany	10.1	Portugal	5.3
Sweden	10.8	Greece	8.1	Spain	2.1
		Ireland	12.7	United Kingdom	8.6

Note: The source is EUROSTAT: *Social Protection Expenditure and Receipts. European Union, Iceland and Norway, Edition 2001.*

A characteristic feature of Nordic families is that there are relatively many single parents. In all the countries, there are considerably more single mothers than there are single fathers. The large number of single parents reflects the frequent collapses of the family structure.

The Nordic countries also differ from the other European countries in that the participation rate among women is high (cf. Chapter 5). This increases the need for child-minding options during parents' working hours.

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Table 4.2 Families by family type, 1999

	Denmark ¹⁾	Finland	Iceland ²⁾	Norway ³⁾	Sweden ⁴⁾⁵⁾
<i>Number of families with children aged 0-17 years (1,000)</i>	648	620	41	573	1,140
Percentage of whom are:					
– Married couples	64	66	55	63	} 80
– Cohabiting couples	18	15	21	15	
– Single parents	18	19	24	22	20
Total	100	100	100	100	100
<i>Number of families without children (1,000)</i>	2,222	2,130	..	1,500	2,437
Percentage of whom are:					
– Married couples	28	25	23	} 32	} 36
– Cohabiting couples	8	8	3		
– Single people	65	67	74	68	64
Total	100	100	100	100	100
<i>Number of single parents with children (per cent):</i>					
Men	13	12	7	12	23
Women	87	88	93	88	77
Total	100	100	100	100	100
<i>Number of single people without children (per cent):</i>					
Men	50	48	55	48	59
Women	50	52	45	52	41
Total	100	100	100	100	100
<i>Average number of people per family</i>	1.8	1.9	2.9	2.0	2.0

1 Furthermore, there are 15,328 families consisting of children under the age of 18 living outside of their homes.

2 Children aged 0-16 years.

3 1998.

4 Figures taken from labour-force surveys performed by Statistics Sweden. The data have been calculated on the basis of a selection of about 17,000 individuals per month. The number of people per family has been calculated by dividing the number of households with persons between 18 and 64 years by the total population under 65 years.

5 Cohabiting couples included under married couples.

The significance of social cash benefits to the disposable incomes of families with and families without children appears from Figure 4.1. The figure shows the distribution of gross income on factor income and social cash benefits for families and single people with or without children, respectively.

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Figure 4.1 Income structure in 1998 for single people and for couples aged 20-44 years

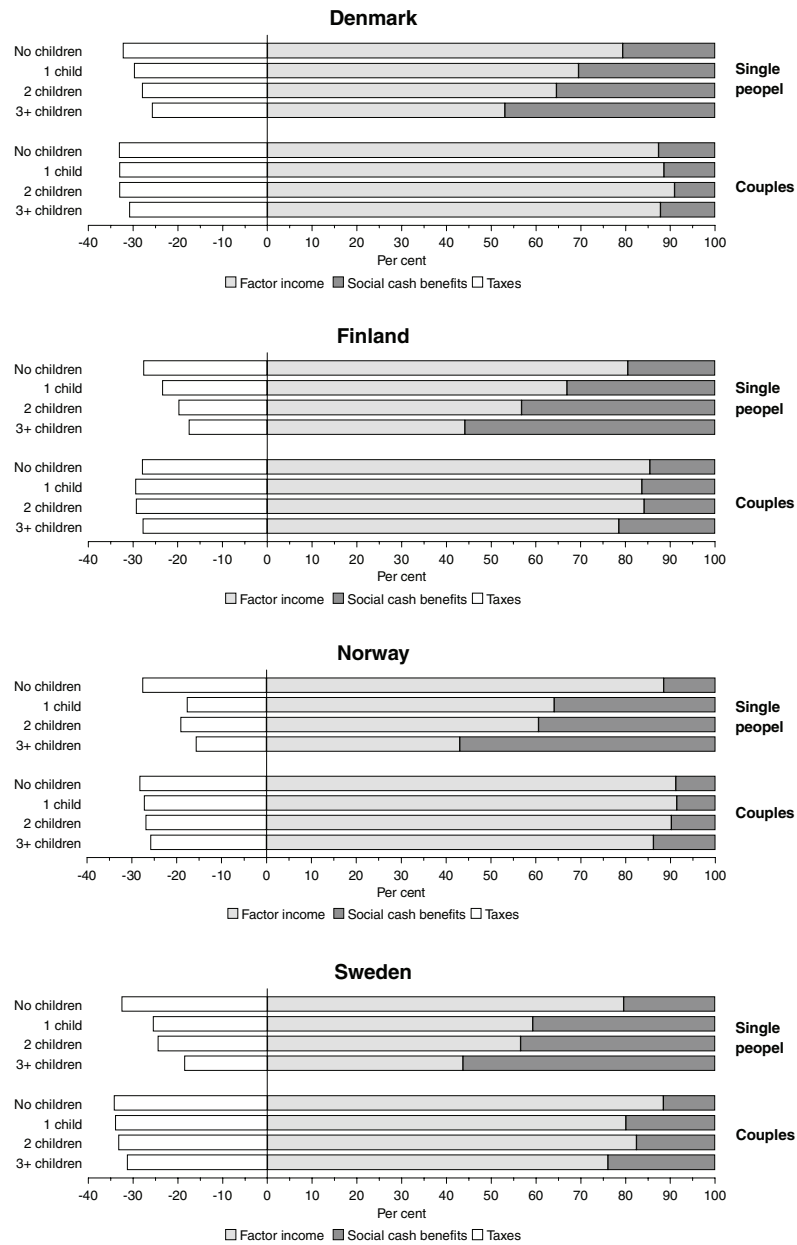


Table 4.3 Index for disposable incomes for single people and married or cohabiting couples with or without children, respectively, and total disposable incomes in PPP-Euro for all in the age group 20-44 years, 1998 (total disposable income = 100)¹⁾

	Denmark		Finland		Norway		Sweden	
	Single people	Couples	Single people	Couples	Single people	Couples	Single people	Couples
<i>Index for disposable income</i>								
No children	103	107	102	104	101	114	102	115
1 child	90	102	91	102	99	103	91	99
2 children	76	96	97	99	99	96	90	96
<i>Total disposable income in PPP-Euro</i>								
Total	13,076	19,713	10,631	14,532	14,394	19,711	10,460	14,442

1 The basis for the calculations is the equivalent disposable income.

The relative income level for single people and couples with or without children, respectively, appears from Table 4.3, the average disposable income for all single people and all couples with children having been fixed at 100. In this connection, a family consists of adults and children living together at one and the same address, irrespective of the children's ages. Families with children are defined as families with children of the age group 0-17 years living at home. Equivalent incomes have been used in the comparison.

As appears from Table 4.3, the equivalent disposable incomes for childless families are higher than are the disposable incomes for families with children. It is furthermore characteristic of both single parents and couples with children that the disposable income is lower, the more children there are in a family. This does not, however, apply to single parents with two children in Finland.

The income level for couples without children is relatively high, seen in relation to couples with children, in Norway and Sweden.

From Figure 4.1 it appears that in all the countries social cash benefits represent a considerably larger part of the gross income for single people than is the case for couples. In particular for single people, social cash benefits represent a larger part of the gross income for families with children than is the case for families with no children. It is also characteristic that the more children there are in a family, the larger the part of the gross income is represented by social benefits - and similarly, the more children there are in a family, the smaller is the part represented by tax of the gross income.

In all the countries, social benefits and taxes contribute to levelling off

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the differences in factor incomes between single people and couples, between families with children and families without children, and between families with one child and families with two or more children. For couples with children, social cash benefits play the most important part in Sweden and the least important part in Norway. In all the countries, the social cash benefits constitute a considerable part of the gross income for single providers.

The differences in the significance of social cash benefits to the individual family types are results of two different factors: firstly, the composition of the social benefits payable to families with children; it is essential that special benefits are granted to single parents in all the countries (with the exception of Sweden), and that the benefits per child in all the countries (with the exception of Denmark) increase concurrently with the number of children in a family. Secondly, the differences are consequences of differences in for example the extent of unemployment in the various families. This is significant to the differences between single people and couples, as the unemployment rate is generally higher among single people than among couples. Within the age group 20-44 years, single people are normally younger than are couples, and consequently there are more students receiving student grants among single people.

Cash Benefits to Families and Children²⁾

Daily Cash Benefits in Connection with Childbirth and Adoption

– *Financial support to all families in connection with childbirth and adoption*

In all Nordic countries, compensation is granted to cover loss of income in connection with childbirth during the last few weeks prior to and the first months following childbirth. In all the countries, a similar benefit is payable in connection with adoption.

In all the countries, with the exception of Iceland, the benefit payable is based on previous earnings. In Denmark, Finland, Iceland and Norway, public-sector employees and some private-sector employees receive full pay during the first months following childbirth. Non-public employees in Iceland receive a fixed amount irrespective of their income, but the amount depends on the rate of employment (full-time or part-time employment).

Only mothers qualify for the benefit payable prior to childbirth, whereas in all the countries, the benefit payable after childbirth may be granted to fathers rather than to mothers, but according to somewhat varying schemes.

In Denmark, one must be affiliated with the labour market in order to receive the benefit, either by being self-employed, a wage earner or a recipient of unemployment or sickness benefits according to specific rules.

In the other Nordic countries, people who are not affiliated with the labour market also qualify for a benefit. In Finland, Iceland and Sweden, however, only a small amount is awarded, and in Norway, the benefit is a non-recurrent payment.

In Denmark, Finland, Iceland and Sweden, fathers are also entitled to daily cash benefits for a number of days immediately following childbirth at the same time as mothers receive maternity benefit. In Norway, four weeks

² Pensions payable to children who have lost one or both parents are described in Chapter 7 together with the other pensions. Special benefits that are granted as supplementary social benefits to families and children are described in Chapter 9.

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Table 4.4 Rules governing payment of income-substituting cash benefits in the event of childbirth as per December, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Working (employees)</i>					
Maximum number of weeks in which maternity benefit is payable	30	44	26 ²⁾	52 ³⁾	Approx. 64
- Maternity benefit to mothers before birth (weeks):	4 ¹⁾	5-8	4	Max. 12	Approx.9
<i>Maternity benefit (weeks)*:</i>					
- Only mothers	18	18	4	9	4
- Only fathers	2	-	-	4	4
- Either mother or father	10	26	22	29/39	Approx. 56
<i>Additionally:</i>					
- Father together with mother	2	3	2 ²⁾	2 ⁴⁾	2
Benefit taxable?	Yes	Yes	Yes	Yes	Yes
<i>Not working</i>					
Maximum number of weeks in which maternity benefits are payable	.	44	26 ²⁾	Non-recurrent payment	Ca. 64
Benefit taxable?	.	Yes	Yes	No	Yes
Leave period sharable with father?	.	Yes, but for a max. of 26 weeks	No	Yes ⁵⁾	Yes

* NB: The weeks that mothers may be reimbursed before giving birth, are included in the total number of reimbursable weeks.

1 The period may be prolonged in case of a difficult pregnancy, or if work is a risk to the foetus. Public-sector employees and some private-sector employees are entitled to maternity leave with pay for eight weeks prior to birth according to collective agreements.

2 The period may be prolonged, if either the mother or the child is suffering illness.

3 42 weeks with a compensation level of 100 per cent or 52 weeks with a compensation level of 80 per cent.

4 Fathers are entitled to two weeks of leave without pay in connection with childbirth. The two weeks may either be taken just before the child is born or immediately after. Entitlement to two weeks leave without pay does not apply in the event of adoption. In the public sector and in large parts of the private sector there are, however, collective agreements granting compensation for the two weeks.

5 A father is entitled to a non-recurrent payment if a mother has died and/or he has assumed sole custody.

Table 4.5 Amount of income-substituting cash benefits in the event of childbirth as per December, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Working (employees)</i>					
Amount of maternity benefit (per week) in per cent of previous income	100	Normally 70	.	100/80	80
Income ceiling per week for full compensation in national currency ¹⁾	3,048	.	.	5,417	5,250
Income ceiling per week for full compensation in PPP-Euro ¹⁾	329	.	.	518	484
Min. amount per week in national currency	.	360	12,165 ²⁾	618 ³⁾	420
Min. amount per week in PPP-Euro	.	52	132	57	39
Max. amount per week in national currency	2,758	.	16,862 ²⁾	5,417/ 4,334	4,186
Max. amount per week in PPP-Euro	297	.	183	518/ 415	386
<i>Not working</i>					
Amount of maternity benefit (per week)	.	360	7,468	618	420

1 The income ceiling is the income limit (previous income) in relation to which the maternity benefit is calculated. The calculation of the income ceiling is made in accordance with differing principles in the various countries.

2 The amount of the maternity benefit depends on the amount of work carried out during the 12 months prior to the confinement. The minimum amount will be payable after between 516 and 1,031 hours of work, and the maximum amount after 1,032 hours or more.

3 Calculated as maternity benefit for gainfully employed people the benefit amounts to NOK 451 and NOK 361, respectively. However, there is a guaranteed minimum amount equal to the non-recurrent payment of NOK 32,138, corresponding to NOK 618 per week.

of the birth/adoption period are reserved for fathers. Fathers are furthermore entitled to two weeks of unpaid leave in connection with confinement. In the public sector and in large parts of the private sector there are, however, collective agreements granting compensation for the two weeks.

The period in which daily cash benefit is payable in connection with birth and adoption is generally relatively long in the Nordic countries. Maternity leave is, however, significantly longer in Sweden than in Iceland and Denmark.

The compensation level in connection with childbirth also varies considerably from one country to another. Figure 4.2 shows the disposable income

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at five different income levels, i.e. for a single childless employed person and for a single mother receiving maternity benefit.

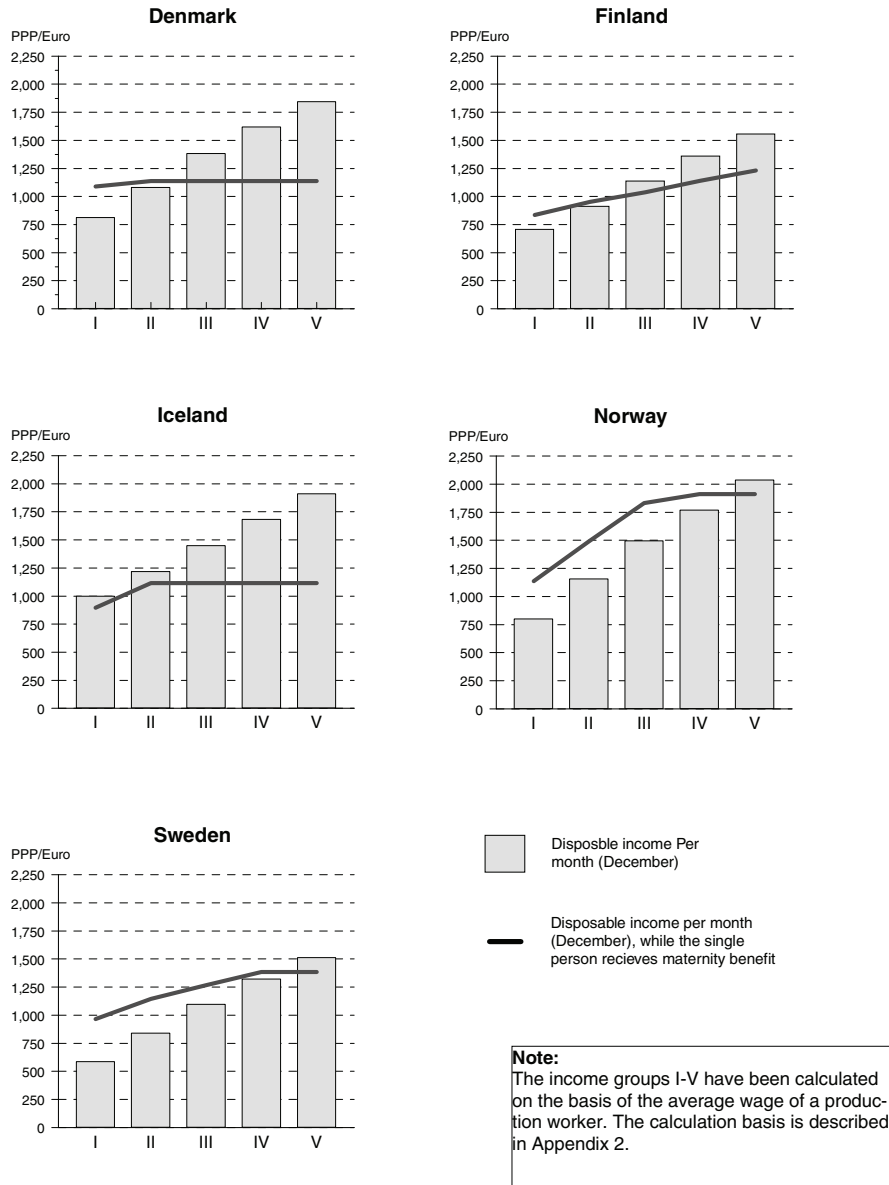
Figure 4.3 shows the disposable income at four different income levels. The calculation has been made for a couple with no other children than the newborn and for a couple who already has two children. The compensation level is the amount of the disposable income where the person earning the most receives maternity benefit, stated in per cent of the disposable income, where both are gainfully employed.

As can be seen from Figure 4.2, the compensation level is higher than the previous wages for single parents in the lowest income brackets in all the Nordic countries, with the exception of Iceland. This is primarily due to the child allowances payable for newborn children, but also to the housing benefit being higher for families with children than it is for childless families. Something similar applies to couples, cf. Figure 4.3.

In respect of couples with two children besides the newborn, the high compensation level in the lowest income groups (in particular in Sweden) can be attributed to the payment for places in day-care institutions for the other two children being lower when the parent earning the most receives maternity benefit. This is also a contributing factor to the compensation level to people from the lowest income groups being higher for families with two children than it is for childless families.

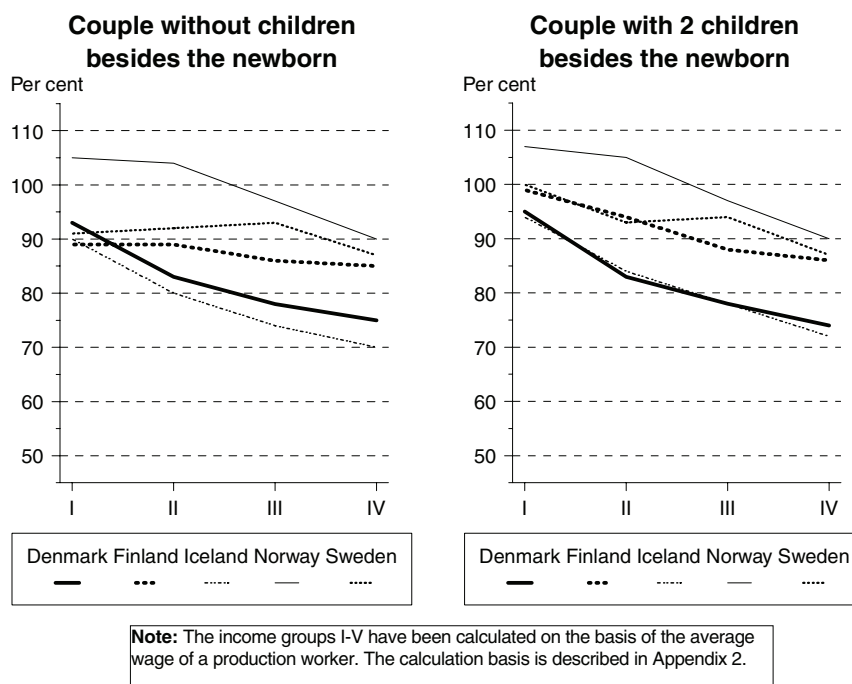
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Figure 4.2 Disposable income for a single parent with a newborn child, 1999



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Figure 4.3 Disposable income while receiving maternity benefit as percentage of disposable income when working, 1999



The compensation levels also depend on the level of the daily cash benefit seen in relation to previous income. As mentioned above, a fixed amount is payable in Iceland to both full-time and part-time employees, irrespective of income. Besides, public employees and some private employees are paid in full for the first months following childbirth. In the other countries, the daily cash benefit is lowest in Finland and highest in Denmark and Norway, measured in relation to previous income (cf. Table 4.5). In Finland, in return, there is no upper limit to the level of daily cash benefits. In the other countries, the maximum daily cash benefit is highest in Norway and Sweden and lowest in Denmark.

These factors contribute to the compensation level generally being highest in Norway, also in respect of the upper income brackets. In Sweden and Finland, the compensation levels are also relatively high for the upper income brackets, whereas the level in Denmark, and in particular in Iceland, is relatively low for those groups.

Table 4.6 Recipients of daily cash benefits in the event of pregnancy, childbirth or adoption during the year, 1990-1999

	Denmark	Finland	Iceland ¹⁾	Norway	Sweden
Number of beneficiaries					
Men					
1990	34,499	27,338	75	645	104,356
1995	41,003	40,267	10	25,166	130,786
1998	39,934	40,477	1,108	31,235	137,750
1999	44,343	41,635	1,255	32,230	154,031
Women					
1990	80,108	110,518	5,404	51,949	295,080
1995	90,335	108,429	5,066	76,088	327,846
1998	84,293	98,934	5,004	76,976	286,882
1999	83,125	97,883	4,900	78,882	271,679
<i>Number of benefit days</i> <i>(1,000)</i>					
1990	12,523	16,900	725	5,149	50,607
1995	14,385	16,947	688	10,699	52,212
1998	13,566	15,381	671	10,992	37,709
1999	13,503	15,313	659	10,989	37,438
Of which men, percentage					
1990	4.1	2.4	..	..	8.8
1995	4.4	3.6	0.1	5.8	10.3
1998	4.8	3.9	2.3	7.0	11.6
1999	5.4	4.0	3.2	7.0	12.8

1 Mothers who receive full pay from their employers are not entitled to daily cash benefit during maternity leave. Of the 4,900 mothers receiving daily cash benefit in 1999 3,314 received daily cash benefit due to giving birth in 1999; 698 other mothers who gave birth in 1999 were not entitled to daily cash benefits as they received full pay during the maternity period.

It is characteristic that more and more men make use of the leave schemes in connection with childbirth or adoption. However, both the number of recipients and the number of days in which maternity benefit is received vary considerably from one country to another.

This partly reflects differences in the coverage of the schemes, partly in the duration of the period in which one is entitled to that benefit. In Denmark, fathers' entitlement to paternity benefit was extended by two weeks as from 1998. As per 1 January 1998, Icelandic fathers obtained an independent entitlement to paternity leave for two weeks within the first eight weeks of childbirth. Norway has seen a rise in the number of men receiving daily cash benefits. This is due to both a scheme from 1993 giving men an exclu-

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sive right to four weeks of leave with daily cash benefits as well as a 'time-account' scheme that since 1994 has allowed for flexible use of leave of absence with daily cash benefits. The Swedish figures are not comparable with those from the other countries, as the benefit is payable for more days per child than is the case in any of the other countries. Besides, parents may be entitled to a daily cash benefit until their child reaches the age of 8 years. In 1999, 83 per cent of the total amount of days for which parental daily cash benefit was paid concerned children under the age of two years. For women about 86 per cent of the days were for children under the age of two, and for men, it was about 56 per cent.

Cash Benefits to Parents Minding Children

– Entitlement to leave of absence for child minding

In Denmark, parents with children under the age of nine are entitled to child-minding leave. In 1999, parents were entitled to 13 weeks of leave, but 26 weeks if the child was under one year old. In agreement with one's employer or the public employment service, a leave period may be prolonged to a total of 52 weeks. The leave scheme applies to both wage earners, self-employed and unemployed people. During a parental leave period, a child must not occupy a place in a public day-care facility if it is under the age of three years, and may only be in half-day care if it is between three and eight years old. The benefit payable during leave corresponds to 60 per cent of the maximum amount of the daily cash benefit. Moreover, local authorities may grant a supplementary benefit of up to DKK 35,000 per year. The average number of people on child-minding leave has since 1998 remained at about 20,000.

In Finland, parents are, after having received parental daily cash benefit for a while, entitled to choose between a place in a municipal day-care institution or an allowance towards minding of small children. The allowance may be granted either as a supplement towards child minding in the home or a supplement towards private child minding. The allowance towards child minding in the home is payable if a family has a child under the age of three years. The allowance may consist of a basic amount and a supplement. The basic amount is FIM 1,500 per month for a child under three years and FIM 500 per month for each additional child under three years. For other children of pre-school age, the allowance amounts to FIM 300 per month.

The supplement (FIM 1,000) will only be granted for one child and is subject to the family income. At the end of 1999, child-minding allowances were being paid for 127,660 children. Allowance towards private child minding is described in the section on day-care institutions and family day care.

Parents may also choose to work reduced hours if they have children under the age of three. They will then be entitled to a partial minding allowance of FIM 375 per month.

In Iceland, there are no schemes for parental benefits in connection with child minding.

In Norway, there is a so-called time-account scheme. The scheme applies in the event of childbirth or adoption and makes it possible for part of the maternity benefit to be paid in combination with income from work for a period exceeding the standard periods of 42 or 52 weeks. Where 52 weeks of absence from work with 80 per cent of the pay have been chosen, a minimum of six and a maximum of 39 weeks must be used in combination with reduced working hours. Where 42 weeks with full pay have been chosen, between six and 29 weeks must be used in this way. The period of work may be fixed at 50, 60, 75, 80 or 90 per cent, and the rate of the maternity benefit payable as a supplement to the income will consequently be 50, 40, 25, 20 and 10 per cent, respectively. In 1999, 3,1 per cent of mothers and 7 per cent of fathers chose the time account. Three fourth of the women chose leave with a compensation level of 80 per cent. 31,689 fathers received daily cash benefit. Of these 3,830 fathers received paternity benefit for longer than the four weeks that are reserved for fathers.

In Norway, a cash benefit for one-year-olds was introduced on 1 August 1998 and for two-year-olds on 1 January 1999. The cash benefit amounts to NOK 2,263 per month and is granted per child without being subject to income or need; the benefit is exempt from tax and will not be reduced or shortened in the event that the beneficiary receive other public benefits at the same time. The Norwegian Parliament determines the amount of the cash benefit. The condition for receipt of the full amount is that no place is taken up in a state-subsidized kindergarten. A graduated benefit is payable if a child occupies a place in a kindergarten part-time.

In Sweden, parents are entitled to a parental benefit for 64 weeks in connection with childbirth. This period may be divided into several shorter periods until a child turns eight or has completed its first year at school.

In most of the countries, there are also schemes entitling parents to stay at home without pay to take care of their children.

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Minding of sick children

In all Nordic countries, parents are to some extent entitled to stay at home to mind a sick child. In Norway and Sweden, this right is governed by law and in the other countries by collective agreements.

In all the countries, parents themselves decide whether the mother or the father shall stay at home to take care of a child. In Sweden, it is also possible for an insured person other than one of the parents to take time off to mind a sick child and to receive daily cash benefit. In Norway, single providers are entitled to 20 days of absence and couples to 10 days of absence each to mind a sick child.

As to the length of the period in which one is entitled to stay at home to mind a sick child, the scheme is most generous in Sweden allowing 60 days per year per child, and least so in Denmark and Iceland.

In Denmark, Finland and Iceland, full wage compensation is given, however, in connection with child minding during short-term illness. In Norway, a benefit equivalent to the amount of sickness benefit is payable, while in Sweden, a compensation corresponding to 80 per cent of the income from work is payable.

In Denmark, Finland, Norway and Sweden, there are also special rules concerning minding of chronically or seriously ill children. Those rules are described in Chapter 7.

Child Allowance

– An allowance payable for all children

In all five countries, an allowance is payable for children. The allowance is tax free and independent of parents' income, with the exception of Iceland where the child allowance is means-tested. In Denmark, the allowance is payable until a child reaches the age of 18; in Finland, until a child reaches the age of 17; and in Iceland, Norway and Sweden, until a child reaches the age of 16 years - 20 years in Iceland and Sweden, however, if a child is receiving education. In all the countries, Central Government finances the child allowance.

Table 4.7 Rules governing child allowance 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Child allowance income-adjusted?</i>	No	No	Yes	No	No
Child allowance exempt from tax?	Yes	Yes	Yes	Yes	Yes
Same allowance granted for children of all age groups?	No	Yes	No	No	Yes
Supplements for any additional children?	No	Yes	Yes	Yes	Yes
Extra child allowance to single parents?	Yes	Yes	Yes	Yes	No

In Denmark and Iceland, the family allowance is higher for children between the ages of 0 and six years than it is for children over the age of six years. In Denmark, the allowance is furthermore higher for the 0-2 year-olds than it is for the 3-6 year-olds.

In Norway, a supplement is payable for children aged 1-3 years, as well as supplements for children living in the Finnmark and in certain municipalities in Troms County.

In all the countries, with the exception of Sweden, a special child allowance is payable to single providers, making the allowance per child higher for single parents than it is for two-parent families. In Denmark, Finland and Norway an extra child allowance is payable to single providers. As from 1998, an extra infant supplement is payable to single providers who have children between 0 and 3 years and who meet the requirements for entitlement to the increased child allowance according to the Act on Child Welfare and for the full transition allowance according to the Social Security Act. The supplement is awarded per single provider. The extra infant supplement amounts to NOK 7,884 per year.

In Finland, the child allowance per child will be increased for each child in the family. In Norway, one rate is payable for the first and the second child and another rate for the third and each additional child. This change of rate took place on 1 January 1999. In Sweden, a multiple-birth supplement is granted to families with three or more children.

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Table 4.8 Annual amount of child allowance as per December 1999

	Denmark DKK ¹⁾	Finland FIM	Iceland ISK ²⁾	Norway NOK ³⁾	Sweden SEK ⁴⁾
<i>Couple with:</i>					
1 child	10,200	6,420	-	11,112	10,200
2 children	20,400	14,304	-	22,224	20,400
3 children	30,600	23,652	26,739	35,316	33,324
<i>Single parent with:</i>					
1 child	18,604	8,852	164,299	22,224	10,200
2 children	33,568	19,104	310,849	35,316	20,400
3 children	48,532	30,852	476,061	48,408	33,324
Average amount of child allowance per child in KR/FIM	10,688	7,723	52,376	13,764	9,568
Average amount of child allowance per child in PPP-Euro	1,152	1,110	570	1,317	882

1 Calculations have been made on the basis of a general family allowance for the 3-6 year-olds of DKK 2,550 per quarter to both single parents and couples. The allowance payable for the 0-2 year-olds amounted to DKK 2,825 per quarter and DKK 2,025 per quarter for the 7-17 year-olds.

2 In Iceland, the amount of the allowance is subject both to the number of children in a family and to the family income. The maximum amount to a couple with one child 0-15 years is ISK 107,662 and ISK 179,251 to single parents. For each child in addition to the first one, a maximum of ISK 128,105 is payable to cohabiting couples and ISK 183,874 to single parents. Besides, a supplement of ISK 31,703 is payable for children between 0 and 6 years. Where a couple's annual income exceeds ISK 1,198,807 and that of a single parent ISK 599,404, the allowance will be reduced by 5 per cent of the earnings exceeding the maximum amount for one child, 9 per cent for two children and 11 per cent for three or more children. All calculations have been made for a child less than 7 years and the average annual income for couples with children and for single parents. The average amount applies to all children between 0 and 15 years. The average amount per child is ISK 30.313 for couples and ISK 144.065 for single parents.

3 The calculation has been based on child allowances for children between 3 and 16 years plus the supplement for Northern Norway. A supplement of NOK 657 per month is granted for children aged 1-3 years plus the supplement for Northern Norway of NOK 316 per month.

4 The average amount per child was calculated by adding the amounts paid for child allowance, multiple-birth supplement and prolonged period of child allowance in 1999, divided by number of children receiving child allowance and number of children with prolonged period of child allowance in December 1999.

In Denmark, special child allowances may be granted where one of a child's parents is a pensioner, or where one of the parents has died, or where paternity has not been established. In Iceland, a non-income adjusted supplement is granted in the shape of maternity or paternity wages to widows and

widowers, unmarried mothers and families with two or more children under the age of 18 years. If the parents are old-age or anticipatory pensioners, the child allowance will be paid as a supplement to the pension. The amount is tax free and not subject to the amount of any income.

Advance on Maintenance Allowance for Children

– *The allowance is payable in advance by the public authorities*

For children whose parents do not live together, a maintenance allowance will normally be payable by the parent not living with the child. A maintenance allowance for children will be fixed in connection with dissolution of marriage and as part of the legal proceedings in connection with birth of a child out of wedlock. The allowance will be fixed either according to agreement between the parents, by way of a court decision or a decision rendered by the local authorities.

Where the party liable to pay does not comply on time, the public authorities may in all the Nordic countries, pay the party entitled to the allowance in advance. The age limit for entitlement to advanced payment of the maintenance allowance is 18 years. In Iceland, Finland and Sweden, the period may be extended to 20 years if a child is receiving education.

In all the countries, a minimum has been fixed for the amount of the maintenance-allowance advance. In Finland, Iceland, Norway and Sweden, the public authorities pay the difference up to the minimum amount if the party liable to pay is unable to do so. In Norway, the number of children receiving maintenance-allowance advances as percentage of the number of children entitled to allowances has decreased. This is due to an amendment of the law to the effect that maintenance-allowance advances will now only be payable where the party liable to pay does not pay or does not pay on time.

Table 4.9 Amounts of maintenance-allowance advances in 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Maximum amount per child per year, KR/FIM</i>	9,132	7,868	159,234	12,960	14,076
Maximum amount per child per year, PPP-Euro	984	1,131	1,731	1,240	1,297

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Table 4.10 Number of children receiving maintenance-allowance advances as percentages of the population under 18 years, 1990-1999

	Denmark	Finland	Iceland	Norway	Sweden
1990	14	7	16	12	15
1995	15	10	17	15	16
1998	15	11	19	12	16
1999	14	10	19	12	16

Other Benefits

In Norway, tax relief supplements the general child allowance for children. The expenditure on this relief is, however, not included in the social expenditure statistics. The Social Security Scheme may also grant single providers a so-called transition allowance for maintenance, economic support towards child minding as well as education grants.

In Finland, Iceland, Norway and Sweden, a child pension has been introduced in the shape of a basic pension and a supplementary pension. In Denmark, a special child allowance is payable.

Child pension is payable to children in the event that one or both parents are deceased. Child pensions are described in detail in Chapter 7.

Services to Families and Children

In the Nordic countries, it has been decided to provide children and families with an extensive service on a daily basis. The responsibility for the operation of such services rests primarily with the local authorities who provide day-care institutions for children and young people, pre-school classes, family day care, child-minding in the homes, as well as child and youth welfare schemes.

Children who are physically or mentally disabled will, as far as possible, be integrated in the general care schemes.

In all the countries, families with children may, in exceptional cases, be granted home help. This applies for example in cases where the person taking care of the home and the children is unable to do so due to illness, childbirth or the like.

Families may furthermore be granted assistance in order to avoid that children and young people be placed outside of their homes.

Day-Care Institutions and Family Day Care

– *Children are looked after in both public and private institutions*

Day-care institutions for pre-school children

Children at pre-school age are received in day-care institutions. In all the countries, there are both full-time and part-time places.

Both in Denmark, Finland and Norway, parents may, according to slightly differing rules, be granted a cash amount for completely or partly taking care of their children in their own homes.

In all the countries, local authorities must ensure that there are sufficient places available. In Denmark, 61 per cent of the municipalities provided a child-minding guarantee in 1999 for children aged 0-9 years, whereas another 21 per cent guaranteed child minding for part of that age group. Since 1998, local authorities have been able to grant financial support to parents who choose private child minding over a public day-care facility. At the end of 1999, a little less than 3,000 children were covered by this scheme. In Finland, all children under seven years have since 1996 been entitled to a place in a municipal day-care institution or in family day-care. Since 1 August 1997, parents may also have their children looked after in a private home with municipal subsidies. The local authorities pay the amount direct to the institution/private individual looking after the child/children. By the end of 1999, subsidies were paid for private minding of 13,822 children.

In Sweden, a place must be provided within three to four months after a person who is in need of child-minding facilities having applied for it.

Family day care

Municipal family day care exists in all Nordic countries. These schemes mainly cover pre-school children. Municipal child-minders are employed and paid by the local authorities and receive children in their own homes. As is the case with places in day-care institutions, parents pay for having their children minded in family day care. In all the countries, there is also private family day care that is run without any subsidies from public authorities. Such child-minding options are not included in the Nordic social statistics.

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Pre-school classes

In all the countries there are special classes preparing young children for school. These classes have been established according to somewhat differing rules.

In Denmark, local authorities are obliged to offer children a place in a pre-school class for at least 20 hours per week – an offer that is accepted by 98 per cent of all children. After school hours, children may spend time in either day-care institutions or after-school clubs.

In Finland, the scheme is not compulsory, but about 82 per cent of the children participate in measures preparing them for school.

In Iceland, all 6 year-olds must attend school and are consequently not included in these statistics.

In Norway, children start school at the age of six where they are receiving education adapted to their age.

In Sweden, local authorities are as from 1998 obliged to offer all 6 year-olds a minimum of 525 hours in the new school structure - pre-school class. In the autumn 1999, 93 per cent of all 6 year-olds attended pre-school class, whereas 5 per cent already had started school proper. All 6 year-olds are entitled to start school if their parents so wish. After school, children from pre-school classes and primary school may stay in the after-school clubs.

Children of school age

In all the countries, there are day-care options for children of school age. Minding may either take place in special youth centres for children of school age or may be integrated in the minding of pre-school children in the day-care institutions. In Norway, the responsibility for the development of after-school clubs is placed with the school sector. This also largely applies in Denmark, Iceland and Sweden. The range of offers varies from one municipality to another.

There are different age limits for entitlement to places at youth centres/after-school clubs. In Denmark, the age limit is 10 years in some municipalities and 14 years in others. In Finland, there is normally no age limit, but in special cases it may be 10 years. In Iceland, it is 9 years, in Norway 10 years and in Sweden 12 years.

Table 4.11 Children enrolled in day-care institutions and family day care (thousands) by age, 1990-1999

	Denmark	Finland ¹⁾	Iceland ²⁾	Norway ³⁾	Sweden ⁴⁾
<i>1990</i>					
0-2 years	88	55	3	19	103
3-6 years	161	141	10	120	263
0-6 years, total	248	196	13	139	367
7-10 years	74	17	1	.	146
0-10 year-olds, total	322	213	13	.	512
<i>1995</i>					
0-2 years	101	34	5	39	123
3-6 years	218	145	12	149	367
0-6 years, total	319	179	17	188	490
7-10 years	123	11	–	.	198
0-10 year-olds, total	441	190	17	.	688
<i>1998</i>					
0-2 years	110	44	5	49	108
3-6 years	253	178	12	139	362
0-6 years, total	363	222	17	188	470
7-10 years	166	9	–	.	242
0-10 year-olds, total	529	231	17	.	712
<i>1999</i>					
0-2 years	113	43	5	45	108
3-6 years	255	178	12	142	350
0-6 years, total	368	221	17	188	458
7-10 years	169	8	–	.	254
0-10 year-olds, total	537	229	17	.	712

1 Figures from and including 1998 include children in publicly subsidised private day care.

2 As from 1995, only children between 0 and 5 years, as the after-school clubs were taken over completely by the school sector in 1995 (no statistics available).

3 As from 1998, only children between 0 and 5 years.

4 As from 1998, a special pre-school class has been introduced for 6 year-olds. These children have not been included in the calculation, unless they also attend a day-care institution.

The number of children who are covered by day-care schemes in day-care institutions and family day care varies significantly from one country to another. Some of the reasons for this are the extent of the unemployment and the fact that children in pre-school classes in Denmark also spend time in day-care institutions after having attended their pre-school classes. The low figures for the 0-2 year-olds in Finland are due to the home-care allowance option. In Sweden, the long maternity-leave period also plays a significant part.

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Table 4.12 Children enrolled in day-care institutions and family day-care, by age as percentages of the respective age groups, 1990-1999

	Denmark	Finland ¹⁾	Iceland ²⁾	Norway ³⁾	Sweden ⁴⁾
<i>1990</i>					
0-2 years	48	31	24	11	29
3-6 years	73	58	60	57	64
0-6 years, total	61	44	43	33	48
7-10 years	34	7	3	.	38
0-10 year-olds, total	52	30	28	.	44
<i>1995</i>					
0-2 years	48	18	37	22	37
3-6 years	83	55	64	61	74
0-6 years, total	68	39	53	44	59
7-10 years	53	5	–	.	45
0-10 year-olds, total	63	27	35	.	54
<i>1998</i>					
0-2 years	55	25	42	27	42
3-6 years	90	69	68	75	79
0-6 years, total	75	51	57	51	66
7-10 years	65	4	–	.	49
0-10 year-olds, total	72	33	36	.	59
<i>1999</i>					
0-2 years	56	25	42	25	40
3-6 years	91	70	67	77	82
0-6 years, total	77	52	57	51	66
7-10 years	64	3	–	.	51
0-10 year-olds, total	72	33	36	.	62

1 Figures as from 1998 include children in publicly subsidised private day care.

2 As from 1995, only children between 0 and 5 years. The enrolment percentage is 90,5 for 3-5 year-olds and 67.1 for 0-5 year-olds.

3 As from 1998, only children between 0 and 5 years.

4 Cf. Table 4.11, note 4.

Child and Youth Welfare

– Preventive measures are in focus

In all the Nordic countries, various forms of preventive measures are taken to further the upbringing of children and youth in safe and comfortable environments. These may comprise both general measures and measures specifically aimed at individual children or youths.

Legislation in the various countries also allows for the public authorities to step in lending support if the risk arises of children or young people growing up in adverse circumstances.

In Denmark, 29,600 families made use of one or more preventive measures during 1999 in the shape of advisory services, practical educational support in the homes, family treatment, stays in residential institutions for both parents and children, or financial support with a view to avoiding placement of children outside of their homes. Furthermore, by the end of 1999, 6,548 children and youths had been placed in residential care, with foster families or in other relevant places, to relieve their parents from taking care of them for a while. 1,260 children and youths had had a personal advisor appointed to them, and 617 children a specific contact person. 2,071 children and youths received financial support towards staying at boarding or continuation schools without that being an actual placement outside of their own homes.

In Finland, the preventive child welfare service is responsible for influencing the development of children's well being as well as for preventing the risks to which a child may be exposed. Such measures may be in the shape of support staff or support families, support to getting a job, a place to live, or support to hobby activities. In 1999, 43,679 people received support. 91 per cent of these were children under 18 years, whereas the remaining 9 per cent were between 18 and 20 years. In 1999, there was an addition of 11,787 new clients, corresponding to 27 per cent of all those receiving assistance.

In Iceland, 1,116 children made use of one or more preventive measures during 1999. Of these, 505 were placed outside of their homes for short or long periods.

In Norway, 24,656 children made use of one or more preventive measures in 1999. 9,104 were placed in respite homes; 5,541 were allocated support or contact persons. Support and contact people are employed by the local authorities to follow up on the young people in order for them to function well in social terms. 9,236 people received financial support. Some of

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the children were also placed outside of their homes as part of the preventive scheme. The Child Welfare Service cared for 6,101 children in 1999 all of whom were placed outside of their homes, either with families or in institutions for children, etc.

In Sweden, preventive measures consist of offers to families with infants with a view to improving the interaction between parents and children. Measures may also take the shape of group activities for young people and/or single mothers as well as for children of alcoholics, or extended pre-school classes combining daily activities with visits to the homes aimed at providing families with practical and psycho-social support in the homes.

For young criminals, abusers and young people with other psychosocial problems, measures have been developed to the effect that a youth in the course of a day participates in a number of structured activities, usually work/studies and organized leisure activities.

Another kind of activity is the so-called contact staff. An adult contact person or family is assigned to a child or youth whom they see regularly. A contact person or contact family is that part of the open efforts, which most children and youths had contact with in 1999. About 21,500 children and youths had such a contact during the year. About 16,000 children and youths received personal support based on need, and about 4,500 participated in a structured treatment programme (without placement) during 1999.

In all the countries, it may become necessary to place a child outside of its home. The reasons may be that parents need help to bring up a child, or that a child's health or development is threatened due to lack of proper care. Measures may also be taken if young people themselves expose their health or development to grave danger, e.g. through alcohol and/or drug abuse or crime.

Most placements of children outside of their homes take place with the consent of the children's parents.

In all the countries, children may be removed from their homes without the consent of their parents. In Finland and Sweden, this is done following a court decision. In Denmark and Iceland, special municipal child and youth committees decide whether or not a child is to be removed from its home. In Norway, special committees under the county authorities decide whether the child welfare service must assume care of a child and place it outside of its own home, but the law also allows that a child be placed outside of its home without any decision being made by the welfare service about assuming care.

The number of children placed outside of their own homes varies from one country to another, but one trait common to all the countries is that more preventive measures are taken in the homes, in respect of children and families.

Table 4.13 Children and young people placed outside of their own homes during the year, by age and per 1,000 inhabitants in the respective age groups, 1990-1999

	1990	1995	1998	1999
<i>Denmark</i>				
0-6 years	6.8	3.9	4.2	4.5
7-14 years	14.9	11.9	11.7	12.5
15-17 years	34.2	29.3	31.1	31.7
18-20 years	17.9	15.0	14.8	15.7
0-20 years	16.1	12.0	11.8	12.4
<i>Finland</i>				
0-6 years	4.9	5.1	5.4	5.6
7-14 years	6.8	8.3	9.3	9.4
15-17 years	11.4	12.7	13.7	15.0
18-20 years	5.0	8.7	11.4	10.6
0-20 years	6.5	7.9	9.0	9.2
<i>Iceland</i>				
0-6 years	5.5	3.6	2.9	3.8
7-12 years	16.9	9.2	4.5	5.9
13-16 years	8.2	11.7	6.5	9.3
0-16 years	10.2	7.4	4.5	6.1
<i>Norway</i>				
0-6 years	3.7	3.4	3.5	3.5
7-14 years	6.6	7.9	7.7	7.8
15-17 years	10.2	14.2	15.3	16.1
18-19 years	3.8	7.4	8.8	9.9
0-19 years	5.8	7.1	7.3	7.5
<i>Sweden¹⁾</i>				
0-6 years	3.7	3.6	3.4	3.9
7-14 years	7.9	7.0	7.0	7.2
15-17 years	14.5	14.4	15.4	16.2
18-20 years	5.8	5.1	9.0	11.0
0-20 years	7.1	6.5	7.2	8.0

1 As from 1998, figures include a group of 18-20 year-olds who are receiving treatment according to the Social Service Act. This group of mainly 19-20 year-olds was previously included in the statistics as adult abusers.

In spite thereof, the number of placements increased slightly from 1998 to 1999 in all the countries. In Denmark, the decline in the number of placements as from the beginning of the 1990s is a result of a number of young people who are at boarding or continuation schools – due to an amendment of the law in 1993 – no longer being considered to be placed outside of their homes. The number of placements is nevertheless still somewhat higher in Denmark than in the rest of the Nordic countries. This mainly applies to the 15-20 year-olds.

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Even after the amendment of the law in 1993, a relatively large number of young people in Denmark are placed outside of their homes, e.g. at boarding schools or continuation schools, in lodgings or in socio-instructional communal housing. This is only the case to a limited degree in the other Nordic countries.

The development in Norway is i.a. due to an enhanced effort on the part of the local authorities which has led to cases being dealt with faster, and that more children and youth have – for a period of time – been placed outside of their own homes.

Expenditure on and Financing of Cash Benefits and Services for Families and Children

Differences and similarities in the expenditure on families and children

In the following, differences and similarities in expenditure on families and children are described. Unless otherwise stated, comparisons are made in PPP per capita.

The amounts calculated spent by the Nordic countries on families and children vary highly. Denmark and Norway spend the most and Iceland the least. It should be mentioned, however, that only Finland and Iceland have included salaries and wages in their calculations concerning childbirth and adoption in the social expenditure.

A more detailed picture appears from the distribution on the individual benefit areas.

Sweden and Norway, who have the largest expenditure on daily cash benefits in connection with childbirth and adoption, also have the longest leave schemes. In return, Iceland spends the largest amount on benefits payable on childbirth. Such benefits are also granted in Norway to women working at home, but are almost non-existent in the other countries.

Cash benefits to parents minding children in Denmark covers leave schemes for child minding, in Finland, allowances for minding children in the home, and in Sweden, where a somewhat lower amount is spent, it is temporary parental benefits. In Norway, the amount covers expenditure on a child-supervision scheme. This is a scheme aimed at granting a subsidy for minding children to single providers; the subsidy shall enable single providers to be professionally active. Similar allowances do not exist in the other countries.

The expenditure on child allowances is highest in Denmark and lowest in Sweden. Expenditure on other cash benefits is mainly public authorities' advance payment of maintenance allowances for children where Sweden spends the highest amount. Norway spends more on transition allowances and study grants to single, divorced and legally separated providers. Such benefits are not payable in the other countries.

When it comes to services, Denmark spends the most and Finland and Iceland the least.

In Denmark, the expenditure on day-care institutions and residential institutions, preventive measures, etc., is considerably higher than in the other countries, followed by Sweden. There are certain parallels in the expenditure on day-care institutions and the degree of coverage in the various countries. As the expenditure on after-school-club schemes is not included in the social expenditure, there is no direct connection between expenditure and the degree of coverage.

The considerably high expenditure on residential institutions, preventive measures, etc., in Denmark is due to the number of children and young people placed outside of their own homes being relatively high in Denmark.

Development in the social expenditure on families and children from 1998 to 1999

In Denmark, the expenditure on day facilities increased as a result partly of a relative decrease in the parent payment and partly of a continued increase in the number of enrolled children of about 9,000 in 1999, including children in the after-school schemes. The expenditure on after-school-club schemes, which is not included in the Nordic statistics on expenditure, increased from DKK 2.3 billion in 1998 to DKK 2.5 billion in 1999. The expenditure on preventive measures for children and young people also increased. The expenditure on residential institutions for children and young people is less in 1999 than in 1998 as a result of the expenditure on treatment of drug addicts from 1999 being included under Other Social Benefits in Chapter 9.

In Finland, the total expenditure on families and children has remained the same in 1999 as it was in 1998. The expenditure on daily cash benefits increased as salaries and wages increased. On the other hand, the expenditure on child allowance and benefits for child minding in the homes decreased as there were fewer children and young people. The service expenditure increased by 4 per cent, and especially the expenditure on private minding of children increased.

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Table 4.14 Expenditure on and financing of cash benefits and services for families and children, 1999

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, million KR/FIM					
A. Daily cash benefit in the event of childbirth and adoption	4,748	2,921	1,578	6,987	11,687
B. Birth grants	-	54	695	477	22
C. Parental leave benefits	1,627	2,148	-	3,005	3,033
D. Family or child allowances	12,234	8,307	4,146	12,965	16,787
E. Supplements	-	-	-	-	-
F. Other	47	525	787	3,444	2,897
a. Of which advance on maintenance allowance to children	47	525	787	509	2,897
Cash benefits, total	18,656	13,955	7,206	26,877	34,426
Services, million KR/FIM					
A. Child day care	20,147	7,660	5,000	9,810	27,495
B. Accommodation	5,310	821	1,090	1,428	5,657
C. Home help	14	178	55	-	-
D. Other	1,663	1,128	827	5,200	2,315
Services, total	27,133	9,786	6,972	16,437	36,584
Total expenditure, million KR/FIM	45,789	23,742	14,178	43,314	71,010
Expenditure as percentage of GDP	3.7	3.3	2.3	3.7	3.6
<i>Financed by (per cent)</i>					
- Public authorities	91.1	90.0	87.3	84.7	78.6
- Employers	0.3	4.5	12.7	11.1	20.9
- The insured (contributions and special taxes)	8.6	5.5	-	4.2	0.6
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	619	163	392	2,347	1,087
- Per cent	1.4	0.7	2.9	5.8	1.6

Table 4.15 Expenditure on cash benefits and services for families and children, PPP 1999

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	380	388	282	577	358
Per child 0-17 years of age	1,765	1,747	1,013	2,459	1,676
Services, total per capita	550	272	274	353	381
Per child 0-17 years of age	2,567	1,225	987	1,504	1,781
Families and children, total per capita	928	661	556	929	739

In Iceland, the social expenditure on families and children increased by 2,9 per cent from 1998 to 1999, measured in fixed prices. There was, however, a decrease in the expenditure on cash benefits of 1.7 per cent, which was mainly due to changes in the limits for means testing of child allowances (to 6.8 per cent as against the previous 2.5 per cent). The expenditure on social services increased by 8 per cent, measured in fixed prices, where the increase in the expenditure on day-care institutions was the most significant.

In Norway, the total expenditure on families and children increased by about 6 per cent from 1998 to 1999. The expenditure on cash benefits to families with children increased steeply from 1998 to 1999 as the scheme was introduced in the autumn of 1998, for which reason 1999 was the first entire year in which the benefit was payable. Furthermore, the scheme was extended to also include 2-year-olds as from 1999. The expenditure on maternity benefits increased by about 7 per cent. A high rate of employment and a slight increase in the number of newborns resulted in an increased use of the maternity-benefit scheme. The number of fathers receiving paternity benefits still increased, and the basis for the calculation of cash benefit to fathers was in 1999 NOK 65,300 higher on average than was the maternity benefit.

In Sweden, the cash benefits on families and children, calculated in relation to the GDP, remained almost unchanged during the last three years. In 1999, the expenditure on families and children amounted to 3.6 per cent of the GDP, corresponding to 10.8 per cent of the total social expenditure. The total expenditure on measures concerning children and young people increased, however. This increase was due to increased expenditure on day-care and residential institutions.

User charges payable for child-minding

In all five Nordic countries, parents pay part of the costs for having their children minded in day-care institutions. When charges are calculated, a family's income is normally taken into account, just as discounts may be given for siblings. Children of parents who have a very low income may in all the countries be granted a place free of charge.

In Denmark, rules governing the maximum amount of user charges, places free of charge and sibling discounts are laid down centrally. In Finland, user charges are fixed centrally, whereas the local authorities decide whether or not they will grant places free of charge. In Iceland, Norway and Sweden, the local authorities fix user charges. In Sweden, parents normally pay a rate based on both their incomes and the period of time that their child spends in the institution, but there may also be a fixed charge independent of income and period of time. The charge payable for child minding in one of the private care schemes ought in principle to be the same as the charge payable in the municipal schemes. In none of the countries may the charges exceed the actual costs of a place in an institution.

In Denmark, the total amount of user charges amounted to approximately 19 per cent of the running costs in 1999 for day care and day-care institutions. This means a decrease in relation to 1998 as a result of an increase in the income limit for obtaining a place almost free of charge. In Finland, user charges made up about 15 per cent of the running costs for municipal day care. In Iceland, user charges for places in municipal day-care institutions amounted to 32.7 per cent of the total running costs, and user charges for after-school-club schemes amounted to 47.0 per cent of the total running costs. In Norway, the user charge payable for private kindergartens amounted to 47.2 per cent and for the municipal kindergartens 29.5 per cent of the total running costs. Also after-school-club schemes are mostly based on user charges adjusted by the local authorities. It is, however, not possible to calculate how large a share parents pay themselves. In Sweden, user charges amounted on average to about 18 per cent of the total running costs, 16 per cent in pre-schools and 24 per cent in after-school clubs.

Chapter 5

Unemployment

In the countries where the unemployment rate is high, the expenses for curbing unemployment make up a considerable part of the total social expenditure.

The rules governing both income-substituting benefits to the unemployed as well as the extent of activating measures for the unemployed vary considerably from one country to another. Consequently, there is no strict correlation between the extent of unemployment and the expenditure on unemployment.

Table 5.1 Expenditure on unemployment as percentage of the total social expenditure in the EU, Iceland and Norway, 1998

Denmark	11.7	Austria	5.5	Italy	2.7
Finland	12.0	Belgium	12.7	Luxembourg	3.5
Iceland	2.6	France	7.6	The Netherlands	7.3
Norway	2.9	Germany	8.7	Portugal	4.7
Sweden	9.3	Greece	4.8	Spain	13.5
		Ireland	15.5	United Kingdom	3.6

Note: Cf. Table 4.1.

Generally, the Nordic countries have a high participation rate, but there are significant differences between the countries.

The unemployment rate was very high in some of the Nordic countries during the 1990s, but declined markedly in relation to the first half of the 1990s in all the countries in recent years, cf. Figure 5.1.

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Figure 5.1 Development in the unemployment rate, 1990-1999

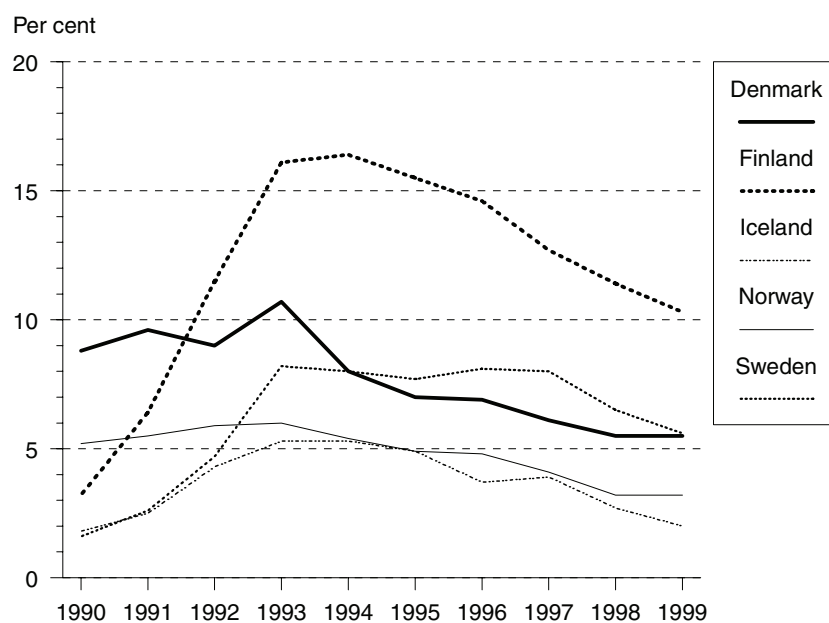


Table 5.2 The population aged 16-64 years broken down by activity, 1999

	Denmark	Finland ¹⁾	Iceland	Norway	Sweden
The population aged 16-64 years (1,000)	3,493	3,455	170	2,845	5,581
Of whom (per cent):					
Employed, total	76.5	66.0	86.3	78.1	72.9
– Full-time employed	61.9	58.2	63.1	57.9	56.8
– Part-time employed	14.6	7.8	23.1	20.1	16.1
Unemployed	4.5	7.5	1.7	2.6	4.3
Outside of the labour force	19.1	26.4	12.1	19.3	22.8
Total	100.0	100.0	100.0	100.0	100.0

1 Population aged 15-64 years.

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Table 5.3 Development in the unemployment rate by sex, 1990-1999

	Total number of unemployed people	Unemployed people as percentages of the labour force					
		Total	Men	Women	16-24 year-olds		
					Total	Men	Women
<i>Denmark¹⁾</i>							
1990	258,000	8.8	8.2	9.6	12.1	11.8	12.4
1995	197,000	7.0	6.1	8.2	9.7	8.8	10.6
1998	155,000	5.5	4.5	6.6	7.3	7.2	7.3
1999	158,000	5.5	4.7	6.5	9.2	8.4	10.0
<i>Finland²⁾</i>							
1990	82,000	3.2	3.6	2.7	9.3	10.2	8.2
1995	382,000	15.5	15.8	15.1	29.7	30.7	28.6
1998	285,000	11.4	10.9	12.0	23.5	22.8	24.3
1999	261,000	10.3	9.8	10.7	21.4	20.8	22.1
<i>Iceland</i>							
1990	2,255	1.8	1.4	2.2	..	..	..
1995	7,200	4.9	4.8	4.9	11.0	13.1	8.6
1998	4,200	2.7	2.3	3.3	6.0	6.4	5.6
1999	3,100	2.0	1.5	2.6	4.4	4.4	4.4
<i>Norway³⁾</i>							
1990	112,000	5.2	5.6	4.8	11.8	12.7	10.7
1995	107,000	4.9	5.2	4.6	11.8	12.2	11.5
1998	74,000	3.2	3.2	3.3	9.3	9.1	9.4
1999	75,000	3.2	3.4	3.0	9.5	9.6	9.4
<i>Sweden</i>							
1990	75,100	1.6	1.7	1.6	3.7	3.8	3.6
1995	333,000	7.7	8.5	6.9	15.3	16.7	14.0
1998	275,900	6.5	6.9	6.0	11.9	12.9	10.7
1999	240,600	5.6	5.9	5.2	9.3	10.3	9.3

1 The data are based on the labour-force surveys concerning the 15-66 year-olds. The surveys in 1990 were conducted according to methods different from those used in other years, and the results are therefore not directly comparable.

2 15-24 year-olds; unemployment pensioners not included.

3 The statistics were restructured in 1996, for which reason the figures are not comparable with those from previous years. Had the gathering method been the same, the unemployment figures would have been lower for men, women and young people of the ages 16-24 years.

Cash Benefits in the Event of Unemployment

– *Unemployed people are entitled to income-substituting benefits*

The actual extent of the unemployment cannot be measured merely by focusing on the number of unemployed people. The ways in which the individual countries have designed their labour market measures vary considerably in relation to active help (employment measures, etc.) and passive help (unemployment benefit and the like).

With the exception of Iceland, the activating measures amount to approximately one third of the total expenditure on labour market measures in the Nordic countries. In Iceland, the amount is about 10 per cent.

A special trait of the Nordic countries is that most unemployed people are entitled to cash benefits. In Norway, unemployment insurance is compulsory for wage earners, in Iceland, all wage earners and self-employed people are automatically insured against unemployment, and in Denmark, Finland and Sweden, unemployment insurance is voluntary. In those countries, non-insured people are, however, entitled to a cash benefit, which is usually lower than the unemployment benefit.

In Denmark, they are entitled to cash assistance (social assistance) if they meet certain requirements, whereas they in Finland and Sweden are entitled to a special labour-market benefit - in Sweden called basic insurance.

Unemployed people, who are not members of an unemployment insurance fund, are in Finland entitled to the basic amount of the daily cash benefits. People who have received income-related daily cash benefit or the basic amount for the maximum period of two years, and who are still unemployed, are paid a so-called labour-market assistance. This also applies to people entering the labour market for the first time.

With the exception of Iceland, employer and Government contributions finance the unemployment insurance schemes. In addition, membership contributions are payable to the unemployment insurance funds in Denmark, Finland and Sweden.

In Denmark, all employed people mainly finance the unemployment benefit scheme through the labour-market contribution payable. In Iceland, the laws were amended in 1996 to the effect that the unemployment benefit is now financed completely by employer contributions.

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The requirements for being entitled to benefits from an unemployment insurance fund vary from one country to another:

In Denmark, one must have been a member of an unemployment insurance fund for one year, and full-time insured members must have worked for a minimum of 52 weeks as employees or in self-employment within the past three years. The maximum period during which one is entitled to unemployment benefit will be gradually reduced from five to four years from 1999 to 2001. During the last three years of the total cash benefit period one is entitled to and obliged to accept activation. Members of unemployment benefit funds, who by the end of their active period have reached the age of 50 years and who, by continuing as members, would meet the requirements for entitlement to voluntary early retirement benefit at the age of 60, shall preserve their right to daily cash benefits until they reach the age of 60 years. As from 1999, this age limit will gradually be raised from 50 to 55 years. Members of unemployment benefit funds who have turned 60 years are entitled to daily cash benefits for a maximum of two and a half years. Entitlement to unemployment benefit cannot be (re)gained through publicly subsidised employment but only through regular employment. Regaining of entitlement to unemployment benefit is subject to at least 26 weeks of work as an employee or as a self-employed person within the past three years.

In Finland, one must have been a member of an unemployment insurance fund for at least 10 months prior to becoming unemployed in order to be entitled to unemployment benefit. It is furthermore required that one must have worked for at least 43 weeks during the two previous years. The total benefit period is normally 500 days within four consecutive calendar years. Individuals who reach the age of 57 years before having been paid unemployment benefit for 500 days are entitled to unemployment benefit until they reach the age of 60. After that, they are entitled to an unemployment pension.

In Iceland, one must have worked for at least 425 daytime hours during the past 12 months in order to be entitled to unemployment benefit. Unemployment benefit is payable for 260 working days, after which period payment will be discontinued for 16 weeks. After the 16 weeks, one will again become entitled to benefit for 12 months. Recipients may avoid such discontinuation if they have accepted job training or special employment offers for a duration of at least eight weeks during the past unemployment benefit period. Payment of unemployment benefit cannot exceed five years.

The first period, in which unemployment benefit is payable, is based on previous, regular work. A person may qualify for a new unemployment

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Table 5.4 Rules applying to payment of cash benefit in the event of unemployment as per December 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Insured individuals</i>					
Age limit for entitlement to unemployment benefit	19-66 years ¹⁾	17-64 years	16-69 years	16-66 years	16-64 years ⁵⁾
Number of qualifying days	–	7	–	3	5
Maximum number of days of unemployment benefit	1,235 within 6¾ years (5 benefit days per week for 4¾ years) ²⁾	500 within 4 years ⁴⁾ (5 benefit days per week)	260	780 (156 weeks of 5 working days)	300/450 ⁶⁾
Benefit re-obtainable?	Yes	Yes	Yes	Yes	Yes
On which conditions?	By complying with the requirement of 26 weeks' work within the past 3 years	By complying with the requirement of 43 weeks' work within 2 years	Payment of unemployment benefit discontinued for 16 weeks	By complying with the requirement of minimum income	By complying again with the requirement of 6 months' work prior to unemployment
Benefit taxable?	Yes	Yes	Yes	Yes	Yes
Supplement for children?	No	Yes	Yes	Yes	No
<i>Non-insured individuals</i>					
Age limit for entitlement to unemployment benefit	18-66 years ³⁾	17-64 years	.	.	20-64 years
Maximum benefit period	.	.	.	.	300/450 ⁶⁾

1 Individuals between the ages of 18 and 65 years are entitled to join an unemployment insurance fund, but entitlement to unemployment benefit applies to people between 19 and 66 years.

2 Members of an unemployment insurance fund, who have reached the age of 50 years at the end of the total unemployment benefit period, and who would be entitled to voluntary early retirement benefit from their 60th year, maintain their entitlement to unemployment benefit till they reach the age of 60 years. Members who have turned 60 years are entitled to unemployment benefit for a maximum of 30 months.

3 Young people under 18 years and people of 67 years and above may in certain cases be entitled to cash assistance.

4 For 57 year-olds, however, up to the age of 60.

5 Individuals under the age of 16 years are also entitled to unemployment benefit if the work requirement is met.

6 450 days for recipients over 57 years.

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Table 5.5 Amount of cash benefit in the event of unemployment as per December 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Insured individuals</i>					
Amount of unemployment benefit (per week)	90 per cent of the income from work for 5 days per week ²⁾	Income-related benefit: on average 58 per cent of previous income from work. Basic amount: FIM 590 + child supplement: FIM 120-225 per week	Fixed amount + child supplement ⁵⁾	62.4 per cent of the calculation basis	80 per cent of the previous income from work 5 days per week
Maximum income per week for full compensation in national currency ¹⁾	3,387	.	.	5,417	3,675
Maximum income per week for full compensation in PPP-Euro ¹⁾	265	.	.	518	339
Min. amount per week in national currency	2,265	605	3,575	563	1,200
Min. amount per week in PPP-Euro	244	87	39	54	111
Max. amount per week in national currency	2,760	.	14,310	3,380	2,900
Max. amount per week in PPP-Euro	298	.	156	324	267
<i>Non-insured individuals</i>					
Amount of benefit per week	Young people under 25 years: DKK 520/1,063 ³⁾ ; others: DKK 1,657/ 2,206 + special assistance ⁴⁾	FIM 605 + child supplement: FIM 48-90	.	.	SEK 1,200

1 The maximum income is the income ceiling (previous income) on the basis of which the unemployment benefit is calculated. Calculation of the income ceiling is made according to differing principles in the various countries.

2 Employers pay daily cash benefit of DKK 480 per day for the first and second days of unemployment.

3 Special benefits for young people under the age of 25 with no children living at home.

4 The total assistance may not exceed 90 per cent of any previous income and may after 12 months of cash assistance not exceed 100 per cent of the maximum amount of daily cash benefit.

5 The cash assistance will be increased by 4 per cent for each child less than 18 years.

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benefit period by means of activities that may be equalled to work. This may be a labour-market education, a period of voluntary work, employment with temp subsidy, or a period in which a person has received a subsidy in order to set up a business of his own.

In Norway, a prerequisite for being entitled to unemployment benefit is that one has earned an income of NOK 58,688 during the last calendar year prior to becoming unemployed or has earned an average income from work during the past three years, amounting to NOK 46,950. The maximum benefit period varies according to the amount of the previous income. A previous income of at least NOK 93,900 results in a benefit period of 156 weeks, whereas an earned income of less than NOK 93,900 qualifying one to unemployment benefit, results in a benefit period of 78 weeks. People over 64 years are ensured daily cash benefits until they reach the pensionable age of the national social security fund, which is 67 years.

In Sweden, one must have been gainfully employed for at least six months and been working for at least 70 hours per calendar month, or have been gainfully employed for at least 450 hours for a consecutive period of six calendar months and been working for at least 45 hours per month for all six months within a 12 months' period in order to become entitled to unemployment benefit (the so-called employment requirement).

The first period in which unemployment benefit is payable is based on previous, regular work. A re-qualification to a new unemployment benefit period may be obtained for activities comparable to work, as for example a labour-market education, a period of relief work, subsidized temporary employment, or a period in which one has received assistance to set up one's own business.

People under the age of 57 years are entitled to unemployment benefit for a maximum of 300 days. If a beneficiary is over the age of 57 years, unemployment benefit may be payable for 450 days. The unemployment insurance scheme consists of a basic insurance replacing the cash labour-market assistance, and a voluntary lapse-of-income insurance. In order to get daily cash benefits corresponding to 80 per cent of the previous income, one must have been a member of an unemployment insurance fund for 12 months. People who have not been members for 12 months will only be entitled to the basic insurance amount.

Apart from the rules mentioned above, entitlement to unemployment benefit is in all five countries subject to a person being registered with the employment service as seeking employment and being able to take on work. In addition, some of the countries have a qualifying period during which unemployment benefit is not payable. In Denmark and Iceland, there is no

qualifying period; in Norway, there are three qualifying days, whereas Finland has seven and Sweden five qualifying days.

Figure 5.2 shows the disposable income at four different income levels for a childless couple, where both are employed, and where the one earning the most starts receiving unemployment benefit, respectively. The Figures 5.3 and 5.4 show the disposable income in the event of unemployment in per cent of the income earned from work for single people with or without children, calculated at five different income levels. The calculation has been made for insured and non-insured people, respectively (the latter only in respect of Denmark, Finland, Iceland and Sweden).

As it appears from the figures, there are marked differences in the compensation levels for insured and non-insured people, respectively. This applies in particular to single people who have previously earned a high income and for single people without children. The compensation level for insured people depends first and foremost on the amount of the daily cash benefit in relation to previous income. In Iceland, a fixed amount is payable, irrespective of previous income. Secondly, the compensation level depends on the maximum amounts. This is highest in Norway and lowest in Iceland. In Finland, there is no upper limit to the amount of daily cash benefits. In Norway, the fluctuating compensation levels are due to the interaction between income ceilings, daily cash benefit schemes and payment for places in day-care institutions. In Sweden, the compensation-increase from level I to II is due to the way in which the basic allowance is calculated in the tax system.

To families with children, it makes a difference whether or not a supplement for children is payable, which is the case in Finland, Iceland and Norway. In addition, the amount of both housing benefit and charges payable for day care institutions are adjusted in relation to the amount of the income. This is important in relation to the compensation level for both insured and non-insured people and contributes in particular to giving single parents a high compensation level. For the groups in the lowest income brackets, these factors result in the compensation level being lowest in Norway and Iceland and highest in Denmark and Finland. For couples, it is, however, highest in Sweden, and for non-insured single people without children it is highest in Iceland. For the upper income brackets, the compensation level is lowest in Iceland and highest in Sweden and Finland. In Denmark and Iceland, the compensation levels decrease steeply when going from the low-income level to the higher levels.

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Figure 5.2 Disposable income for an insured childless couple, 1999

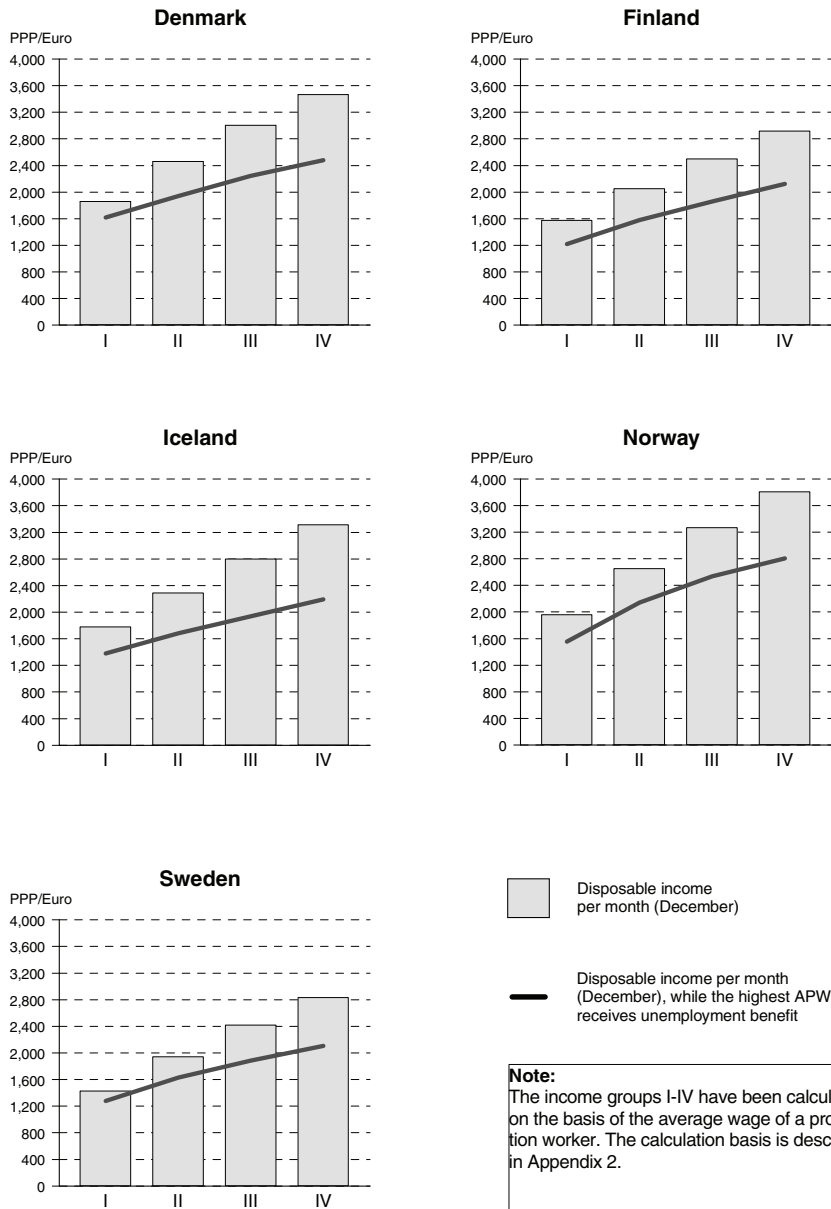


Figure 5.3 Disposable income while receiving unemployment benefit as percentage of disposable income while being employed, 1999

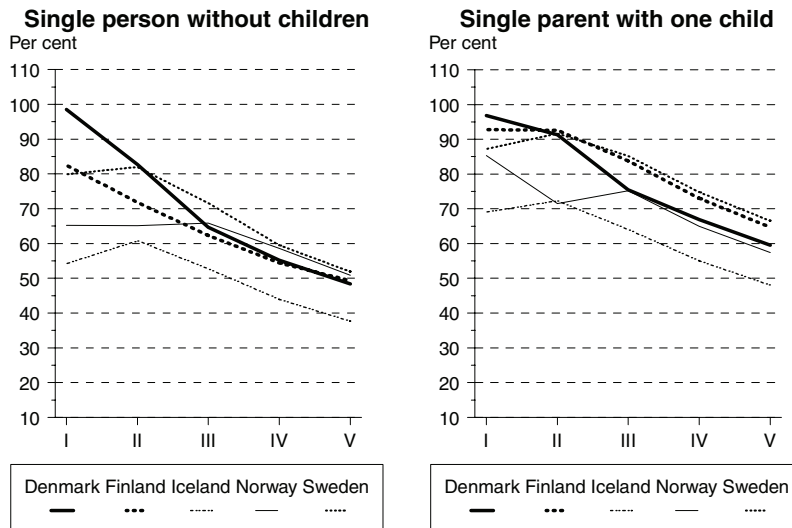
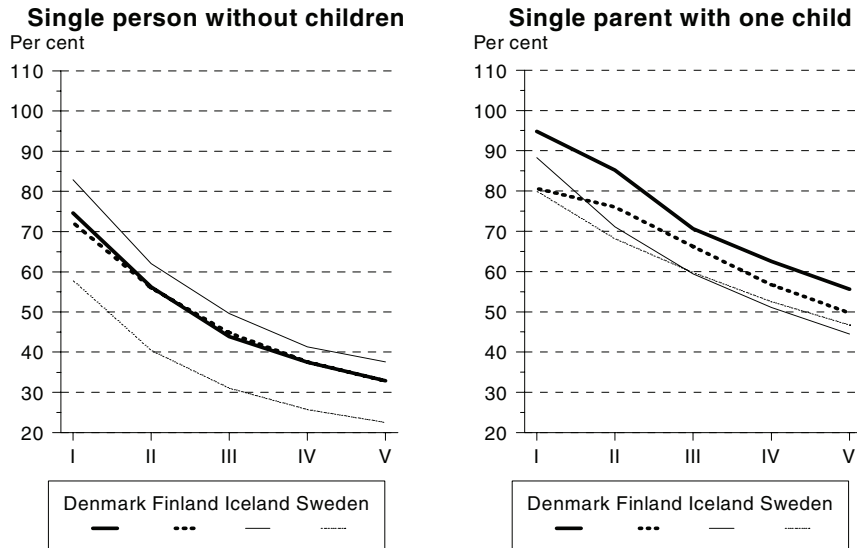


Figure 5.4 Disposable income for non-insured individuals as percentage of disposable income while being employed, 1999

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Note: The income groups I-V have been calculated on the basis of the average wage of a production worker. The calculation basis is described in Appendix 2.

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Table 5.

1990
Insured
Non-ins
Total

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Total in per cent of the labour force	26	11	..	14	7
<i>1995</i>					
Insured	672	683	19	310	824
Non-insured	111	270	..	-	137
Total	783	827	19	310	961
Total in per cent of the labour force	28	33	..	14	22
<i>1998</i>					
Insured	569	421	12	163	742
Non-insured	88	323	..	..	91
Total	657	703	12	163	833
Total in per cent of the labour force	24	28	8	7	20
<i>1999</i>					
Insured	523	380	8	164	682
Non-insured	83	312	..	..	79
Total	606	660	8	164	761
Total in per cent of the labour force	22	26	5	7	18

1 Calculated on the basis of the number of approved applications for unemployment benefit.

Cash Benefits in Connection with Job Training and Activation

– Activation is important

In addition to unemployment benefit, all the Nordic countries offer other forms of cash benefits to unemployed people. The lower age limit for the implementation of labour market measures is 18 years in Denmark and Finland and 16 years in Iceland and Sweden. In Norway, the age limit depends on the measure in question.

In Denmark, the activation options in the labour market and social policies have played an increasingly important part since the labour market reform in 1994.

Unemployed recipients of daily cash benefits under the age of 25 years who have had no vocational training qualifying them for the labour market are, after 6 months of unemployment entitled and obliged to receive an offer of education or training for a minimum of 18 months. The benefit payable during education or training corresponds to half the amount of the

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daily cash benefit. Other unemployed recipients of daily cash benefits under the age of 25 have a right and obligation to accept activation after six months of unemployment.

As regards unemployed recipients of daily cash benefits, the entitlement to and obligation to accept activation has moreover been advanced in connection with a shortening of the total period of entitlement to daily cash benefit as from 1996. As from 1999, the right and obligation to activation will gradually be applicable after 1 year of unemployment as against the present 2 years of unemployment. At the same time the total daily cash benefit period will be further reduced from 5 to 4 years. The four-year period will be divided into a one-year daily cash benefit period and a three-year activation period. In the activation period, an unemployed person has the right and obligation to receive an activation offer in the shape of education, job training, etc., for a maximum of three years. During the daily cash benefit period, the activation is based on need and is flexible, partly aimed at groups at risk of becoming long-term unemployed, and partly as prevention of lack of qualified manpower ("bottle necks"). The objective of the activation is primarily to improve the qualifications of the unemployed, so that they can take on ordinary work but also to motivate them to look for employment or education/training themselves.

After a maximum of 13 weeks, unemployed recipients of cash assistance under the age of 30 years are entitled and obliged to accept an offer of employment or training for at least 30 hours a week for 18 months; however for people with an education/training qualifying them to work only for six months. Recipients of cash assistance of 30 years or more must be offered activation no later than 12 months after they have become unemployed.

Unemployed people are entitled to wages during job training, while the benefits payable in connection with other activation and training measures largely correspond to the amount of daily cash benefits or cash assistance.

In Finland, the active measures aimed at improving the employment situation are an important part of the Finnish labour market policy. By way of such measures jobs are created, options for the long-term unemployed are improved and the possibilities of the young to get into the labour market are improved. Moreover, the measures are aimed at preventing long-term unemployment and to reduce the regional differences in the unemployment rates. Unemployed people who want to start their own business are also entitled to assistance.

The most important part of the active labour market policy is the service aimed at those available for work. The services provided by the agencies are job provision, information on training and occupation, vocational training

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for adults, information on education, training and various professions as well as occupational rehabilitation.

In Iceland, the Unemployment Insurance Fund has, apart from performing its main task of paying out unemployment benefit, to an increasing degree undertaken to grant subsidies to various courses for unemployed people and special municipal employment measures.

In Norway, responsibility for occupational rehabilitation rests with the labour market authorities. The aim is to ensure an overall follow-up on cash benefits and services to the unemployed. In addition, the labour market authorities offer unemployed people a number of measures in order better to qualify them for the needs of the labour market. The labour market measures must, however, not compete with the general offers of education and training.

In Sweden, job and qualifying activities are the most important aspects of the active labour market policy. This implies that an unemployed person who does not easily find work must be offered training or some other easy measure aimed at enabling that person to take on a proper job.

The guiding activities managed by the employment service include i.a. information on vocational training and education as well as various activating measures such as job application activities.

People in need of occupationally adapted rehabilitation or special guidance may get help from the employment service and a labour-market institute. These institutes have special resources and qualifications within labour assessment, practical work orientation, adjustment of work places, etc.

When the recession set in at the beginning of the 1990s, vocational training was prevalent among labour market measures, but since 1992, focus has clearly shifted towards other cyclically dependent measures. These schemes include i.a. vocational training, aimed at increasing an unemployed person's possibilities of finding work and at making it easier for the employers to employ people with the relevant skills. There are also work-experience schemes that are to provide unemployed people looking for work via the employment service with vocational guidance, practice and vocational experience. As a supplement to the general labour market measures, an IT/activity centre has been set up for unemployed people, with a view to teaching them to work with information technology. Young unemployed people under 20 years may receive in-service training in a municipal enterprise. Young unemployed people between 20 and 24 years may be offered a full-time activation programme for a period of less than 12 months. The activation programme must be individually adapted and include training or practice, or a combination of both.

Moreover, there is recruitment support to employers aimed at stimulating

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them to hire an unemployed person by partly covering his expenses in connection with the employment of a person who needs extended introduction or training. In addition, people who are unemployed or are at a risk of becoming unemployed may in some cases be granted a subsidy to start their own business.

For people with reduced working capacity, there are measures enabling them to work in subsidized jobs either with a public or a private employer.

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Table 5.7 Number of activated people, 1995-1999

	Number of activated people during the year		Number of activated people at the time of survey/average number of activated people		Activated people as percentage of the labour force at the time of survey	
	Total	16-24 year-olds	Total	16-24 year-olds	Total	16-24 year-olds
<i>Denmark</i>						
1995, total	258,392	52,214	110,935	16,030	4.0	3.4
1998, total	253,108	36,390	100,484	11,604	3.6	2.7
1999, total	254,668	36,687	100,770	11,104	3.6	2.6
Of whom:						
- Subsidized employment	102,357	22,105	42,053	6,400	1.5	1.5
- Education and training	155,256	10,430	52,254	2,942	1.9	0.7
- Other	32,852	11,005	6,463	1,762	0.2	0.4
<i>Finland</i>						
1995, total	285,575	82,217	103,667	25,973	4.2	9.9
1998, total	288,413	85,385	109,308	26,083	4.4	8.8
1999, total	258,549	75,270	100,282	23,393	3.9	7.2
Of whom:						
- Subsidized employment	135,067	25,698	51,459	9,540	2.0	2.9
- Education and training	77,635	11,995	38,100	5,142	1.5	1.6
- Other	45,847	37,577	10,723	8,711	0.4	2.7
<i>Iceland</i>						
1995, total	..	..	..	..	..	..
1998, total	..	..	2,565	568	1.7	2.1
1999, total	..	..	2,529	558	1.6	2.0
Of whom:						
- Subsidized employment	..	..	2,462	523	1.6	1.9
- Education and training	..	..	67	35	0	0.1
- Other	..	..	-	-	-	-
<i>Norway</i>						
1995, total	..	..	42,145	16,482	1.9	5.6
1998, total	..	..	14,657	4,889	0.6	1.5
1999, total	..	..	8,384	2,797	0.4	0.9
Of whom:						
- Subsidized employment	..	..	1,577	..	0.1	..
- Education and training	..	..	4,529	..	0.2	..
- Other	..	..	2,278	..	0.1	..
<i>Sweden</i>						
1995, total	781,000	..	275,100	..	6.1	..
1998, total	715,247	..	226,885	..	5.3	..
1999, total	564,986	..	199,160	..	4.6	..
Of whom:						
- Subsidized employment	139,583	..	82,803	..	1.9	..
- Education and training	404,032	..	105,446	..	2.4	..
- Other	21,371	..	10,911	..	0.3	..

Services in Connection with Unemployment

The services provided in connection with unemployment is first and foremost job provision, but in all the countries, also mobility-promoting benefits are available in the shape of i.a. removal assistance and assistance in connection with double housekeeping.

Employment Service

– *Job provision is free of charge*

In all five Nordic countries, there are employment services. They provide services to both job seekers and employers. The employment service is run by the State, with the exception of Iceland where it is run by the local authorities, but on 1 July 1997, the State took over the job service.

In all five countries, job provision is free of charge for users, and it is in principle up to a job seeker whether or not he or she wishes to accept the job offered. Unemployment benefit is, however, only payable if a job seeker is willing to accept a suitable offer, when available.

There are considerable differences from one country to another as to how many vacant positions are registered with the employment service. The differences in the figures reflect, however, differences in the way in which the employment service is used, rather than the actual number of vacant positions in the various countries.

Table 5.8 Number of vacancies registered with the employment offices. In thousands and as percentage of the labour force, 1990-1999

	Denmark		Finland		Norway ¹⁾		Sweden ²⁾	
	Number of positions registered 1,000	As percentage of the labour force	Number of positions registered 1,000	As percentage of the labour force	Number of positions registered 1,000	As percentage of the labour force	Number of positions registered 1,000	As percentage of the labour force
1990	112	4	341	13	237	11	650	14
1995	117	4	170	7	276	13	339	8
1998	97	3	255	10	472	21	413	10
1999	101	4	265	10	507	22	470	11

1 Comprises both vacancies registered with the employment offices and vacancies registered elsewhere.

2 As percentage of the labour force aged 16-64 years (including the unemployed).

Expenditure on and Financing of Benefits in Connection with Unemployment

Differences and similarities in the expenditure on unemployment

The expenditure on unemployment reflects partly the extent of the unemployment, partly the amount of the daily cash benefit, and partly the extent of the activating measures provided for the unemployed.

Finland, being the Nordic country with the highest unemployment rate, has the second highest expenditure on unemployment measured in PPP per capita. It should be mentioned, however, that several subsidies are payable to the employers for activation. These costs have not been included as social expenditure in this report. Sweden, being the country with the second highest unemployment rate, spends almost the same amount as Finland measured in PPP per capita. The high expenditure in Denmark is due partly to the amount of the daily cash benefit, partly the extent of the activation/job training. Iceland has the lowest unemployment rate, followed by Norway, which also reflects low costs, cf. table 5.10.

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Table 5.9 Expenditure on and financing of cash benefits and services in connection with unemployment, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million KR/FIM</i>					
A. Unemployment benefit	17,373	14,219	1,711	5,424	32,506
B. Partial unemployment benefit	-	260	-	206	-
C. Pension for labour market reasons	-	3,368	-	-	1,785
D. Cash benefits payable during vocational training	18,079	1,016	49	-	9,226
E. Compensating benefits	-	106	-	-	907
F. Other	10	-	-	-	-
Cash benefits, total	35,462	19,013	1,759	5,630	44,424
<i>Services, million KR/FIM</i>					
A. Mobility and resettlement	-	10	-	290	277
B. Vocational training	-	1,176	-	923	4,700
C. Other	3,458	785	400	1,746	2,936
a. Of which employment services	990	785	400	1,728	2,883
Services, total	3,458	1,971	400	2,669	7,913
Total expenditure, million KR/FIM	38,920	20,984	2,160	8,300	52,337
Expenditure as percentage of GDP	3.2	2.9	0.4	0.7	2.7
<i>Financed by (per cent)</i>					
- Public authorities	38.3	65.9	8.7	52.7	14.4
- Employers	2.1	23.3	91.4	27.4	80.8
- The insured (contributions and special taxes)	59.6	10.9	-	19.9	5.0
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	-1,686	-1,169	-698	-837	-5,745
- Per cent	-4.2	-5.3	-24.5	-9.2	-9.9

Table 5.10 Expenditure on cash benefits and services in connection with unemployment in PPP 1999

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	718	529	69	121	462
Per capita in the working age	1,094	791	112	190	734
Services, total per capita	70	55	15	57	82
Per capita of the working age	107	82	24	90	131
Unemployment, total per capita	788	584	83	178	544

The development in the expenditure on unemployment from 1998 to 1999

In Denmark, the expenditure on unemployment benefits continued falling as a result of the decline in the unemployment rate. The average number of daily cash benefit recipients dropped from 147,000 in 1998 to 132,000 in 1999. On the other hand, the expenditure on cash benefits during activation increased from 1998 to 1999.

In Finland, the costs of combating unemployment decreased in 1999 by 5 per cent due to the drop in the unemployment rate. The largest drop took place in the income-related daily cash benefits, whereas the expenditure on unemployment pensions increased by FIM 340 million. The expenditure on job training and employment services also increased due to activation measures.

In Iceland, the expenditure on unemployment declined by 25 per cent from 1998 to 1999. This was mainly due to a corresponding drop in the unemployment rate.

In Norway, the total expenditure on unemployment continues to decrease, and from 1998 to 1999 the drop was 9 per cent. The reason was the positive development in the labour market that commenced in 1993. There was a considerable decrease in the expenditure on social services to the unemployed, which was mainly due to a low unemployment rate, and lower priority put to labour-market activities than has previously been the case.

In Sweden, the expenditure on cash benefits to unemployed people dropped by about 10 per cent from 1998 to 1999, the share of the expenditure of the total social benefits decreased from 10.2 per cent in 1997 to 8.0 per cent in 1999. Measured in relation to the GDP, the expenditure decreased from 3 per cent in 1998 to 2.6 per cent in 1999. The expenditure on the unemployment has continued decreasing during 1999. The explanation is the decreasing unemployment rate.

Chapter 6

Illness

The degree of the total social expenditure in relation to the expenditure on illness varies considerably. It is lowest in Denmark and highest in Iceland.

Table 6.1 Expenditure in connection with illness as percentages of the total social expenditure in the EU, Iceland and Norway, 1998

Denmark	19.3	Austria	26.2	Italy	23.4
Finland	22.7	Belgium	24.5	Luxembourg	24.6
Iceland	38.0	France	29.2	The Netherlands	28.5
Norway	32.4	Germany	28.1	Portugal	33.2
Sweden	23.4	Greece	24.1	Spain	29.2
		Ireland	36.6	United Kingdom	25.2

Note: See Table 4.1.

Paid Absence in Connection with Illness

- *Everyone in gainful employment is in principle entitled to daily cash benefits or wages in case of illness*

The structures of the wage and daily-cash benefit schemes vary considerably from one country to another.

Both in Denmark, Finland, Iceland and Norway employees may be paid their wages/salaries during illness, but according to somewhat varying rules.

In Denmark, public-sector employees and some private-sector employees will be paid in full during illness according to collective agreements. Officials in the private sector will thus be paid during illness, whereas other private-sector employees will be paid during for instance the first four weeks of their absence due to illness. In some cases they will not be paid in full, but only up to a maximum amount fixed by the collective agreements.

ILLNESS

In accordance with the Act on *Employment Contracts*, employers in Finland pay in full for the first day of illness and the subsequent nine working days. Usually, it has been agreed in the collective agreements covering the individual business sectors that wages/salaries shall be paid in full for a period varying from one to three months.

In Iceland, all employees are by law ensured entitlement to their wages/salaries for a period that depends on their seniority. After one year of employment, an employee is entitled to one month's pay in the event of illness. The majority of employees have a statutory right, or a right deriving from collective agreements, to receive wages for a fairly long period of time. Public and municipal employees have the best agreement concerning pay during illness. Employers in the private labour market are obliged to pay 1 per cent of the wage sum to a supplementary daily cash benefit scheme that is administered by de respective unions. From those schemes daily cash benefits are payable after the period in which the recipient is paid from his employer, usually for 120-150 days. Due to this scheme, daily cash benefit from the public sickness insurance scheme does not play an important part.

According to agreement, all public employees in Norway are paid in full during illness. Furthermore wage compensation in the event of illness is payable in a number of cases in the private labour market in the shape of a supplement to the sickness benefit, so that compensation is paid for the difference between the maximum amount of sickness benefit and the normal wages. Sickness benefit is payable through the National Social Security Fund. The maximum amount payable by the National Social Security Fund is NOK 281,700. The income basis for sickness benefit must correspond to at least 125 per cent of the basic amount corresponding to NOK 58,690. This income ceiling does not apply to sickness benefit payable during the employer period.

In Sweden, wages or salaries are not payable during absence due to illness.

Employees who are not paid during illness will in all five Nordic countries receive sickness benefit according to slightly differing rules.

In Denmark, employees are entitled to sickness benefit from their employers, provided they have been employed with one and the same employer for the past 13 weeks prior to their absence and during that period have been employed for at least 120 hours. Employees are entitled to sickness benefit from the local authorities provided they have been in the labour market for the past 13 weeks and have been employed for at least 13 weeks or have received daily cash benefit. People who are entitled to unemployment benefit, or have concluded vocational training of a duration of at least 18 months, or have been in work-training schemes with pay, are also entitled to sickness benefit from the local authorities.

In Finland, it is a precondition that the sick person has not been unemployed according to his own wish, for three months prior to falling ill, i.e. that a sick person must have been employed during the three months prior to falling ill, or have been unemployed, in order for sickness benefit to be payable.

In Norway, an employee must have worked for an employer for at least two weeks in order to be entitled to sickness benefit from the employer. In order to be entitled to sickness benefit from the National Social Security Fund, the person in question must have been employed for at least two weeks immediately prior to falling ill. Absence for no valid reason will not be taken into consideration. A period of time in which a person has received daily cash benefit due to unemployment or childbirth will be considered as work.

In Denmark, Finland and Norway sickness benefit may normally be payable for a maximum of one year (52 weeks), whereas there is no time limit in Sweden. In Denmark, the period may, in certain cases, be prolonged beyond the 52 weeks.

In all five countries there is an employer period of some sort.

In Denmark, there is an employer period of two weeks for private employers; during this period an employer must pay compensation either in the shape of salaries/wages or daily cash benefit. Public employers pay salaries/wages during the whole period in which an employee is off sick.

In Finland, the employer period consists in payment in full during the first nine working days, and in Iceland, employees are paid in full the first month.

In Norway, all public employees are paid in full during the sickness-benefit period. Private-sector employees are compensated for loss of income up to the maximum amount of the Social Security Scheme for 16 days, unless they have a more favourable agreement with their employers.

In Sweden, both private and public employers will pay sick pay during the employer period. From 1 January 1997 to 1 March 1998, the employer period was prolonged to four weeks, but is now back to two weeks. The sick pay corresponds to 80 per cent of the income from work.

In Finland, there is a qualifying period of nine working days prior to sickness benefit becoming payable, whereas the Icelandic public insurance scheme operates with a qualifying period of 21 days. In case a sickness period lasts for 21 days or more, sickness benefit shall, however, be payable from the 15th day. In Sweden there is a qualifying period of one day and in Denmark and Norway there is none.

In several of the countries, self-employed people can take out an insurance entitling them to sickness benefit in case of illness.

In all the countries, sickness benefit is regarded as taxable income.

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In Denmark, sickness benefit is paid and managed by the local authorities. Central Government reimburses the local authorities their expenditure on sickness benefit for the first eight weeks at 100 per cent, while the expenditure after eight weeks and up to and including 52 weeks will be reimbursed at 50 percent. After 52 weeks, local authorities themselves defray the expenditure on sickness benefit in full.

In Norway, the National Social Security Fund pays sickness benefit for up to 248 days, corresponding to one year, when the employer period is included. The Fund reimburses sickness benefits to employers in the private sector (after the employer period). In cases where agreements have been made as to full pay being payable during absence due to illness, the employer will cover any difference between pay and sickness benefit. If an employer does not pay sickness insurance to an employee, the latter may claim the benefit direct from the National Social Security Fund.

Table 6.2 Rules governing payment of cash assistance* to employees in connection with illness as per December 1999

	Denmark	Finland	Norway	Sweden
Maximum period of sickness benefit/sick pay	52 weeks ¹⁾	52 weeks	52 weeks	No time limit
Qualifying period?	No	No ²⁾	No	Yes
Length of qualifying period	-	-	-	1 day
Employer period?	Yes	Yes ²⁾	Yes	Yes
Duration of employer period	2 weeks for private employers	10 working days	16 days	2 weeks ³⁾
Wages/Salaries payable during illness?	Yes	Yes	Yes	No
Statutory payment of wages/salaries during illness?	Yes	Yes ²⁾	Yes	.
Payment of wages/salaries during illness according to agreement?	Yes	Yes	Yes	.

* By cash benefits is meant sickness benefit or wages.

- 1 Under special circumstances, the benefit period may be prolonged. This applies, for instance, where it is deemed likely that rehabilitation may be implemented, or where application for anticipatory pension is being dealt with. In addition, a benefit period may be prolonged by 2×26 weeks in case of serious illness or industrial injury.
- 2 Sickness benefit will neither be paid for the day on which an employee falls ill nor for the following 9 working days. During that period employers pay full wages/salaries according to law. According to collective agreements, employers pay full or partial wages for 1-3 months during illness. During that period, the benefit will be paid to the employer.
- 3 During the employer period, there is a qualifying period of one day. This also applies to people who are not employed.

ILLNESS

Table 6.3 Amount of sickness benefit payable to employees in connection with illness as per December 1999

	Denmark	Finland	Norway	Sweden
Amount of sickness benefit as percentage of income from work	100 per cent	Normally 70 per cent	100 per cent	80 per cent
Maximum income per week for full compensation in national currency ¹⁾	DKK 3,048	.	NOK 5,417	SEK 5,250
Maximum income per week for full compensation in PPP-Euro ¹⁾	329	.	518	484
Min. amount per week in national currency	.	.	NOK 1,129	SEK 168
Min. amount per week in PPP-Euro	.	.	108	16
Max. Amount per week in national currency	DKK 2,758	.	NOK 5,417	SEK 4,186
Max. amount per week in PPP-Euro	297	.	518	386
Sickness benefit taxable?	Yes	Yes	Yes	Yes
Supplement for children?	No	No	No	No

1 The maximum income is the income ceiling (previous income) on which the calculation of sickness benefits is based. The calculation of the maximum income is made according to varying principles in the various countries.

Figure 6.1 Disposable income for a childless couple, 1999

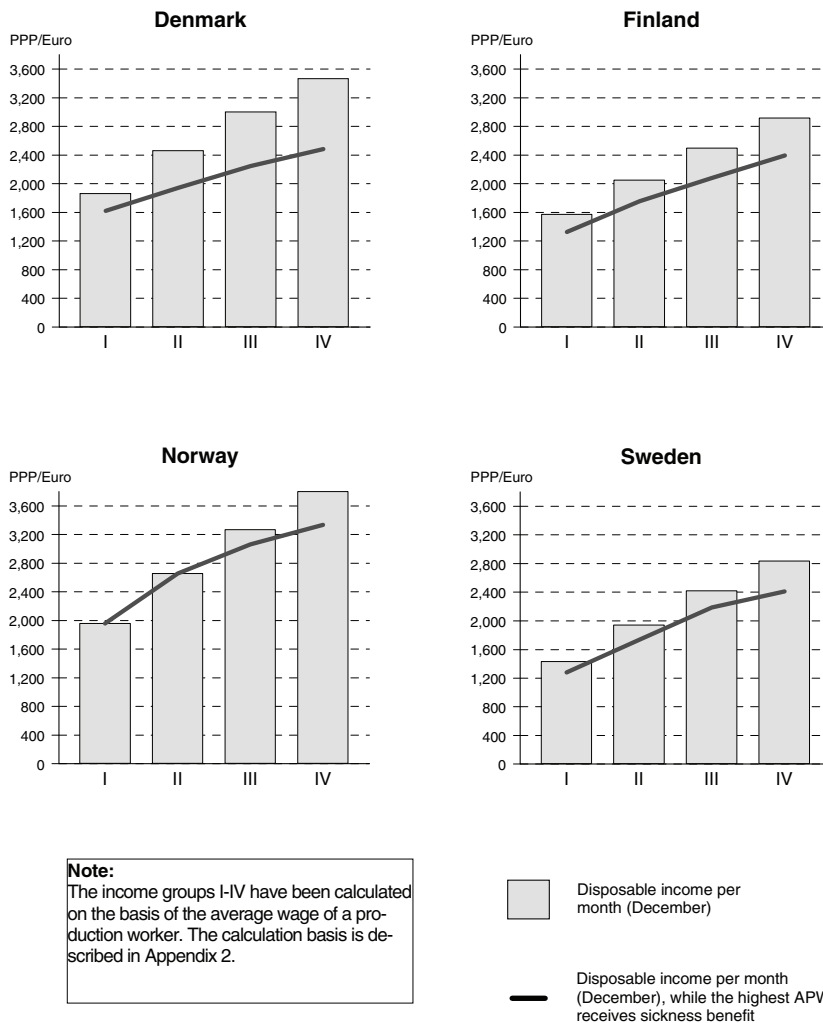
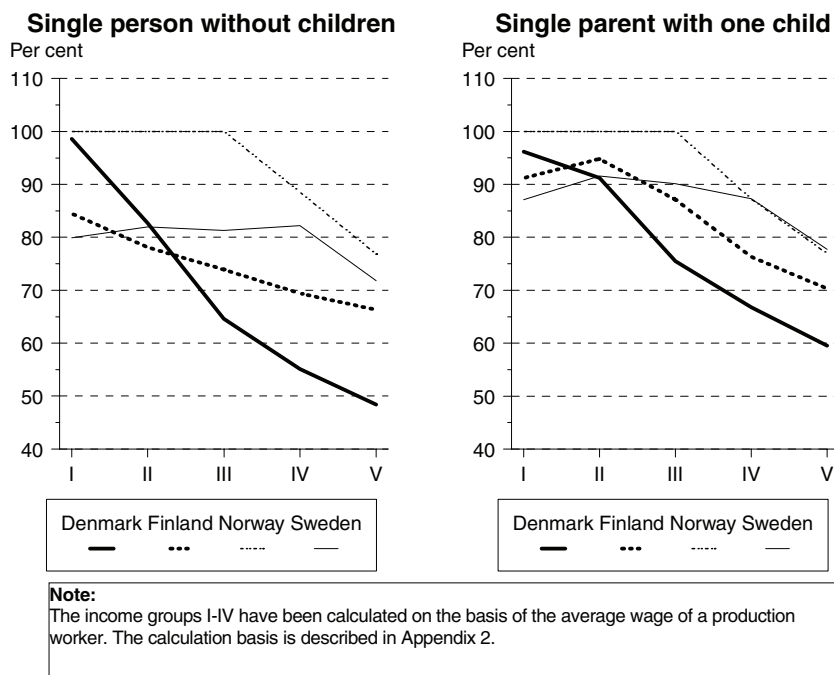


Figure 6.1 shows the disposable income at four different income levels for a childless couple, partly where both are employed, and partly where the person earning the most starts receiving sickness benefit. Figure 6.2 shows the disposable income at five different income levels for a single childless person and for a single parent with one child receiving sickness benefit in per cent of the disposable income from work.

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As can be seen from the figures, the compensation levels in connection with illness differ considerably. For single people in the lowest income brackets, compensation is highest in Denmark and Norway and lowest in Sweden, whereas it for single people in the highest income brackets is lowest in Denmark and highest in Norway and Sweden. For childless couples, the compensation is generally highest in Norway and lowest in Denmark. The differences depend partly on the amount of the daily cash benefit in relation to the income from work (they are highest in Denmark and Norway and lowest in Finland), partly on the maximum amount which is relatively low in Denmark in relation to Sweden and – in particular – Norway. In addition, it is significant that Finland has no upper limit to the amount of the daily cash benefits.

Figure 6.2 Disposable income while receiving sickness benefit as percentage of disposable income from work, 1999



The higher compensation levels in Denmark and Finland for single parents with one child in relation to single people with no children are mainly due to the fact that payment for places in day care institutions decreases when a person starts receiving sickness benefit; apart from that, single parents with one child are also entitled to higher rent subsidies, as the rules governing this subsidy are generally more favourable for families with children than it is for childless families.

In Denmark, Finland and partly in Sweden, absence due to illness dropped slightly during the 1990s. There are several reasons for this, among others the increasing rate of unemployment up through the 1990s. In 1998, there was a slight increase in the absence due to illness in Sweden. Norway has the most absence, which was due to increased employment and a decrease in the unemployment rate. In Sweden, absence due to illness has increased since 1995.

Table 6.4 Calculated absence due to illness for at least one week among employees as percentage of all employees, 1990-1999¹⁾

	Denmark ²⁾	Finland	Iceland	Norway	Sweden
<i>1990</i>					
Men	1.5	2.2	1.1 ³⁾	2.7	3.7
Women	2.2	2.6	1.9 ³⁾	3.5	5.4
Total	1.8	2.4	1.5 ³⁾	3.1	4.5
<i>1995</i>					
Men	1.4	2.0	1.3	2.2	2.2
Women	2.2	2.3	2.1	3.1	3.4
Total	1.7	2.1	1.7	2.6	2.7
<i>1998</i>					
Men	1.4	1.9	0.9	2.7	2.1
Women	1.6	2.3	1.6	3.9	3.6
Total	1.5	2.1	1.2	3.2	2.8
<i>1999</i>					
Men	1.3	2.0	0.8	3.1	2.4
Women	1.6	2.5	1.7	4.4	4.2
Total	1.4	2.2	1.2	3.7	3.2

1 The figures have been calculated on the basis of labour-force surveys as an average of the censuses.

2 15-66 year-olds.

3 Refers to 1991.

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Table 6.5 Number of sickness benefit periods of at least 15 days (per cent), 1999

	Denmark	Finland	Norway	Sweden
<i>Duration (days)</i>				
15-21	20.4	28.8	21.0	20.2
22-29	13.6	18.3	12.5	17.6
30-59	24.2	28.7	25.5	24.8
60-89	10.3	8.9	12.3	10.3
90-119	6.0	3.8	6.9	5.6
120-149	3.7	2.2	4.4	3.4
150-179	2.7	1.5	3.1	2.3
180-359	8.7	6.7	9.6	6.7
360+	10.4	1.1	4.8	9.2
Total	100.0	100.0	100.0	100.1

There are certain differences between the countries as regards the pattern of long-term absence due to illness (for more than two weeks). This reflects i.a. different practices as to when long-term ill people start receiving benefits from other parts of the social system. This applies for instance to the transition to rehabilitation benefit or anticipatory pension.

In Sweden, there is no limit as to for how long sickness benefit is payable, and consequently the benefit may be payable for more than one year of illness. In some cases, this may also occur in Denmark. The approximately 5 per cent in Norway of over 360 days also cover people who are ill for more than a year (365 days). They are not entitled to sickness benefit for more than one year, but will be paid rehabilitation benefit.

Daily Cash Benefit in the Event of Industrial Injury or Work-Related Illness

In all five countries, benefits are payable in the event of industrial injuries or occupational diseases. The short-term benefits may be sickness or equivalent benefits.

In Finland, industrial injury benefits are payable, usually equivalent to normal wages.

Services

It is a common trait of the Nordic countries that they have a well-established service network for both prevention and treatment of diseases. It is, however, an area that varies somewhat from one country to another.

In Denmark, Finland, Norway and Sweden, the local and/or county authorities are responsible for the organization of the health sectors, while it in Iceland is Central Government.

Occupational health services have been established in Denmark, Norway, and Sweden. The purpose of these services is to initiate preventive measures and exercise health control within the framework of the individual work places. In Finland, there is also a statutory occupational health service, which is responsible for preventive measures. It can be supplemented by voluntary schemes, which may be preventive measures or general treatment of illness, subsidized by the sickness insurance scheme.

Hospitals

– *The hospital service is mainly a public issue*

In all the Nordic countries, there are general hospitals with outpatient clinics/policlinics and emergency wards. There are also highly specialized hospitals, psychiatric hospitals and, in some of the countries, hospitals for long-term care. The hospitals are mainly run by Central Government, the counties, or the municipalities, but there are also a few private hospitals.

It is very difficult to obtain comparable data in respect of the capacity of the health services in the Nordic countries, as the organization of this area varies considerably from one country to another. It is, however, a general trend that the length of hospitalization becomes still shorter, and that more and more patients are treated at the outpatient clinics.

In all the countries, there has been a tendency towards shutting down the psychiatric hospitals and instead develop treatment of psychiatric patients in their own environments.

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Table 6.6 Discharges and average length of hospitalization in somatic wards, 1990-1999

	Denmark	Finland	Iceland ¹⁾	Norway	Sweden
<i>Number of discharges from somatic hospital wards per 1,000 inhabitants</i>					
1990	193	180	166	155	170
1995	190	193	178	145	167
1998	190	206	..	148	162
1999	191	205	..	155	157
<i>Average hospitalization (days) in somatic wards</i>					
1990	6.7	7.2	7.6	7.1	7.5
1995	6.1	5.6	6.3	6.7	6.1
1998	5.8	5.0	..	6.1	5.6
1999	5.6	4.5	..	6.0	5.5

Source: *Health Statistics in the Nordic Countries* concerning the years 1990, 1995, 1997 and 1998.

1 Figures for 1995 refer to 1994.

Medical Treatment, Etc.

– *Preventive measures and general medical treatment take place outside of hospitals*

In the Nordic countries, general (primary) medical treatment takes place outside of hospitals. Various forms of preventive health care measures are furthermore linked to the primary health services.

In Denmark, general medical treatment is provided solely by self-employed general practitioners, fully financed and according to agreement with the public authorities. In Norway, about 75 per cent of the general medical treatment is provided by self-employed general practitioners. This only applies to a slight degree in the other Nordic countries. It is thus estimated that self-employed general practitioners perform about 20 per cent of the general medical treatment in Sweden. About 23 per cent of the general medical treatment as well as treatment by specialists are in Finland performed by self-employed doctors. Doctors employed by the public authorities perform the remaining part at public health centres.

In Finland and Iceland, health centres may be equipped with wards.

Specialist treatment is available in all the countries. It is performed by specialists according to agreements with the public authorities. These services are provided according to either general or specific rules.

Due to the large differences from one country to another in the organization of the primary health sector, it is very difficult to obtain comparable data concerning the number of medical visits per inhabitant.

Home nursing is available in all the countries, both to families and children and to the elderly and the disabled.

In all five countries, pregnant women and infants are offered public health care. In addition, all the countries provide school health care schemes. Most children are immunized according to the recommended immunization programme. Screening programmes exist to a certain degree in all the countries, e.g. to detect breast cancer, etc. In Finland, these tasks are performed by the health centres.

In all five countries, subsidies are payable for transport expenses in connection with illness.

Dental Treatment

– Dental treatment free of charge for children and youth

Dental treatment is a well-developed service in all the Nordic countries. With the exception of Iceland, treatment of children and youth is performed at public clinics. In all the countries, treatment is completely or partly free of charge.

Dental treatment of adults is mainly performed by self-employed dentists.

In Sweden, the counties organise the public dental care scheme.

Expenditure on and Financing of Cash Benefits and Services in Connection with Illness

Differences and similarities in the expenditure on illness

There are certain differences in the expenditure on illness in the Nordic countries measured in PPP per capita, where Finland spends least and Norway most.

In respect of expenditure on paid absence due to illness, Norway spends approximately twice as much as the other Nordic countries measured in PPP per capita. This is mainly due to the amount of the cash benefit (cf. Table 6.3), but the low unemployment rate also has some influence on the absence due to illness.

As regards expenditure on services (medical treatment), measured in PPP per capita they are lowest in Finland and highest in Norway.

What influences the expenditure on medical treatment is patients' payment of user charges for medical treatment and medicine, which is highest in Finland.

Another influential factor is the grey zone between the health sector and treatment of the elderly and the disabled, which is organized in somewhat different ways in the various countries.

Development in the social expenditure on illness from 1998 to 1999

In Denmark, the expenditure on sickness benefits defrayed by the local authorities decreased from 1998 to 1999 after having increased the previous years. Especially the expenditure on long-term absence due to illness dropped, which may be a result of the fact that the local authorities as from the middle of 1999 pay all expenses to sickness benefit after 52 weeks, while Central Government until then financed 50 per cent of these expenses. The estimated expenditure on sickness benefit payable during the employer period has, however, increased. The expenditure on services in the health sector has continued to increase, including the expenditure on the hospital sector, medicine and home nursing.

In Finland, the expenditure on illness increased by 2.5 per cent in 1999, which is mainly due to an increased need for care and treatment as well as

new cost-consuming forms of treatment having been introduced. The expenditure on sickness benefit also increased due to more people becoming employed and that the wage/salary level having increased.

In Iceland, the social expenditure on illness increased by about 12.4 per cent in 1999 prices. The increase in the expenditure on cash benefits was 8.7 per cent, while it was 13.2 per cent on services. This increase is first and foremost explained by a pay increase and an increase in the employment rate, whereas pay rises alone account for the majority of the increased expenditure on services.

In Norway, cash benefits in connection with illness increased by about 12 per cent from 1998 to 1999. This increase was due to both the absence and the income basis for recipients of sickness benefit having increased. The number of days, in which the National Sickness Insurance Fund paid sickness benefits were 11.7 days per employed person in 1999 as against 11.1 days in 1998. The expenditure on services increased by about 5 per cent from 1998 to 1999. Part of this growth was due to a general increase in measures concerning the hospital sector and treatment provided by specialists. Besides, there has been an increase in the number of man-years in the psychiatric sector, although the number of residential places in the psychiatry sector decreased. Traditional 24-hour treatment is to an increasing extent replaced by outpatient treatment and other kinds of treatment.

In Sweden, the expenditure on sickness increased from 7.7 per cent of the GDP in 1998 to 8.0 per cent in 1999 due to a steep growth in the expenditure on sickness benefit, as there has been an increase in absence due to illness since 1997, and especially in long-term absence. The expenditure on the public health sector increased marginally from 1998 to 1999.

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Table 6.7 Expenditure on and financing of cash benefits and services in connection with illness, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million KR/FIM</i>					
A. Paid sick leave	11,214	8,425	8,613	34,235	38,812
Of which:					
a. General sickness benefit	7,214	2,723	536	18,795	24,219
b. Daily cash benefits in employer period	4,000	4,900	7,856	15,359	10,700
c. Special insurance in the event of industrial injury or occupational disease	-	638	221	-	3,893
B. Other	407	-	-	81	53
Cash benefits, total	11,621	8,425	8,613	34,235	38,865
<i>Services, million KR/FIM</i>					
Services, total	57,284	34,361	37,999	72,916	121,140
Total expenditure, million KR/FIM	68,905	42,786	46,612	107,152	160,005
Expenditure as percentage of GDP	5.6	6.0	7.5	9.0	8.1
<i>Financed by (per cent)</i>					
- Public authorities	89.6	65.9	81.4	63.5	73.5
- Employers	6.0	23.3	18.6	27.3	26.1
- Insured (contributions and special taxes)	4.4	10.9	0.1	9.4	0.4
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	1,773	1,007	5,135	6,980	12,787
- Per cent	2.7	2.5	12.4	7.0	8.7

Table 6.8 Expenditure on cash benefits and services in connection with illness in PPP 1999

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	235	235	339	734	404
Per capita of the working age	359	351	553	1,152	642
Services, total per capita	1,160	956	1,491	1,564	1,260
Illness, total per capita	1,396	1,191	1,830	2,298	1,664

User charges payable for health services

The rules governing user charges payable for health services differ somewhat in the Nordic countries. In Finland, Norway and Sweden, there are rules governing maximum payment of user charges for health services. Such rules also exist in Iceland, but patients are only partly exempt from paying. In Denmark, there are no such rules.

Maximum user charges

In Finland, the sickness insurance fund covers the amount of the total amount of user charges payable for medicine exceeding FIM 3,283 per year and the costs for transport in connection with treatment exceeding FIM 900 per year.

In Iceland, the maximum user charge payable per year is ISK 12,000 for people in the age group 16-66 years, and for children under 16 years, the maximum user payment is ISK 6,000. For pensioners between 67 and 69 years receiving full basic pension, as well as for pensioners who are 70 years old or more and recipients of anticipatory pension and people who have been unemployed for more than six months, the maximum user charge is ISK 3,000. When a patient has reached the maximum amount, he only has to pay one third of the rates. There are also special rules governing payment for physiotherapy, occupational therapy and other therapeutic treatment.

In Norway, the maximum user payment for medical treatment, psychological treatment, travel expenses in connection with examination and treatment as well as pharmaceutical products was NOK 1.320 in 1999. Other expenses are covered by the State. The Social Security Scheme financed about 54 per cent of the total expenditure on pharmaceutical products in 1999.

In Sweden, there is a maximum user charge per year for general medical treatment of SEK 900 and another maximum user charge for medicine of SEK 1,800.

In case one or both parents jointly have several children under 18 years, these children are exempt from paying user charges if the purchase of pharmaceutical products for them in total exceeds the maximum amount fixed for user charges. As to the municipal care schemes, there are no government rules concerning maximum user charges.

Medical treatment, etc.

In Denmark, medical treatment and home nursing are free of charge. A small group of people who is at liberty to choose doctors freely must pay a

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minor amount for medical treatment. In the other Nordic countries, patients pay an amount for treatment. In Finland, the amount will amount to a maximum of FIM 100 per year or FIM 50 for the first three treatments in an outpatient clinic in the primary health sector. For temporary home nursing, FIM 50 is payable per visit by a doctor and FIM 30 per visit by a nurse. For continuous care in the home, an amount is payable, which depends partly on the extent of the care and partly on a patient's financial situation. In Iceland, a maximum of ISK 12,000 is, as mentioned above, payable for medical treatment, but home nursing is free of charge. In Norway user charges payable for medical visits vary. In connection with visits to a general practitioner and for visits to an emergency medical service during the day, user charges are NOK 108, whereas they are NOK 160 for treatment by a specialist. For treatment outside of the daytime hours, user payment is NOK 215. User charges for home nursing were abolished as from 1998. In Sweden, user charges vary from one county to another from SEK 60 to SEK 250. For medical treatment and for visits to a physiotherapist, psychologist, chiropractor, etc., user charges are between SEK 60 to SEK 140. Usually, user charges are highest in connection with visits to a specialist (from SEK 150 to SEK 250), but visits to general practitioners cost between SEK 100 and SEK 140.

Dental treatment

In all the countries, dental treatment of children and young people is completely or partly free of charge. The rest of the population pay all costs for treatment themselves, or are reimbursed a small part of these costs. In Denmark, patients' payments amounted in 1999 to about 60 per cent of the total costs, including expenses for the municipal dental care schemes for children and young people, which are free of charge. In Finland, people born in 1956 or later are entitled to a supplement of about 50 per cent for dental treatment and subsidies of 75 per cent for examinations and preventive treatment. In Iceland, people over 67 years, as well as disabled people, are refunded between 50 and 100 per cent of the expenses, depending on their incomes.

Medicine

In Denmark, patients' share of the costs for medicine, including over-the-counter products, amounted to about 42 per cent in 1999. The National Health Insurance Service (the counties) financed about 53 per cent and the municipalities financed the remaining 5 per cent of the expenses. In

Finland, user charges amounted to about 59 per cent of medicine with basis reimbursement. For specially subsidized medicine, patients pay 30 per cent or 4 per cent. In Iceland, user charges are calculated to be about 35 per cent, but pharmacies may grant a number of discounts, for which reason the actual amount of user charges cannot be calculated. In Norway, user charges for medication with reimbursement were in 1999 36 per cent of the amount remaining up to NOK 330. Patients' actual user payment for pharmaceuticals was 13 per cent in 1999. In Sweden, user charges for subsidized medicine amounted to 23 per cent of the total expenses for pharmaceuticals.

Hospitalization

In Denmark, Iceland and Norway, hospitalization is free of charge. In Finland, a maximum of FIM 125 per day is payable for short-term hospitalization and FIM 70 per day for hospitalization in psychiatric wards. A maximum of SEK 80 per day is payable in Sweden, irrespective of the length of the hospitalization.

Chapter 7

Old Age, Disability and Survivors

The Structure of this Chapter

While the other chapters have followed the chapter structure of ESSPROS, the descriptions of elderly and disabled people and survivors have in this report been gathered in one chapter. As the rules in the Nordic countries governing pensions are largely identical and more often than not based on the pension systems for the elderly, it was considered most expedient to describe the pension systems together. The expenditure on home nursing has, where possible, been included in the chapter on illness. As to Sweden, it has only been partly possible to separate home nursing from the rest.

The structure of this chapter is as follows: first, a description is given of the retirement from the labour market for people aged 50-65/67 years. Then follows a general description of pensioners' incomes followed by a general description of the pension system, as well as a description of cash benefits and services provided to the elderly and the disabled, respectively, and to survivors. At the end of this chapter, there is an overall description of the social expenditure on the elderly, the disabled and survivors.

Early Retirement from the Labour Market

Both in the Nordic and in other European countries, the expenditure on the elderly and the disabled forms a substantial part of the total social expenditure. The relatively small proportion of these expenses spent in the Nordic countries is first and foremost a result of enhanced efforts being made in respect of families, children, and unemployed people.

Table 7.1 Expenditure on the elderly, the disabled and survivors as percentage of the total social expenditure in the EU, Iceland and Norway, 1998

Denmark	50.0	Austria	56.8	Italy	70.2
Finland	48.9	Belgium	51.6	Luxembourg	56.3
Iceland	43.7	France	48.9	The Netherlands	52.9
Norway	48.1	Germany	50.2	Portugal	55.3
Sweden	51.1	Greece	58.8	Spain	54.3
		Ireland	29.8	United Kingdom	55.4

Note: See Table 4.1.

What is important in relation to the expenditure on the elderly and the disabled is mainly the question of for how long people in active employment remain in the labour market.

Figure 7.1 shows the employment rate for men and women between the ages of 50 and 66 years in 1999, and Figures 7.2 and 7.3 show the development in the employment for 60 and 64 year-old men and women, respectively, for the period 1990-1999.

As it appears from Figure 7.1, men have in general a higher employment rate than women. In all the Nordic countries, the employment frequency declines markedly with age in respect of both men and women. There are, however, also large differences between the countries. Both in respect of men and women, the highest employment rate is found in Iceland, and the lowest in Finland, with Sweden in between. The explanations of the differences between the countries are mainly to be found in the various occupational structures, with the resulting different patterns of wear in the labour force, differences in the unemployment situation in the 1990s, as well as differences in the possibilities of withdrawing early from working life with public income-substituting benefits.

Early retirement from the labour market is most common in Denmark and Finland. Those two countries have the most comprehensive public retirement schemes, and the unemployment rate has been relatively high for a long period of time. Early retirement is least common in Norway and especially Iceland, where there are no other public retirement schemes than health-related disability/anticipatory pension as well as a very limited unemployment problem. Sweden holds a position in the middle, both in respect of public retirement schemes and the extent of the unemployment in the 1990s.

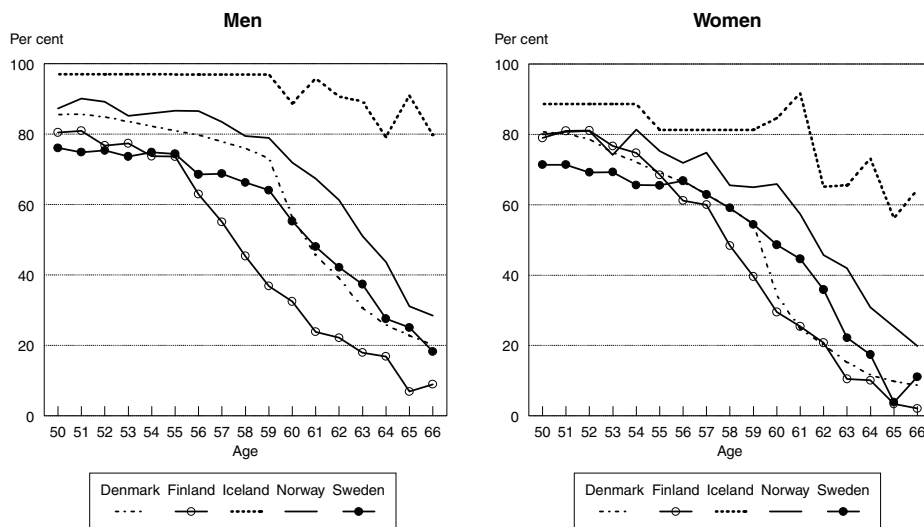
There are distinct differences between the countries as to the employment rate for the 60 and 64 year-old men and women, with the highest rate

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of employment found in Iceland, and the lowest found in Finland, followed by Denmark.

The development during that same period also varies among the countries. While there was a decline in the employment rate for men in Denmark and Sweden until the middle of the 1990s, recent years have seen an increase. In Finland, the employment rate for men has, however, generally been declining until 1999. In Norway and Iceland, the employment has by and large remained the same during the period in question until 1999. As regards women, recent years have seen an increase in the employment rate for the 60 year-olds in Denmark, Finland, Norway and Sweden, while the employment rate for the 64 year-olds has been decreasing in Denmark, Norway and Sweden, but increasing in Finland and Iceland.

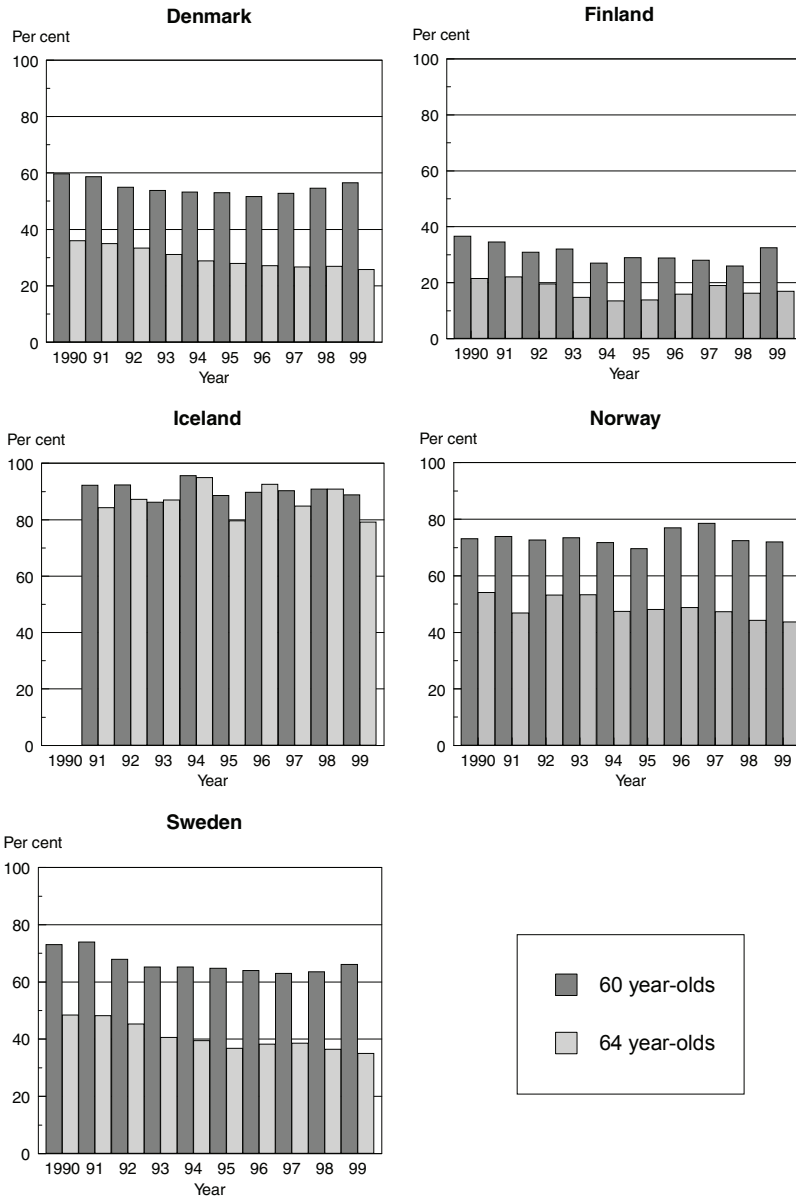
Figure 7.1 People in gainful employment as percentage of the population, broken down by age and sex, 1999



Source For Denmark LFR, all other countries LFS

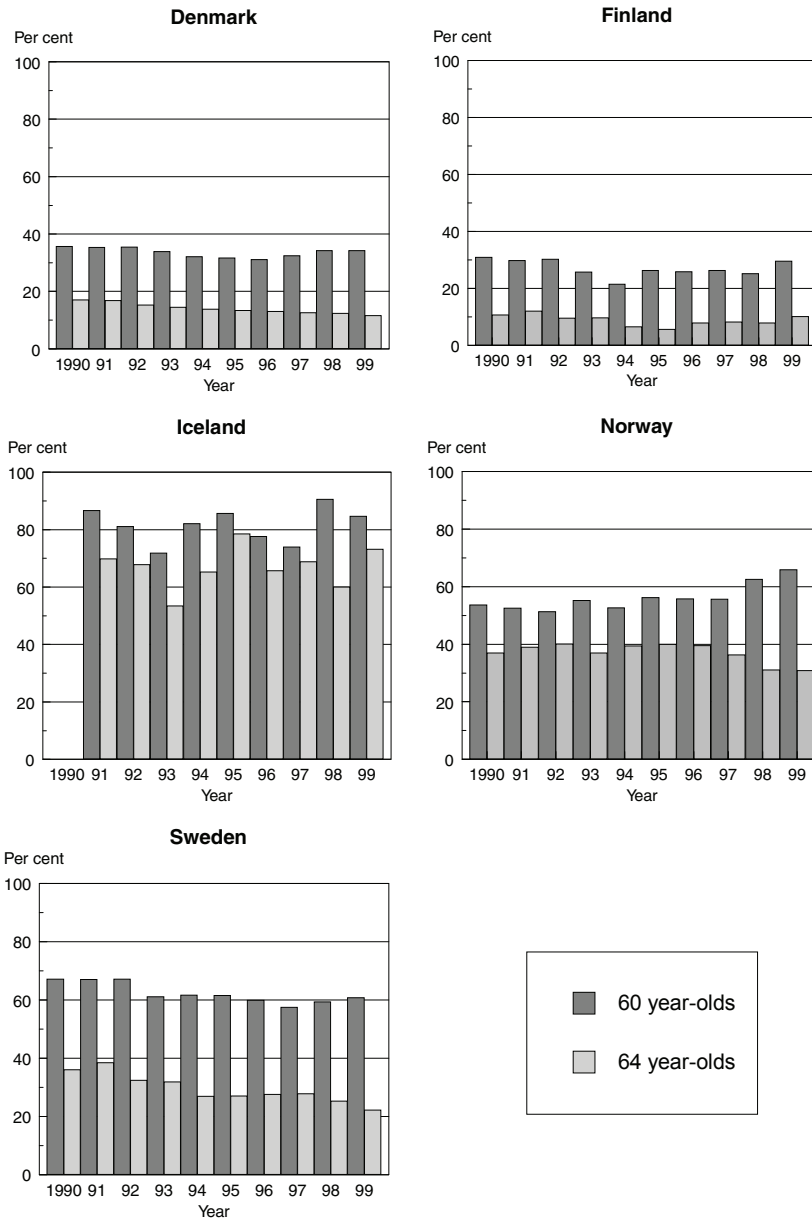
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**Figure 7.2 Percentage of employed people among 60 and 64 year-old men.
Per cent 1990-1999**



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Figure 7.3 Percentage of employed people among 60 and 64 year-old women. Per cent 1990-1999



Pensioners' Income

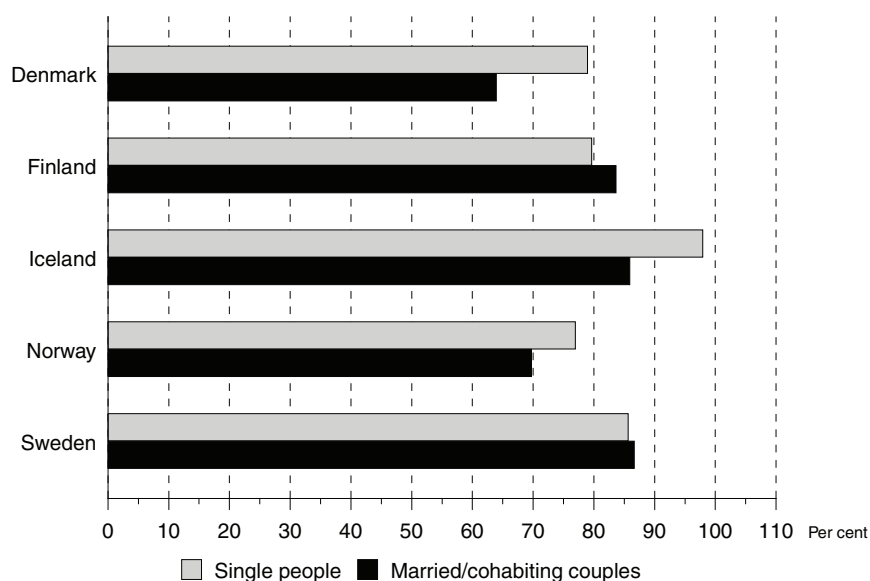
Figure 7.4 shows the disposable income for families, where the key person, i.e. the person earning the most, is over 65/67 years, as a percentage of the disposable income for single people and couples under 65/67 years. As in the other chapters, equivalent incomes have been used. The disposable income is the factor income plus social cash benefits less tax. As mentioned earlier, a different family definition is used in Iceland, and the result in Figure 7.1 is consequently different.

As can be seen from the figure, families over 65/67 years have a lower disposable income on average in all the countries than have families under 65/67 years. This applies to both single people and couples. Single people in Iceland do, however, have a slightly higher income than is the case in the other countries. This should be seen in relation to the fact that a different family definition is used. Besides, the actual pensionable age is very high in Iceland.

With the exception of Finland and Sweden, single people over 65/67 years have a relatively higher disposable income than have couples. This is a result of the pension systems in the Nordic countries paying a relatively high compensation to single people in relation to previous income, cf. Figure 7.5. In addition, there are more young single people with a relatively low income than there are couples.

As to single people over or under 65/67 years, the differences in the average disposable incomes are least significant in Iceland and most significant in Norway. For couples, the difference is most significant in Denmark and least so in Sweden. This is due to the employment pension being relatively small in Denmark in particular in relation to the extended employment pension schemes in Sweden. Income from supplementary pension schemes, included in Figure 7.4 (but not in Figure 7.5), probably plays a more important part in Denmark and Norway than it does in Sweden and Finland. Apparently, the schemes are not sufficiently developed to level off the great differences in the statutory employment pension schemes.

Figure 7.4 Disposable incomes for single people and couples over 65/67 years as percentage of disposable income for single people and couples under 65/67 years, 1998



Pensions

The purpose of pensions is to guarantee all citizens a certain level of income in connection with old age, disability, early retirement from the labour market or loss of provider. In all the countries, pension is payable to the elderly. In addition, there are a number of schemes, which ease the transition to old-age pension: the so-called special old-age pensions.

The different various pension types are in this publication divided as follows: Pensions where health criteria are predominant are described under disability/anticipatory pension. The special old-age pensions cover many different kinds of pensions, which ease the transition from work to retirement. In respect of the Danish anticipatory pension, it applies that the highest and intermediate amounts of anticipatory pension are regarded as anticipatory pensions, whereas the general and the increased general anticipatory pension are regarded as special old-age pensions. The Finnish unemployment pensions are included in Chapter 5, Unemployment.

As regards loss of provider, Finland, Iceland, Norway and Sweden have a special survivors' pension payable to surviving spouses and children. In Denmark, a surviving spouse is in certain cases entitled to the basic general anticipatory pension (special old-age pension). In all the countries, a pension is payable to children, in Denmark in the shape of a special child allowance, however.

Pension Structures

It is a common feature in the pension systems in the Nordic countries that all citizens have a statutory right to a certain minimum subsistence amount in connection with transition to pension, the so-called minimum pension/basic pension. To this should be added statutory labour-market pensions (employment pensions) to those who have been active in the labour market. Besides, there are supplementary pension schemes fixed by law or by collective agreements. In all the countries there are also private pension-saving schemes, but they have not been included in the present report.

In Denmark and Iceland, the statutory basic pension may be discontinued, if the recipient in question has any other income above a certain level, in Denmark, however, only in the shape of income from work in respect of old-age pensioners.

In Finland and Sweden, reforms have been made to the effect that basic pension and employment pension constitute a whole. The Finnish reform has been implemented, whereas the Swedish reform is still in progress.

Instead of the division between basic pension and employment pension, everyone, irrespective of their previous affiliation to the labour market is guaranteed a minimum pension. People who through employment have accumulated sufficient employment pension shall not be granted the guaranteed minimum pension.

In Norway, everyone is guaranteed a minimum pension, irrespective of any previous affiliation to the labour market. In order to become entitled to any pension in addition to the minimum pension, a person must have accumulated sufficient employment pension through activities in the labour market. Although this basis principle is the same in both the Finnish and the Swedish system, the pension systems are quite different in structure. Besides, the rules governing payment of anticipatory pension have not yet been fixed in the new Swedish pension system.

The employment pension system still remains the same in Denmark, Iceland and Norway, whereas the supplementary pension schemes continue to apply in all the Nordic countries.

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Table 7.2 Pension recipients by type of pension, 1999¹⁾

	Denmark	Finland	Iceland ²⁾	Norway ²⁾	Sweden
<i>Recipients of:</i>					
Basic pension/ guaranteed minimum pension	All people resi- dent in the country for at least 3 years	All people resi- dent in the country for at least 3 years	All people resi- dent in the country for at least 3 years	All people resi- dent in the country for at least 3 years	All people resi- dent in the country for at least 3 years
Employment pension	Employees	Employees and self-employed people	Employees and self-employed people	Employees and self-employed people	Employees and self-employed people having worked for at least 3 years
Supplementary pensions	Statutory for public-sector employees (civil servants)	–	–	Statutory for public-sector employees (civil servants)	–
	Public collective agreements	–	–	Public collective agreements	Public collective agreements
	Private collec- tive agreements	Private collec- tive agreements	–	–	Private collec- tive agreements

1 As a result of the concluded EU/EEA Agreement, the rules governing entitlement to basic pension in the Nordic countries have become almost identical. As a main rule, one must have been resident for at least three years in the country in question between the ages of 15 and 65/67 years in order to be entitled to a pension. Periods of employment in an EU Member State, or in another country with which a social-insurance convention has been concluded, may be taken into consideration in the calculation of compliance with the residence requirement. The rules governing employment pension in Denmark apply only to old-age pensioners.

2 The limit of three years does not apply in case of industrial injuries.

The supplementary pension schemes play, however, a very small part in Finland.

It is not possible to define clearly the borders between the three pension systems, and especially not between employment pensions and supplementary pensions.

In the statistics in the present report, basic pensions in Denmark, Iceland and Norway as well as the guaranteed minimum pension in Finland, Norway and Sweden are dealt with as one. Also the new and old employment pensions are dealt with as one.

The Nordic statistics thus differ somewhat from the European statistics where basic and employment pensions are dealt with together as the first pillar in the pension systems, and the supplementary pensions are referred to as the second pillar, while private pensions, which have not been included in the present report, are referred to as the third pillar of the pension system.

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In Denmark, the employment pension depends solely on the length of the contribution period and the extent of the employment, whereas it in the other countries depends on the

Table 7.3 Supplements to the basic pension/guaranteed minimum pension, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Child supplement</i>	Ordinary and special child allowance	No ²⁾	Yes	Yes	No ⁵⁾
– Income-adjusted?	No	–	No	Yes	–
– Taxable?	No	–	No	Yes	–
<i>Supplements to people receiving only the basic pension/guaranteed minimum pension</i>	Yes	. ³⁾	Yes	Yes	Yes ⁶⁾
– Income-adjusted?	Yes	. ³⁾	Yes	Yes	Yes ⁷⁾
– Taxable?	Yes	. ³⁾	Yes	Yes	Yes
<i>Housing benefit</i>	Yes ¹⁾	Yes	No ⁴⁾	Yes	Yes
– Income-adjusted?	Yes	Yes	Yes	Yes	Yes
– Taxable?	No	No	Yes	No	No
<i>Spouse supplement where only one spouse receives pension</i>	No	No	No	Yes	No
– Income-adjusted?	–	–	–	Yes	–
– Taxable?	–	–	–	Yes	–
<i>Wife/spouse supplement</i>	No	No ²⁾	No	No	No ⁵⁾
<i>Outside assistance or attendance allowance to disabled people</i>	Yes	Yes	Yes	Yes	Yes
– Income-adjusted?	No	No	Yes	No	No
– Taxable?	No	No	Yes	No	No

1 Pensioners may qualify for a housing benefit depending on income and size of their accommodation. The benefit is not part of the pension.

2 As from 1996, neither child nor spouse supplement shall be awarded. The spouse supplement had totally disappeared in 2001.

3 The old-age pension is totally dependent on the employment pension. People who have either a small or no employment pension are guaranteed a minimum amount. The old-age pension is taxable.

4 There are special pension supplements that are not connected directly with the housing expenses, but that are primarily given to pensioners who have high housing costs and who live alone.

5 The child supplement will have totally disappeared by the year 2005. The wife supplement has been phased out since 1990 and will only be granted in special cases according to transition rules.

6 Shall only be granted to people with a low employment pension.

7 Only in respect of the employment pension.

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pension accrual period, and the amount of income from work. In Finland, the statutory retirement pension depends on the amount of the employment pension and the supplementary pensions. The basic pension is not payable if the employment pension exceeds about FIM 5,000 per month (for married people FIM 4,500 per month).

Income-substituting benefits, other than pensions, are usually pensionable in all the countries in relation to the employment pension.

Taxation of Pensions

In Denmark, pensioners are taxed according to the same rules as those applying to other taxpayers. This is also the case in Iceland. In the other countries, tax rules are especially favourable for pensioners, which means that persons with only low pension incomes are not liable to pay tax.

Housing benefits to pensioners, as well as special supplements to disabled persons, are exempt from tax in all the countries with the exception of Iceland. Child supplements payable to pensioners are exempt from tax in Denmark and Iceland, but subject to tax in Norway.

Number of Pension Recipients

Table 7.4 Pension recipients by age, in thousands and as percentage of the age group as per December 1999

	Denmark		Finland		Iceland		Norway		Sweden	
	1,000	As percentage of each age group	1,000	As percentage of each age group	1,000	As percentage of each age group	1,000	As percentage of each age group	1,000	As percentage of each age group
<i>Age</i>										
16-39	33	1.9	29	1.8	5	5.4	32	2.2	71	2.5
40-49	52	7.0	45	5.7	3	7.4	50	8.0	94	8.0
50-54	49	12.3	49	11.5	2	9.8	45	14.3	83	12.7
55-59	74	22.2	69	24.3	2	15.4	50	21.6	108	19.4
60-64	166	63.9	203	76.9	2	24.9	79	43.1	172	39.9
65-66	71	78.2	89	104.2	2	41.0	41	62.2	156	103.3
67+	710	101.5	707	104.2	28	99.3	631	101.9	1,422	103.0
Total	1,156	26.9	1,191	28.6	44	21.0	928	26.7	2,107	29.6

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The figures in Table 7.4 do not include child pensioners, partial retirement pensioners or recipients of survivor's pension. In respect of Denmark, the total number of pensioners includes recipients of voluntary early retirement pay (151,437 persons) aged 60-64 years, as well as recipients of transition benefit (27,914 people) aged 52-59 years. As the widow's pension has been abolished in Denmark, and widows instead may apply for basic anticipatory pension, the number of pension recipients in Denmark is overestimated in relation to the other Nordic countries.

In Finland, one reason for the high rate of pension receipt among the 60-64 year-olds is that public-sector employees are usually pensioned off at the age of 63. Besides, there are several early retirement pension schemes in Finland, such as unemployment pension and an early old-age pension for the 60-64-year-olds, as well as an individual early retirement pension for the 58/60-64 year-olds. There were, moreover, 18,284 people in 1999 aged 56-64 years who received partial retirement pension. Were they to be included in the calculations, 79.8 per cent of the 60-64 year-olds and 28.0 per cent of the 55-59 year-olds would be pensioners.

In Sweden, there were in 1999 8,000 persons aged 61-64 years that received partial retirement pensions. Were they to be included in the calculations, 41.8 per cent of the 60-64 year-olds in this group would be pensioners, corresponding to a total of 180,000 persons.

As it applies to all the countries that one may be resident outside the country in question and still receive a pension, the number of recipients may exceed 100 per cent.

Old Age

Pensions to the Elderly

– Various forms of transition to retirement

The qualifying age for basic pension and guaranteed minimum pension is 65 years in Finland and Sweden and 67 years in Denmark, Norway and Iceland. The qualifying age will be lowered to 65 years in Denmark with effect from 2004.

In Denmark, Finland, Norway and in the old Swedish system, the qualifying age for employment pension is the same as for basic pension, but it is 65-70 years in Iceland. In Finland, the general pensionable age for public-sector employees is 63 years, but it is currently being increased successively to 65 years. In the new Swedish pension system, the qualifying age for the employment pension is flexible from the age of 61 years.

The qualifying age for the supplementary and individual pension schemes is 60 years in Denmark.

In all five countries, old-age pension is payable both in the form of a basic or guaranteed minimum pension and of an employment pension.

The pensions are usually adjusted in relation to the general wage and/or price development in the various countries.

In Norway, the Government adjusts the basic amount annually, following negotiations between the State, the unions and the associations of the insured.

In Finland and in the old Swedish system, one may be granted a basic pension and/or an employment pension before the statutory pensionable age, but in that case the pension amount will be reduced. Similarly, the pension amount will be higher if retirement is postponed beyond the statutory pensionable age. In Denmark, the employment pension will be increased if it has not been paid out before a pensioner reaches the age of 70 years. In Norway, people between the ages of 67 and 70 years will have their old-age pension means tested against any income from work, and it is still possible to accumulate further pension points.

Basic pension or guaranteed minimum pension to the elderly

In Denmark, Iceland, Norway and in the old Swedish system, the basic pension consists of a basic amount and a supplement. In Denmark, the basic amount will be adjusted for all pension recipients in relation to any income from work they may have. In Iceland, the basic amount is adjusted in relation to any other taxable income, including one's own and any spouse's incomes, according to special rules.

In Finland, a reform was implemented in 1996 to the effect that entitlement to basic pension became proportional to other pension incomes. At the beginning of 1997, the basic amount and the pension supplement were combined into one benefit (guaranteed minimum pension).

In Sweden, a completely new pension system is gradually being introduced as from 1999. The basic pension which in the old system was independent of other income will be replaced by a guaranteed minimum pension payable to those who are either not entitled to or who receive a very low employment pension. The guaranteed minimum pension will be payable as from 2003.

In Denmark, the general pension supplement will be adjusted in relation to a pensioner's own and any spouse's total income apart from the basic pension.

In Norway, the guaranteed minimum pension consists of the basic pension amount plus a special supplement. The special supplement is payable to people who have no employment pension, or who have a very low employment pension. In Denmark and Iceland, a supplement to the basic amount is payable. The amount of this supplement depends on any other income a pensioner might have.

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Table 7.5 Monthly minimum amount of pension, 1999

	Denmark	Finland ¹⁾	Iceland ²⁾	Norway	Sweden
<i>Single people</i>					
Minimum amount of pension per month KR/FIM					
- Basic amount	4,002	.	16,554	3,913	2,912
- Supplement	3,968	.	44,555	3,104	1,726
Minimum amount of pension per month, total					
- Before tax KR/FIM	7,970	2,625	61,109	7,017	4,638
- Before tax in PPP	859	377	665	672	428
- After tax KR/FIM	5,816	2,625	61,109	7,017	4,638
- After tax in PPP	627	377	665	672	428
<i>Married couples</i>					
Minimum amount of pension per month KR/FIM					
- Basic amount	8,004	.	29,797	5,868	4,762
- Supplement	3,578	.	60,285	6,208	3,452
Minimum amount of pension per month, total					
- Before tax KR/FIM	11,582	4,604	90,082	12,076	8,214
- Before tax in PPP	1,248	662	980	1,156	757
- After tax KR/FIM	9,053	4,604	90,082	12,076	8,214
- After tax in PPP	976	662	980	1,156	757

1 The basic pension and the pension supplement were combined into one amount on 1 January 1997. Pensioners who at the end of 1995 only received the basic amount are entitled to a so-called reduced old-age pension until the end of the year 2000.

2 Included in supplements to single people is ISK 14,412 that is only payable to people living alone.

Employment pension to the elderly

The significance of the employment pension in respect of the total payment of pension varies considerably from one Nordic country to another: from being only a small amount in Denmark to being the most important contribution in the other Nordic countries. One condition for being awarded employment pension is in all the countries that the insured person has previously been affiliated to the labour market. In Norway, the employment pension is part of the security provided by the Social Security Scheme and is

calculated in relation to previous income. In Denmark, a special pension saving scheme (SP) was introduced in 1999, which all employees and recipients of various transfer incomes contribute to. The contribution is 1 per cent of the wage/salary or of the income-substituting benefit. The contributors will, when they turn 67 years (65 years as from 2004) receive a monthly pension from the SP for 10 years. The payment from the SP is a joint benefit in the sense that the contributors will receive an average payment and not a payment depending on their own contributions.

Supplementary pension to the elderly

The supplementary pension schemes are, as a rule, based on collective agreements and mainly apply to government and municipal employees. Private-sector employees are covered by these schemes to varying degrees.

In Denmark, about 80 per cent and in Norway about 60 per cent of the wage earners are covered, while in Sweden, almost all wage earners are covered by the supplementary pension schemes. In Finland, these pension schemes are insignificant, as there is no upper limit to the amount of the employment pension.

Table 7.6 Average payment of statutory retirement pensions per month, 1999

	KR/FIM	PPP/Euro
Denmark ¹⁾	6,694	721
Finland	5,040	724
Iceland ²⁾	82,600	898
Norway ³⁾	8,313	796
Sweden	8,000	737

1 Average payment of statutory retirement pension in January 1999 and payment of own pension in the shape of employment pension in 1999 pr. recipient of statutory retirement pension.

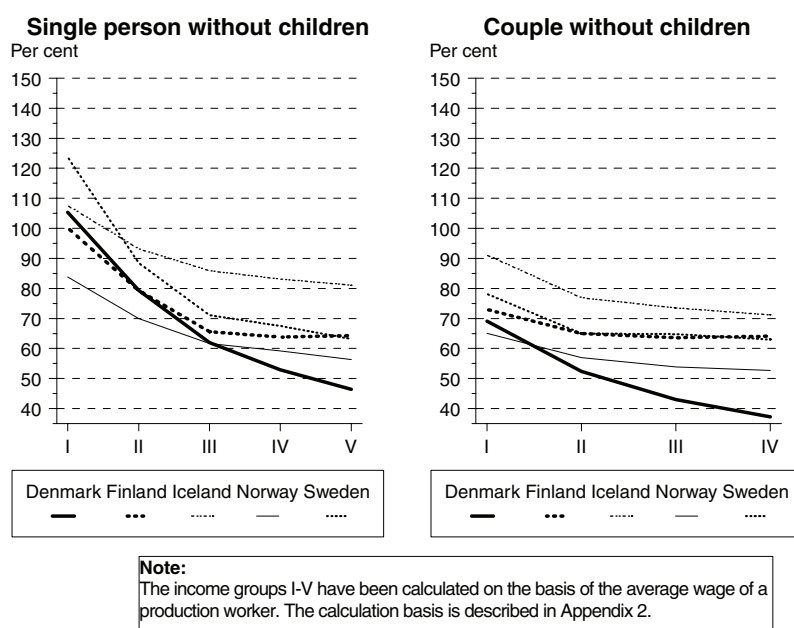
2 Expenditure on both basic and employment pensions, divided by the number of recipients of basic pension have been included. About 96 per cent of those receiving a basic pension also receive an employment pension.

3 Average payment of pension in December, consisting of basic pension, special supplement, employment pension, compensatory supplement as well as the increase in the minimum pension in 1998.

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Figure 7.5 first and foremost shows the disposable income at five different income levels (including the maximum amount of employment pension) for a single old-age pensioner, in per cent of the disposable income from work. It also shows the disposable income at four levels (including employment pension) for a married pensioner couple, in per cent of disposable income from work.

Figure 7.5 Disposable incomes when receiving old-age pension (including employment pension) as percentages of disposable income from work, 1999



As can be seen from the figures, there are considerable differences in the compensation levels after retirement. This applies both to countries and to differences between single people and couples. One reason for this is the employment pension, which is very low in Denmark, but a full pension in Sweden. This also applies to the Icelandic employment pension schemes. The very high compensation levels for the lowest income groups in Denmark, Finland and Sweden is a result of the relatively high amount of hous-

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ing benefits payable to pensioners in those countries. In Finland, Norway and Sweden, an important factor is that especially favourable tax rules apply to pensioners (cf. Chapter 11). Besides, the minimum pension is relatively high in Denmark and the employment pension is generally high in Sweden.

The differences in the compensation levels in the various countries, in particular in relation to the high-income brackets, reflect to a certain degree the significance of the supplementary pension schemes based on labour market agreements (not included in the figures). These schemes are most important in Denmark and Norway.

As can be seen from Table 7.7, there are considerable differences between the countries and between the two sexes in respect of how many persons receive only a basic pension. In Denmark, it is almost 19 per cent of men and almost 51 per cent of women. In Sweden, there are less than 4 per cent of men, but about 24 per cent of women.

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Table 7.7 Pensioners receiving old-age pension in the shape of basic pension/guaranteed minimum pension and employment pension at the end of the years 1990-1999

	Old-age pensioners, total (1,000)	Old-age pensioners who only receive basic/minimum pension, broken down by men and women		Men who only receive basic/minimum pension, and men who receive both basic/minimum and employment pension, per cent		Women who only receive basic/minimum pension, and women who receive both basic/minimum and employment pension, per cent	
		Men Per cent	Women Per cent	Only basic/minimum pension	Both basic/minimum and employment pension ¹⁾	Only basic/minimum pension	Both basic/minimum and employment pension ¹⁾
<i>Denmark</i>							
1990	706	24.3	75.7	24.9	75.1	52.7	47.3
1995	709	24.0	76.0	27.4	72.6	59.5	40.5
1998	709	20.5	79.5	19.3	80.7	51.7	48.3
1999	710	20.7	79.3	18.5	81.5	50.7	49.3
<i>Finland²⁾</i>							
1990	737	12.3	87.7	6.7	93.3	27.4	72.6
1995	804	11.8	88.2	4.3	95.7	19.0	81.0
1998	847	14.9	85.1	4.5	95.5	16.1	83.9
1999	858	15.3	84.7	5.0	95.0	16.6	83.4
<i>Iceland</i>							
1990	24	37.4	62.6	28.9	71.2	37.9	62.1
1995	26	26.7	73.3	10.9	89.1	22.8	77.2
1998	28	30.0	70.0	7.9	92.1	14.3	85.7
1999	28	31.3	68.7	6.9	93.1	11.7	88.3
<i>Norway</i>							
1990	613	18.5	81.5	6.6	93.4	38.5	61.5
1995	625	15.4	84.6	3.9	96.1	26.5	73.5
1998	631	14.9	85.1	3.5	96.5	22.2	78.8
1999	631	14.3	85.7	3.4	96.6	19.7	80.3
<i>Sweden</i>							
1990	1,554	8.2	91.8	4.9	95.1	40.6	59.4
1995	1,590	8.2	91.8	3.7	96.3	30.5	69.5
1998	1,598	9.3	90.7	3.5	96.5	25.3	74.7
1999	1,600	10.1	89.9	3.5	96.5	23.7	76.3

1 In *Denmark*, the very small employment pensions are payable as non-recurrent amounts since 1993. The calculation for *Finland* also includes pensioners who only receive employment pension. The figures for *Norway* only include pensioners who receive an employment pension that makes the old-age pension exceed the minimum pension amount. The figures for *Sweden* include all pensioners who receive employment pension even where the employment pension amounts to less than the pension supplement.

2 The figures comprise people who have been awarded old-age pension before time as well as old-age pensioners under 65 years.

Special Old-Age and Partial Retirement Pensions

– *Schemes facilitating the transition from working life to life as a pensioner*

The special old-age pensions comprise several forms of pension granted to people of working age, which cannot be regarded as traditional old-age pensions. Social or health-related criteria and/or circumstances in the labour market or agreements may enable people to retire partly or completely.

In Denmark, such pensions are first and foremost the general anticipatory pension, which may be awarded to people aged 18-66 years whose working capacity has been reduced by at least 50 per cent for health and/or social reasons. The number of new recipients of general anticipatory pension has decreased steeply during recent years, which should be seen in connection with an enhanced effort being made in order to maintain people with reduced working capacities in employment, possibly on special conditions. Secondly, such pensions include the voluntary early retirement pay, which is a voluntary retirement scheme for members of an unemployment fund, aged 60-66 years. In 1999, a number of changes of the anticipatory pension scheme were introduced to make it more financially advantageous to continue working and to postpone the transfer to voluntary early retirement. Thirdly, a transition allowance, which is a voluntary retirement scheme for long-term unemployed recipients of daily cash benefits aged 50-59 years. Accession to this scheme stopped by the end of 1995 for which reason the number of recipients dropped considerably. Fourthly, partial pension, which is awarded to employees and self-employed people aged 60-66 years, who wish to semi-retire from the labour market.

In Finland, employees and self-employed people who have turned 60 years may be awarded early retirement pension. In the public sector, the age limit is 58 years. Early retirement reduces the pension, also after the recipient has reached the age of 65 years. All early retirement pensioners have been included in the statistics as old-age pensioners. Self-employed people and employees, who have been working for a long time, may choose partial pension when they reach the age of 58 years. In the period from 1 July 1998 to 31 December 2002, the age limit is, however, 56 years. Farmers, who stop operating their farms before reaching the pensionable age, may receive a special pension. The Finnish unemployment pensions are described in Chapter 5.

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In Norway, it was decided in 1989 to introduce a scheme of pensions fixed by collective agreements (AFP). The main idea of the scheme is that working people may retire on certain terms before the statutory retirement age of 67 years. The pensionable age has been lowered several times and was lowered to 62 years as from 1 March 1998. About 60 per cent of working people may obtain a pension fixed by collective agreements.

There are three further pension schemes that are adapted to the social insurance scheme, and they function as special early retirement schemes for people under 67 years. In the pension scheme for sailors and fishermen, old-age pension may be obtained from the age of 60 years, and in the pension scheme for woodsmen, pension may be obtained from the age of 63 years.

In Sweden, a partial pension is payable to insured people aged 61 to 64 years, who have reduced their working hours by a maximum of 10 hours per week. An insured person is, however, not allowed to work less than 17 and more than 35 hours per working week.

Table 7.8 Average monthly amounts of the special old-age/partial retirement pensions as per December 1999

	KR/FIM	PPP-Euro
<i>Denmark</i>		
Basic general anticipatory pension ¹⁾	7,247	781
Voluntary early retirement pay ²⁾	9,559	1,030
Partial retirement pension ³⁾	5,490	592
Transition allowance ²⁾	9,420	1,015
<i>Finland³⁾</i>		
Partial retirement pension	3,089	444
Special pensions to farmers	3,904	561
<i>Norway⁴⁾</i>		
Pension fixed by collective agreement	10,060	963
Special pension to sailors	2,724	261
Special pension to fishermen	1,700	163
Special pension to woodsmen	2,953	283
<i>Sweden³⁾</i>		
Partial retirement pension	2,500	231

1 Average pension paid out in January 1999.

2 Average benefit amount paid out in 1999.

3 Average pension amount paid out in December 1999.

4 Average monthly amount, December 1999 (average annual amount in 1999 divided by 12).

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Table 7.9 Pensioners receiving special old-age/partial retirement pensions, by sex and age, 1999

	Total	-49		50-59		60-64		65-	
		M	W	M	W	M	W	M	W
<i>Denmark</i>									
Basic general anticipatory pension	101,590	11,254	14,482	11,912	23,853	6,537	19,983	2,847	10,722
Voluntary early retirement pay ¹⁾	179,351	.	.	8,720	19,194	49,293	57,082	23,550	21,512
Partial retirement pension	3,869	.	.	.	.	2,040	502	1,050	277
<i>Finland</i>									
Partial retirement pension	18,284	.	.	4,674	5,914	3,627	4,069	.	.
Special pension to farmers	42,254	.	.	2,292	3,880	5,291	6,933	11,157	12,701
<i>Norway</i>									
Pension fixed by collective agreement	25,628	.	.	.	.	8,465	5,920	6,441	4,802
Special pension to sailors ²⁾	19,140	.	.	..	..	..	..	..	..
Special pension to fishermen	1,708	.	.	..	..	..	..	..	..
Special pension to woodsmen	83	.	.	..	..	..	..	..	..
<i>Sweden³⁾</i>									
Partial retirement pension	8,000	.	.	.	.	..	..	.	.

1 Including 27,914 people in the age group 50-59 years receiving transition allowance. The transition allowance was introduced in 1992 as a temporary measure. It was discontinued at the end of 1995.

2 It is not possible to break down recipients of special pension to sailors by sex.

3 Calculated number of partial retirement pensioners aged 61-64 years in December 1999. Information on sexes not available.

Services to the Elderly

Institutions, etc., for the elderly

The majority of the older population lives in ordinary housing. Only a minority lives in housing specially adapted to older people. Such housing exists in all five countries, and the layout depends on the need of the elderly for care and may be divided into:

1. Institutions (nursing homes/homes for the long-term ill/old people's homes).
2. Service housing (sheltered homes/service flats/collective housing/housing where special care is provided, etc.).

Elderly people may also, to varying degrees, be offered long-term medical treatment in hospital wards - often in the so-called geriatric wards. In all the countries, there are also special wards in some nursing homes where elderly people who live at home may be admitted on a short-term basis when needed.

Table 7.10 People aged 65 years and older living in institutions or service housing, total and as percentage of the total number of elderly, December 1999

	Denmark ¹⁾	Finland	Iceland ²⁾	Norway ¹⁾	Sweden ³⁾
<i>People of the ages</i>					
65-74 years	9,061	9,064	490	8,802	10,561
75-79 years	10,925	9,763	480	12,946	16,772
80+ years	43,051	34,147	2,133	49,920	88,623
Total, 65/67+ years	63,037	52,974	3,013	71,668	115,956
<i>As percentage of the respective age groups</i>					
65-74 years	2.8	2.1	2.7	3.3	1.4
75-79 years	6.5	6.1	7.5	8.2	4.8
80+ years	20.6	19.9	28.8	26.3	20.3
Total, 65/67+ years	9.0	6.9	9.7	11.6	8.1

1 Age groups 67-74, 75-79 and 80+ years.

2 Only residents in residential care homes, nursing homes and old people's homes have been included, which explains the large discrepancy in relation to previous figures.

3 Calculation as per 1 November 1999. Besides, people staying on a short-term basis are included in the age group 65+ years.

Home help

Table 7.11 Elderly people receiving home help, 1999

	Denmark ¹⁾	Finland ²⁾	Iceland	Norway ³⁾	Sweden ⁴⁾
<i>Recipients of home help</i>					
65-74 years	{ 65,707	16,879	..	14,321	17,729
75-79 years		40,572	..	21,602	23,241
80+ years	103,530	26,832	..	61,492	85,217
Total 65+ years	169,237	84,283	6,243	97,415	126,187
<i>Recipients of home help as percentage of the age group</i>					
65-74 years	{ 13.4	3.9	..	5.3	2.4
75-79 years		16.0	..	13.6	6.7
80+ years	50.0	34.8	..	32.4	19.5
Total 65+ years	24.2	11.0	19.5	15.8	8.2

1 People of the age groups 67-79 years and 80+ years.

2 Households in the age groups 65-74, 75-84 and 85+ years.

3 Age group 67-74 years, 75-79 years and 80+ years. Including residents in service housing who receive practical assistance (home help).

4 People who as at 1 November 1999 had been granted home help and who live in their own house or flat.

In all five countries, home help is provided to the elderly. The extent of assistance is determined on the basis of individual needs and may vary from a few hours per month to several hours per day. The assistance is a municipal matter and is provided by municipal or privately employed staff.

Statistics concerning home help in the Nordic countries are not easily compared. While the figures for Denmark and Norway are situation-statements, the Icelandic and Finnish data contain information about how many people received help during a year. The Swedish data cover people who per 31 December had been granted home help. Besides, the Finnish statistics comprise households, whereas they for the other countries comprise individuals.

Support services and leisure activities

In the Nordic countries, pensioners are offered various kinds of support services and activating measures either on a municipal or on a private basis. The range of services and activities offered varies from one country to another and from one municipality to another. No comparable statistics are

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available to reflect the extent of such activities.

Support schemes mainly aim at enabling elderly people to remain in their own homes for as long as possible. The service schemes include delivery of meals, telephone chains, home-visiting schemes, physiotherapy and occupational therapy, hairdressing, pedicure, gardening and snow clearing. There are also schemes for washing and mending clothes. There are no centrally agreed policies regarding payment, but usually a fee is charged for the provision of meals, pedicure and gardening. Part of the activities may take place in the special centres for elderly people.

The transport service scheme is a service to elderly or disabled people who are unable to use public transport or to get about on their own.

Disabled People

Health-Related Disability/Anticipatory Pension

– Social grounds are evaluated in different ways in respect of award of disability/anticipatory pension

In all the Nordic countries, persons whose working capacity has been reduced by physical and/or mental disability may be entitled to a disability/anticipatory pension. The disability/anticipatory pension is called disability pension in Finland and Iceland and anticipatory pension in Norway.

In addition to the ordinary disability pension, which covers the whole working-age population, Finland has a special disability pension scheme (individual early retirement pension) based on less strict health criteria for the age group 60-64 years.

In Denmark, the statutory retirement pension (old-age pension), disability pension, widow's pension and anticipatory pension are integrated in a coherent set of rules. Anticipatory pensioners are awarded basic pension according to the same rules as applies to old-age pensioners. Besides, anticipatory pensioners who have been granted the intermediate amount of anticipatory pension also receive a disablement allowance, and anticipatory pensioners who have been granted the highest amount of anticipatory pension also receive an unemployability amount in addition to the disablement allowance. The disablement allowance and the unemployability amount are

not earnings-related, and besides, the disablement allowance is exempt from tax. In Denmark, anticipatory pensioners do not receive employment pension. As mentioned earlier, the general minimum anticipatory pension has been included as a special old-age pension in the present report.

In Finland, Iceland, Norway and Sweden, disability/anticipatory pension is granted in the shape of a basic pension/guaranteed minimum pension and an employment pension according to the same rules as apply to old-age pensions, whereas the old rules apply in Sweden.

For the calculation of the employment pension, which is done on the basis of previous income from work, the time up to the statutory pensionable age is usually included in Finland, Iceland, Norway and Sweden. In Finland, the percentage for the disability/anticipatory pension for the period from the early retirement pension to the statutory pensionable age is, however, lower than for old-age pensioners.

In the Nordic countries, there are a number of alternative benefits that affect both the award of disability/anticipatory pension and the number of disability/anticipatory pensioners. In Sweden, for example, sickness benefit is payable without any time limit, whereas sickness benefit is payable for a maximum of one year in the other countries, with a possibility of prolongation in Denmark, however.

In Norway, rehabilitation benefit is normally payable before anticipatory pension will be awarded.

Also the other disability/anticipatory pension schemes (which in this report are referred to as special old-age pensions) may affect the number of disability/anticipatory pensioners. In Denmark and Finland, there is, for example, a large number of pensioners who mainly draw pension for other reasons. The existence of schemes such as the voluntary early retirement scheme in Denmark and the unemployment pension scheme in Finland has contributed to there being fewer disability/anticipatory pensioners than would otherwise have been the case in those countries. In Norway, the AFP scheme (pensions fixed by collective agreements) influences the number of anticipatory pensioners. Several surveys have shown that about 20 per cent of the AFP pensioners would have been anticipatory pensioners, had the scheme not existed.

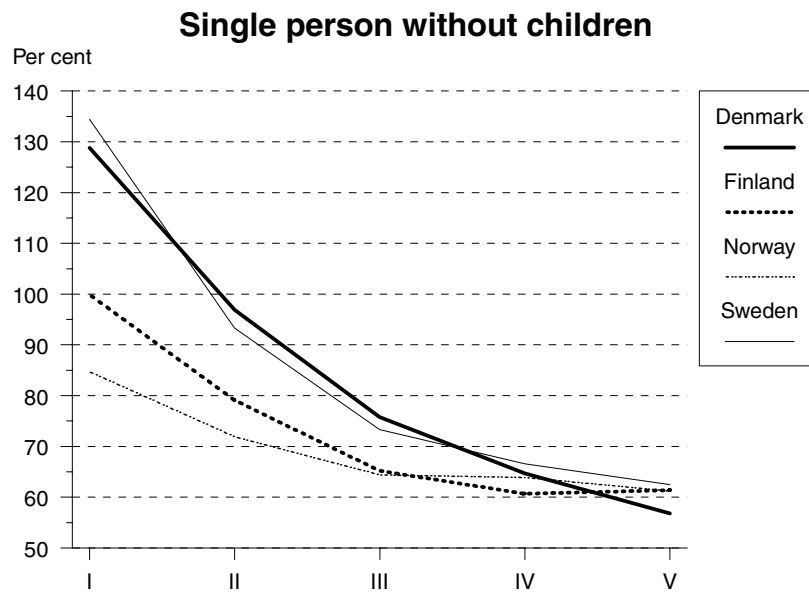
The amount of the anticipatory pension, including pension supplement, is either higher or equal to the pension awarded to retirement pensioners in all the countries. In addition, a number of special supplements may be payable in Denmark, as well as an employment pension in the other countries, as mentioned above.

Figure 7.6 shows the compensation level for a single 50 year-old disabil-

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ity/anticipatory pensioner who has previously been working, and who has completely lost his working capacity. The highest level is found in Denmark and Sweden and the lowest in Finland and Norway for people who previously had a low income. The very high compensation level in Denmark is due to the highest anticipatory pension being independent of any previous income. Besides, people who have completely lost their working capacity are entitled to both a disablement amount and an unemployability amount. Furthermore, the rules governing housing benefits for pensioners are relatively favourable. This also applies to Sweden. The anticipatory pension in the other countries is calculated in relation to previous income from work.

Figure 7.6 Compensation level for a single 50 year-old disability/anticipatory pensioner 1999



Note:
The income groups I-V have been calculated on the basis of the average wage of a production worker. The cash benefit is payable to the person earning the most. The calculation basis is described in Appendix 2.

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Table 7.12 Average monthly amount of disability/anticipatory pension, 1999

	KR/FIM	PPP/Euro
Denmark ¹⁾	9,435	1,017
Finland	5,213	749
Iceland ²⁾	77,000	837
Norway	8,600	823
Sweden ³⁾	7,835	722

1 Average amount of highest and intermediate anticipatory pensions paid out in January 1999.

2 Expenditure on both basic and employment pensions divided by the number of disability pensioners who receive basic pension have been included. 55-60 per cent of the anticipatory pensioners also receive employment pension.

3 Average pension amount as per December 1999 including pension supplement and other supplements.

There has been a limited decrease in the number of new anticipatory pensioners in Denmark in recent years. The decrease must be seen in connection with changes in the awarding powers, the financing and strengthening of the early, preventive effort to maintain people with reduced working capacities in employment, e.g. on special terms. With effect from 1 July 1998, an application for anticipatory pension may only be submitted when all activation, rehabilitation, care and other measures to improve the working capacity have been exhausted. These conditions have, however, mainly resulted in a decline in the number of new awards of the general anticipatory pensions (special old-age pensions). The decline in the number of new awards of the highest and the intermediate anticipatory pensions has so far been small, but was relatively large in 1999. Both in Norway and Sweden, the rules governing award of anticipatory pension have been tightened. In Norway, this was already done in 1991 when the medical grounds for award were tightened. After a decrease in the number of accessions at the beginning of the 1990s, the number has increased again. This is mainly a result of demography and amendment of rules in other benefit areas. In Finland, the number of disability pensioners has decreased. This is due to the qualifying age for individual disability pension having been raised, and to older long-term unemployed people receiving unemployment pension and consequently not applying for disability pension. The number of recipients of partial pension also increased, which may also have contributed to a reduction in the number of anticipatory pensioners.

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Table 7.13 Recipients of disability/anticipatory pension and new accession of disability/anticipatory pensioners, by sex, 1990-1999

	Denmark ¹⁾		Finland		Iceland ²⁾		Norway ³⁾		Sweden	
	M	K	M	K	M	K	M	K	M	K
<i>1990</i>										
Recipients	76,113	78,481	159,509	141,423	3,097	4,350	104,704	129,657	166,716	188,600
New accession	6,638	5,597	..	..	..	..	14,444	15,140	23,643	26,850
New accession as percentage of population	0.4	0.3	..	..	..	..	1.1	1.2	0.9	1.0
<i>1995</i>										
Recipients	82,166	83,871	165,348	144,156	4,250	5,769	103,401	132,900	185,413	223,163
New accession	5,941	5,087	..	..	502	723	11,016	12,223	18,639	20,565
New accession as percentage of population	0.3	0.3	..	..	0.6	0.9	0.8	1.0	0.7	0.8
<i>1998</i>										
Recipients	82,031	83,659	153,123	134,924	4,541	6,429	111,164	146,939	186,672	234,952
New accession	4,896	4,209	..	..	230	442	14,881	18,409	15,909	18,578
New accession as percentage of population	0.3	0.2	..	..	0.3	0.5	1.1	1.4	0.6	0.7
<i>1999</i>										
Recipients	81,903	83,721	149,944	132,095	4,775	6,942	115,347	154,493	186,461	238,489
New accession	3,672	3,274	..	..	441	808	14,822	18,729	17,587	21,919
New accession as percentage of population	0.2	0.2	..	..	0.5	1.0	1.1	1.5	0.7	0.9

1 The number of recipients has in this table been calculated as at the beginning of the year; in the other pension tables, the number has been calculated as at the end of the year.

2 Pensionable age 16-66 years.

3 Pensionable age 16-66 years (as from 1991, the age group 16-67 years).

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Table 7.14 Pensioners receiving disability/anticipatory pension in the shape of basic pension/guaranteed minimum pension and/or employment pension, total 1990-1999

	1990	1995	1998	1999
<i>Denmark</i>				
18-19 years	407	485	593	564
20-29 »	6,959	8,317	7,703	7,501
30-39 »	15,943	18,305	18,393	18,267
40-49 »	31,198	34,919	33,405	33,107
50-59 »	52,990	57,198	59,545	59,743
60-64 »	35,688	34,504	33,762	33,352
Total 18-64 »	143,185	153,728	153,401	152,534
65-66 »	12,953	12,918	12,223	12,259
<i>Finland¹⁾</i>				
16-19 years	1,980	1,978	1,992	1,906
20-29 »	10,477	9,031	8,189	8,216
30-39 »	23,286	20,379	18,751	18,564
40-49 »	43,970	49,498	45,791	44,440
50-59 »	119,384	113,830	106,442	105,150
60-64 »	101,835	114,787	106,882	103,763
Total 16-64 »	300,932	309,503	288,047	282,039
65-66 »	,	,	,	,
<i>Iceland²⁾</i>				
16-19 years	221	322	340	377
20-29 »	837	1,048	1,090	1,142
30-39 »	1,137	1,825	1,992	2,120
40-49 »	1,275	1,973	2,358	2,668
50-59 »	1,801	2,234	2,630	2,853
60-64 »	1,481	1,712	1,699	1,676
Total 16-64 »	6,752	9,114	10,110	10,835
65-66 »	695	905	589	885
<i>Norway</i>				
16-19 years	668	778	755	562
20-29 »	6,336	6,625	7,508	7,749
30-39 »	18,314	19,106	21,944	23,289
40-49 »	38,442	44,153	47,644	50,043
50-59 »	69,141	73,415	88,361	94,364
60-64 »	65,803	59,700	61,464	64,261
Total 16-64 »	198,704	203,777	227,676	240,268
65-66 »	35,657	32,524	30,427	29,572
<i>Sweden</i>				
16-19 years	3,232	3,138	3,411	3,567
20-29 »	10,486	12,181	12,597	13,118
30-39 »	25,629	31,645	32,063	32,668
40-49 »	59,984	78,902	75,791	75,830
50-59 »	120,184	156,598	164,218	167,218
60-64 »	141,839	137,394	133,544	132,549
Total 16-64 »	361,354	419,858	421,624	424,950
65-66 »	.	.	.	.

1 Including individual disability pensions.

2 15-18 per cent of the included disability pensioners are not really general disability pensioners.

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Table 7.15 Pensioners receiving disability/anticipatory pension in the shape of basic pension/guaranteed minimum pension and/or employment pension as percentages of the respective age groups, 1990-1999

	1990	1995	1998	1999
<i>Denmark</i>				
18-19 years	0.1	0.2	0.2	0.2
20-29 »	0.9	1.1	1.0	1.0
30-39 »	2.1	2.3	2.2	2.2
40-49 »	4.0	4.5	4.5	4.5
50-59 »	9.7	8.8	8.3	8.1
60-64 »	14.6	14.4	13.2	12.8
Total 18-64 »	4.1	4.3	4.3	4.3
65-66 »	13.3	14.3	13.7	13.5
<i>Finland¹⁾</i>				
16-19 years	0.8	0.8	0.8	0.7
20-29 »	1.5	1.4	1.3	1.3
30-39 »	3.0	2.7	2.5	2.5
40-49 »	5.7	5.9	5.7	5.6
50-59 »	22.6	19.4	15.6	14.8
60-64 »	39.4	47.6	41.8	39.4
Total 16-64 »	9.1	9.2	8.5	8.3
65-66 »	.	.	.	.
<i>Iceland²⁾</i>				
16-19 years	1.3	1.9	1.9	2.1
20-29 »	2.0	2.6	2.7	2.7
30-39 »	2.8	4.3	4.7	5.1
40-49 »	4.3	5.6	6.2	6.8
50-59 »	8.7	9.7	10.0	10.3
60-64 »	14.4	17.0	17.4	17.3
Total 16-64 »	4.2	5.4	5.8	6.1
65-66 »	13.0	21.8	22.2	23.3
<i>Norway</i>				
16-19 years	0.3	0.4	0.5	0.5
20-29 »	1.0	1.0	1.2	1.3
30-39 »	2.9	2.9	3.3	3.4
40-49 »	6.7	7.1	7.7	8.0
50-59 »	18.0	16.3	16.9	17.5
60-64 »	33.6	33.9	34.6	35.3
Total 16-64 »	7.4	7.4	8.2	8.8
65-66 »	43.8	42.8	42.7	43.2
<i>Sweden</i>				
16-19 years	0.7	0.8	0.8	0.9
20-29 »	0.9	1.0	1.1	1.2
30-39 »	2.2	2.6	2.6	2.6
40-49 »	4.8	6.4	6.4	6.5
50-59 »	13.7	14.7	13.9	13.9
60-64 »	33.5	34.2	32.0	30.8
Total 16-64 »	6.7	7.6	7.6	7.7
65-66 »	.	.	.	.

1 Including individual disability pensions.

2 15-18 per cent of the included disability pensioners are not really general disability pensioners.

Rehabilitation

People whose working capacity has been reduced due to physical, mental or social factors may be granted support to education, retraining and re-schooling where it is deemed necessary for their future possibilities to manage on their own and support their families.

Support may also be granted towards meeting special expenses incurred by such education or training. Education may consist of training in the open labour market. Support is provided in the shape of wages or wage supplements. In addition, special support may be granted towards acquisition of tools, etc., and towards establishment of a business.

In Denmark, support is granted as a fixed rehabilitation allowance corresponding to the maximum amount of daily cash benefits. Payment of the rehabilitation allowance is subject to rehabilitation being initiated according to a fixed occupational plan. The allowance is payable until the occupational plan has been implemented, but usually for a maximum of five years. In respect of young people under the age of 25 years, the rehabilitation allowance is payable by half of the amount. With a view to maintaining and integrating the weak groups in the labour market, an enhancement of the work-related rehabilitation took place in 1999.

In Finland, about 80 per cent of the recipients receive rehabilitation benefit from the Social Insurance Institution. In such cases, the daily cash benefit equals the amount of the sickness benefit. The amount of the daily cash benefits from the accident and traffic insurance schemes as well as from the statutory employment-related pension scheme depends on the paying authorities.

In Iceland, a rehabilitation allowance is payable when an injured person is no longer entitled to sickness or accident benefits. As a rule, the allowance is payable for a maximum of 12 months or until a decision has been made as to the future of the disabled person in question. The allowance equals the basic amount of the disability pension and is awarded according to the same criteria; it is, however, never payable for more than 18 months. Everyone receiving rehabilitation allowance must undergo examinations and treatment during the period in which the allowance is received.

In Norway, subsidies are payable towards maintenance according to the same rules as apply to disability pension, apart from the fact that there is no minimum amount. The rehabilitation proper may be carried through in a co-operation between i.a. the health, labour-market, and social-security sectors to the effect that these sectors must provide an overall offer to each person concerned.

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In Sweden, a number of compensations and benefits are payable in connection with rehabilitation. A training benefit in the shape of daily cash benefit is payable to participants who are or would have been entitled to a benefit from the unemployment insurance scheme, provided the person in question participated in labour market activities. This is subject to the person in question complying with the conditions for receipt of daily cash benefits in the event of unemployment or having received a benefit for the maximum period in which unemployment benefit is payable. Daily cash benefit may also be payable to people who are not entitled to unemployment benefit; however at a reduced rate. Daily cash benefit is payable for a maximum of five working days per week and the benefit shall be reduced in case a recipient receives other benefits such as pension, parental benefit, rehabilitation benefit or pay from an employer. In connection with rehabilitation, a rehabilitation benefit as well as special benefits may be awarded instead of sickness benefit. The rehabilitation benefit is in that case awarded to people who participate in occupational rehabilitation, and the special benefits shall cover the expenses incurred by the rehabilitation such as travel. The occupational rehabilitation measures may for example be job training, analysis at a labour market institute and education.

Table 7.16 People receiving rehabilitation benefit during the year and as at December 1999

	Denmark ¹⁾	Finland ²⁾	Iceland	Norway ³⁾	Sweden ⁴⁾
People receiving rehabilitation benefit during the year	36,488	53,935	651	100,953	44,355
People receiving rehabilitation benefit as at December 1998	20,864	10,212	279	62,236	13,332

1 Excluding refugees, people receiving support towards meeting special costs, etc., undergoing rehabilitation and people undergoing retraining in the general labour market in a wage subsidized job. The calculation method was changed from 1998 to 1999 in that now only recipients of rehabilitation benefits are included. This change resulted in a decline from 48,531 in 1998 to 36,488 in 1999.

2 Includes only rehabilitation benefit payable by the Social Insurance Institution (80 per cent of all payments).

3 People receiving rehabilitation benefit.

4 Includes only people receiving rehabilitation benefit. The number of people receiving special benefits cannot be calculated.

Compensation for Industrial Injury

In all Nordic countries, people who have suffered an industrial injury are entitled to either sickness benefit or an equivalent benefit in the event of temporary loss of working capacity. In case of long-term or permanent loss of working capacity, disability/anticipatory pension or a similar benefit is payable.

An industrial injury is defined as a work accident or work-related illness causing temporary or permanent loss of the ability to work.

In all the countries, compulsory industrial injury insurance funds have been established, but according to somewhat differing rules. The industrial injury insurance fund pays out compensation for lost ability to work, either in the shape of a non-recurrent payment or monthly payments. Normally, the industrial injury insurance fund also covers expenses for treatment that are not covered by the general sickness insurance scheme.

In Denmark, compensation is granted for loss of ability to work if an industrial injury has reduced the working capacity by at least 15 per cent. In addition, a non-recurrent payment is payable if the degree of the permanent injury is 5 per cent or more.

In Finland, one is entitled to pension if one's working capacity is reduced by at least 10 per cent. The pension payable to a person who is completely incapable of working amounts to 85 per cent of the previous income from work. An employee who is partially incapable of working is entitled to part of the full pension corresponding to the reduction of the working capacity. The compensation level for pension on the grounds of accidents drops to 70 per cent of the income from work when a recipient turns 65 years. Pension in the event of accident to a partially disabled employee shall also be reduced when he turns 65 years.

In Iceland, entitlement to wages during illness (absence due to an accident) plays the most important part for an injured person. People who are not entitled to wages, or in the event that the period in which one is entitled to receive wages has expired, the people concerned are entitled to daily cash benefits from the industrial injury insurance fund under the general insurance scheme. This benefit is a fixed amount independent of the wages earned prior to the accident. The benefit is usually payable for a maximum of 52 weeks.

In Norway, one may be granted anticipatory pension in the event that an industrial injury or a work-related accident reduces one's working capacity by 30 per cent, where a reduction of the working capacity of 50 per cent is normally required in order to be awarded anticipatory pension. A loss of a minimum of 15 per cent of the ordinary working capacity is required in or-

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der for a compensation to be awarded (compensation for loss of working capacity).

In Sweden, compensation is granted in the shape of annuities in the event that one's working capacity has been permanently reduced by at least one fifth (6.6 per cent). The annuity shall normally be calculated on the basis of the insured person's sickness-benefit entitling income.

Care Allowance to Disabled People

In all the Nordic countries, families may receive financial support from the public authorities to cover expenses for care of a physically or mentally ill child in the home. The rules vary somewhat from one country to another, but the aims of the schemes are identical, i.e. to make it financially possible for families to maintain a child in the home by having the extra expenses incurred by the child's disability covered.

Disabled adults who live in their own homes are also entitled to subsidies. The various countries also have slightly differing rules in this respect. Support may be granted for technical aids that the person concerned needs in order to carry out a trade or to remedy his or her disorder, or to ease the daily existence in the home.

In several of the countries, subsidies may be granted for purchase and/or maintenance of a car or other motor vehicle.

Services for Disabled People

Institutions, etc., for disabled people

In all the countries, there is special housing for disabled people, such as:

1. Institutions (nursing homes/homes for the long-term ill).
2. Service housing (sheltered housing/service flats/collective housing).

Table 7.17 People under 65 years living in institutions or in service housing, December 1999

	Denmark ¹⁾	Finland	Iceland	Norway ²⁾	Sweden ³⁾
Under 65 years, total	16,277	16,572	888	14,120	23,450
Under 65 years as percentage of the age group	0.4	0.4	0.4	0.4	0.3

1 Under 67 years; including special housing for the elderly.

2 The information applies to residents in special-care housing units as well as to people admitted to institutions (age group 0-66 years).

3 Calculation as at 1 November 1999. Includes people who are staying on a permanent or a short-term basis.

In addition to these special types of accommodation, disabled people may also, to varying degrees, be offered long-term medical treatment in hospital wards in the so-called long-term-care wards. In Norway, local authorities receive an ear-marked subsidy in order to induce that disabled people under 67 years be moved from old people's homes or nursing homes to housing facilities outside of the institutions.

Home help

In all five countries, home help is provided to disabled people. The extent of the assistance is determined on the basis of individual needs and may vary from a few hours a month to several hours per day. The assistance is a municipal matter and is provided by municipal or privately employed staff.

In all the Nordic countries, people with severe disabilities may be granted financial support towards payment of personal assistance and help to manage the household. In Denmark, there were about 8,300 people making use of a personal assistant scheme for disabled people, and support and contact persons for the mentally ill and the deaf blind. In Norway, this is a municipal task, but the local authorities receive a subsidy from the State. In 1999, this scheme comprised 504 people. In Sweden, local authorities cover the expenditure on a maximum of 20 hours of help per week. In cases where more than 20 hours of help is needed per week, the State covers the expenditure on the hours exceeding 20. In June 1999, about 10,000 people received personal assistance. In several of the countries, a person may employ one or more people to assist him.

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Table 7.18 People under 65 years receiving home help, 1999

	Denmark ¹⁾	Finland ²⁾	Iceland	Norway ³⁾	Sweden ⁴⁾
Recipients of home help under 65 years, total	28,849	38,144	4,087	25,050	15,538
Recipients of home help as percentage of the age groups under 65 years	0.6	0.9	1.7	0.6	0.2

1 Households under 67 years.

2 Households. Out of the 38,144 6,576 were disabled.

3 Households under 67 years, including residents in service housing who receive practical assistance (home help).

4 Includes people in own home who had been granted home help as of November 1 1999.

Rehabilitation

In all five countries, there are specialized institutions for retraining, assessment of working capacity and re-schooling of disabled people and other occupationally impaired groups. Furthermore, sheltered workshops have been established for disabled people who are unable to maintain a job in the open labour market.

In Denmark, people with reduced working capacities are offered training, assessment of working capacity, sheltered employment, etc., at rehabilitation institutions and sheltered workshops. At the end of 1999, these measures comprised 19,101 people. People with permanent limited working capacities may furthermore find employment with private or public employers in flex-jobs or wage-subsidized sheltered jobs. Flex-jobs are given to persons who are not entitled to any social pension whereas sheltered jobs are given to anticipatory pensioners. At the end of 1999, there were 6,600 people in flex-jobs and 4,700 in sheltered jobs.

In Finland, the Social Insurance Institution offers rehabilitation including assessment of working capacity. The health sector offers the largest part of the medical rehabilitation. The accident and traffic insurances furthermore offer rehabilitation to their clients. Besides, the employment pension funds may initiate rehabilitation in order to prevent a person from becoming incapacitated for work or to improve the ability and capacity for work of the person in question and to ease his return to the labour market. War veterans may also be offered rehabilitation, and war invalids are offered rehabilitation at least every second year.

In Iceland, disabled people are offered retraining and education, shel-

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tered employment in the open labour market. In 1998, there were 10 sheltered workshops employing 257 people and 17 rehabilitation institutions rehabilitating 251 people. 107 people were able to participate in work in the open labour market with special support. The health sector is responsible for the medical rehabilitation and technical aids.

In Norway, the labour-market and social-insurance sectors co-operate when it comes to measures aimed at activating the disabled in the labour market. People with reduced working capacities may have their work adapted according to special needs. It is also possible to borrow various technical aids from the technical-aids centres. There are sheltered workshops for people with reduced working capacities. Besides, people with disabilities may receive treatment and guidance at a number of retraining institutions. Disabled people, who have no connection with the labour market, may also borrow technical aids for daily life use.

A comprehensive occupational rehabilitation is offered to the extent necessary and expedient for the person in question in order for him to return to working life or to keep a suitable job. The aim of the occupational rehabilitation is to enable job seekers and employees of ill health to get a job on ordinary terms. Occupational rehabilitation is based on training, job training and guidance. People who undergo rehabilitation or occupational rehabilitation are awarded benefits in the same way as is anticipatory pension, with the exception that no special supplements are payable.

In Sweden, people with reduced working capacities may participate in various labour market measures. In 1999, an average of 23,200 people with reduced working capacities participated in cyclical measures. The three measures that on average covered the majority of the total number of people with reduced working capacity during 1999, were labour-market training, occupational rehabilitation or extensive guidance at the labour market institutes, and work-training schemes. Besides, about 55,000 incapacitated people participated in special programmes for disabled people. A person who, due to a disability, cannot get a job in the open labour market may find employment at The Institution for Sheltered Work through the employment service. At the end of 1999, about 27,000 incapacitated people were such employed. The Institution for Sheltered Work took on about 2,600 people in 1999. At least 40 per cent of the newly employed come from the so-called priority groups (people with learning difficulties, multiple disabilities or mental illnesses).

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Support services and leisure activities

In the Nordic countries, disabled people are offered various kinds of support services and activating measures either on a municipal or on a private basis. The range of services and activities offered varies from one country to another and from one municipality to another. No comparable statistics are available to reflect the extent of such activities.

Support schemes are mainly aimed at enabling disabled people to remain in their own homes for as long as possible. The service schemes include delivery of meals, telephone chains, home-visiting schemes, physiotherapy and occupational therapy, hairdressing and pedicure, gardening and snow clearing. There are also schemes for washing and mending clothes. There are no centrally agreed policies regarding payment, but usually a fee is charged for the provision of meals, pedicure and gardening. In all the countries there are so-called day-time measures aimed at various target groups, such as people with mental disabilities, to provide help in the shape of rehabilitation, employment and cooperation.

The transport service scheme is a service to the elderly and the disabled who are unable to use public transport or to get about on their own.

Survivors

Pensions to Widows and Widowers

– *of still decreasing importance*

Changes during the past decades regarding family patterns, increasing participation by women in the labour market and changes in the distribution of income between spouses have caused legislative changes within this field.

In Denmark, pension to widows and widowers has been abolished. In Finland, the pension paid is influenced by a survivor's own employment pension as well as by one's own pension, or one's own estimated employment pension. In Norway and Sweden, entitlement to survivor's pension is subject to a survivor's ability to provide for him/herself. In Sweden, the current widow's pension shall lapse on a long-term basis for most survivors.

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Widows and widowers may in Denmark apply for general anticipatory pension, which in this report is termed special old-age pension. In Finland, Norway and Sweden, widows and widowers are entitled to survivor's pension in the form of basic pension/guaranteed minimum pension and employment pension.

Table 7.19 Pensioners aged 18-64/66 years receiving statutory survivor's pension, 1990-1999

	Denmark ¹⁾		Finland ²⁾		Iceland ³⁾		Norway ⁴⁾		Sweden ⁵⁾	
	M	W	M	W	M	W	M	W	M	W
1990	.	.	1,633	60,527	157	1,211	1,484	34,234	1,372	68,020
1995	.	.	5,814	52,767	171	735	1,854	30,023	2,147	64,423
1998	.	.	7,256	48,798	976	3,011	2,236	27,052	1,529	56,772
1999	.	.	7,612	47,497	1,011	3,388	2,089	25,945	1,596	54,919

1 The widow's pension scheme has been abolished. Pension may be granted to widows by way of the anticipatory pension scheme.

2 Widows/widowers over 64 years may be granted survivor's pension in the shape of employment pension. In 1999, the number of pensioners over 64 years receiving survivor's pension was 178,032 women and 17,147 men.

3 Pensioners aged 16-65 years.

4 Not including widows and widowers receiving disability/anticipatory pension. Widows/widowers under 67 years.

5 Includes widow's pension for people under 65 years as well as transition pension and special pension to survivors. On 1 January 1997, the transition pension period was reduced from 12 months to six months. As at 1 April 1997, the widow's pension from the statutory retirement pension scheme became income-related. Prior to 1990, the data were excluding persons who only received transition pension from the Employment Pension Fund or only widow's pension from the statutory retirement pension scheme.

The basic pension/guaranteed minimum pension will be revoked when a survivor becomes entitled to the basic pension/guaranteed minimum pension from the retirement pension scheme. The basic pension/guaranteed minimum pension will also be revoked in the event that a survivor is awarded anticipatory pension. Pension is payable to a survivor in the shape of an employment pension or a supplementary pension.

In Norway, favourable rules governing the employment pension in the Social Security Scheme's old-age and disability/anticipatory pension system exist for survivors. They can choose from their own employment pension, the deceased's accumulated employment pension or 55 per cent of the sum of their own and the deceased's accumulated employment pension.

In some of the countries, funeral assistance is also granted.

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Table 7.20 Average monthly amount of statutory survivor's pension, 1999

	Denmark	Finland	Iceland	Norway	Sweden ¹⁾
KR/FIM	.	2,308	..	5,452	3,488
PPP-Euro	.	332	..	522	322

1 Average amount per December 1999 for pension recipients under 65 years in the shape of widow's pension, transition pension and special pension to survivors from both the basic pension and the labour market employment pension schemes.

Child Pension

– *Children are secured in case of parents' deaths*

In all the Nordic countries, child pension has been introduced in the shape of a basic pension and an employment pension. Child pension is granted to children under 18 years if one or both parents have died. In Denmark, a special child allowance is granted to orphans and to children who have lost one of their parents.

In Finland, Norway and Sweden, child pension may be payable until the age of 20 years if a child/youth is receiving education. In Norway, this applies only if both parents are deceased. The same limit applies in Iceland to orphans receiving education and to child pension in the shape of basic pension. Child pension which is granted due to education or vocational training to young people in the age group 18-20 years is payable according to the Social Assistance Act. In Norway, the pension may in exceptional cases be granted to 21 year-olds.

In Denmark, Finland, Norway and Sweden, child pension may furthermore be granted in the shape of supplementary pension if a deceased was a member of such a pension scheme.

Table 7.21 Children receiving child pension in the shape of basic pension and/or employment pension. Total and as percentage of children of the qualifying age groups, 1990-1999¹⁾

	Denmark	Finland	Iceland ²⁾	Norway	Sweden
<i>Number of children receiving child pension</i>					
1990	19,753	28,429	1,545	14,751	30,629
1995	17,590	29,338	1,325	13,658	31,208
1998	17,664	28,879	1,300	13,594	30,118
1999	17,287	28,247	1,336	13,777	29,918
<i>As percentage of children of the qualifying age groups</i>					
1999	1.5	2.1	1.7	1.3	1.4 ³⁾

1 Entitled were, in 1999, children of widows and widowers as well as orphans; in *Finland, Iceland, Norway* and *Sweden*, children under 18 years (in some cases up to 20 years). As to *Denmark*, child pension has been listed with orphans and children of widows and widowers receiving the special child supplement.

2 Only basic pension.

3 In per cent of children 0-19 years.

Table 7.22 The average monthly statutory amount of child pension, 1999

	Denmark	Finland	Iceland	Norway	Sweden
KR/FIM	767	1,573	12,693	1,488	2,517
PPP/Euro	83	226	138	142	232

Expenditure on and Financing of Benefits and Services to the Elderly, the Disabled and Survivors

Differences and similarities in the social expenditure on the elderly, the disabled and survivors

In the following, differences and similarities in expenditure on the elderly, the disabled and survivors are described. Unless otherwise stated, comparisons are made in PPP per capita. Denmark is the Nordic country spending

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the most on cash benefits to the elderly, and Iceland is the country spending the least. The high expenditure in Denmark is mainly caused by the expenditure on the special old-age pension.

Regarding expenditure on old-age pensions, calculated in PPP per pensioner Denmark spends the most and Finland the least. As regards services, calculated as PPP per capita aged 65 years or older expenditure is highest in Norway and Sweden and lowest in Finland.

The low expenditure on services for the elderly in Finland must be seen partly in connection with a part of the service for the elderly being given at the Finnish health centres and partly in connection with relatively high rates of user charges.

In total, Denmark spends the most and Iceland the least on the elderly, calculated as PPP per capita.

In respect of the disabled, Norway spends the most and Iceland the least on cash benefits. In return, Denmark spends the most on anticipatory pension per anticipatory pensioner, followed by Norway, while Finland spends the least followed by Iceland. The expenditure on services to the disabled is highest in Denmark and Sweden and least in Finland.

In total, Norway spends the most and Iceland the least on the disabled, calculated as PPP per capita. As to survivors, Finland spends the most and Denmark the least.

Development in the social expenditure on the elderly, the disabled and survivors from 1998 to 1999

In Denmark, the expenditure on the Labour Market Supplementary Pension Scheme (employment pension) and labour-market pensions continues to increase, whereas the expenditure on old-age pension declined slightly from 1998 to 1999. The expenditure on the voluntary early retirement scheme increased as a result of an increase in the number of recipients from 140,000 in 1998 to 148,000 in 1999, whereas the expenditure on the transition allowance declined as the closing of the access to the scheme resulted in a further decline in the number of recipients of about 7,000 from 1998 to 1999. The expenditure on both the general anticipatory pensions and on the highest and the intermediate anticipatory pensions decreased from 1998 to 1999 as a result of a decline in the number of anticipatory pensioners. Besides, there was an increase in the expenditure on flex-jobs to people with reduced working capacity and on rehabilitation and care and nursing, etc. of the disabled.

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In Finland, cash benefits to the elderly increased by FIM 1.8 billion in 1999. The majority of the increase was caused by the old-age pension, but the expenditure on special old-age pensions and partial pensions also increased. Recipients of all three types of pension increased by about 17,000 people. The expenditure on the basic pension decreased because the pension is now only payable to those who do not receive an employment pension or who receive a small employment pension. The expenditure on services to the elderly increased by 6 per cent, mainly due to a focus on care without admittance to an institution.

In 1999, the expenditure on the disabled remained the same as in 1998, which was due to the number of recipients of anticipatory pension decreasing by 6,000 people. The expenditure on basic pension decreased while the expenditure on employment pensions increased, mainly as a result of the pension reform that was implemented in 1996. At the same time efforts were enhanced to improve rehabilitation of the disabled, and the rehabilitation benefits increased by 22 per cent.

The expenditure on survivors increased by 1.4 per cent as a result of the number of recipients of survivor's pension increasing by 2,600 people. The expenditure on basic pension dropped on account of the pension reform that was implemented in 1996.

In Iceland, the expenditure on the elderly increased by 5.5 per cent in terms of 1999 prices, of which services increased by 1.2 per cent and cash benefits by 7.1 per cent. The employment pension increased by 11.4 per cent due to the wage development and the fact that new pensioners were on average entitled to a higher employment pension than were the older pensioners. The expenditure on the disabled increased by 7.3 per cent in 1999 prices, of which services increased by 6.8 per cent and cash benefits by 7.4 per cent. The basic pension increased by almost 10 per cent and the employment pension by 3 per cent. The increase in the expenditure on the basic pension was due to an increase in the number of new pensioners receiving basic pension as well as a larger number of these pensioners being entitled to a pension supplement. The increase in the expenditure on services was due to an increased service level and higher wage costs.

In Norway, the expenditure on cash benefits to old-age pensioners increased by 5 per cent from 1998 to 1999, whereas the number of old-age pensioners almost remained constant during 1999. The increase in the expenditure was due to the Social Security Scheme still being in the process of establishment and the number of pensioners entitled to employment pension increasing. The number of anticipatory pensioners continued to increase in 1999, and the accession of new anticipatory pensioners remained

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almost at the same level as in 1998. The expenditure on anticipatory pension increased by about 10 per cent from 1998 to 1999. There were only slight changes in relation to benefits to survivors.

In Sweden, the expenditure on the elderly, the disabled and survivors amounted to 16.6 per cent of the GDP, or 50.4 per cent of the total social expenditure. That is a marginal decrease compared with 1998 and the later marginal increase from 1998 to 1999. The expenditure on the elderly corresponded to 12.1 per cent of the GDP. Compared with 1998, the level remained the same. As percentage of the total social expenditure, the expenditure on the elderly has remained relatively stable during the past three years at about 36.6 per cent. When it comes to the expenditure on the disabled, its proportion of the total expenditure has remained rather constant from 1997 to 1999 and totalled in 1999 11.5 per cent of the total social expenditure. Also in relation to the GDP, the expenditure on the disabled was relatively constant from 1998 to 1999, and calculated in 1999 prices, it amounted to 3.8 per cent of the GDP. The number of decisions in accordance with the Act on Support and Services to the Disabled and the Act on Social Services increased during the entire period. One explanation to the expenditure remaining unaltered in spite of an enhanced effort may be staff reduction as well as redistribution among some rather expensive activities. The expenditure on survivors was the same in 1999 as in 1998 and amounted to 0.7 per cent of the GDP. Calculated in relation to the total social expenditure, the expenditure also remained rather constant and was 2.2 per cent in 1999.

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Table 7.23 Expenditure on and financing of pensions, other cash benefits and services to the elderly, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million KR/FIM</i>					
A. Old-age pensions	81,810	47,488	24,293	70,323	184,578
Of which:					
a. Basic/Minimum pension	54,900	10,955	13,623	31,725	53,270
b. Employment pension	3,244	34,796	10,670	30,583	93,234
c. Additional pension	23,666	1,736	-	8,015	38,074
B. Special old-age pensions	29,958	3,302	-	384	-
C. Partial retirement pension	243	568	-	-	284
D. Other	26	777	-	-	19
Cash benefits, total	112,037	52,136	24,293	70,707	184,881
<i>Services, million KR/FIM</i>					
A. Institutions, etc.	2,130	2,871	7,731	13,317	40,386
B. Assistance to carry out daily tasks	18,509	1,806	574	9,880	12,008
C. Other	1,001	1,145	422	3,921	3,152
Services, total	21,641	5,823	8,747	27,118	55,546
Total expenditure, million KR/FIM	133,678	57,959	33,039	97,825	240,427
Expenditure as percentage of GDP	10.9	8.1	5.3	8.2	12.1
<i>Financed by (per cent)</i>					
- Public authorities	57.8	23.0	26.8	50.8	32.8
- Employers	20.2	61.0	57.9	29.0	47.7
- The insured (contributions and special taxes)	22.1	16.0	15.4	20.4	19.7
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	479	1,824	1,712	4,901	7,859
- Per cent	0.4	3.3	5.5	5.5	3.4

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Table 7.24 Expenditure on and financing of pensions, other cash benefits and services to disabled people, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million KR/FIM</i>					
A. Disability/Anticipatory pensions	19,355	15,508	9,444	32,802	43,606
Of which:					
a. Basic/Minimum pension	19,355	3,776	6,768	12,490	13,848
b. Employment pension	-	11,632	2,676	15,615	24,037
c. Additional pension	-	100	-	4,707	5,721
B. Early retirement benefit due to reduced working capacity	2,080	2,725	-	-	-
C. Care allowance	-	440	-	2,434	2,764
D. Financial integration of the disabled	4,603	294	-	6,955	1,197
E. Other	2,341	1,760	142	1,106	-
Cash benefits, total	28,378	20,727	9,586	43,297	47,567
<i>Services, million. KR/FIM</i>					
A. Institutions, etc.	7,179	754	1,719	468	11,278
B. Assistance to carry out daily tasks	3,188	1,175	134	4,015	10,293
C. Rehabilitation	2,161	2,287	2,413	6,720	1,694
D. Other	1,697	1,496	238	899	4,445
Services, total	14,225	5,710	4,504	12,102	27,710
Total expenditure, million KR/FIM	42,603	26,437	14,090	55,399	75,277
Expenditure as percentage of GDP	3.5	3.7	2.3	4.7	3.8
<i>Financed by (per cent)</i>					
- Public authorities	69.0	31.8	37.3	46.4	47.3
- Employers	5.1	51.0	51.0	31.5	37.4
- The insured (contributions and special taxes)	26.0	17.3	11.8	22.3	15.4
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	2,371	-37	955	5,218	3,615
- Per cent	5.9	-0.2	7.3	10.4	5.1

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Table 7.25 Expenditure on and financing of cash benefits and services to survivors, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million KR/FIM</i>					
A. Survivors' pension	1	7,197	3,418	4,013	14,515
Of which:					
a. Basic/Minimum pension	-	182	247	1,187	753
b. Employment pension	-	6,688	3,171	960	12,843
c. Additional pension	1	327	-	1,867	919
B. Death grants	-	219	49	-	-
C. Other	-	0	-	14	-
Cash benefits, total	1	7,416	3,467	4,027	14,515
<i>Services, million KR/FIM</i>					
A. Funeral grants	172	29	-	224	-
B. Other	-	0	-	-	-
Services, total	172	29	-	224	-
Total expenditure, million KR/FIM	173	7,445	3,467	4,251	14,515
Expenditure as percentage of GDP	0.0	1.0	0.6	0.4	0.8
<i>Financed by (per cent)</i>					
- Public authorities	100.0	7.3	1.6	41.2	2.3
- Employers	-	70.2	73.0	36.1	61.2
- The insured (contributions and special taxes)	-	22.4	25.6	22.8	36.6
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	-15	103	207	28	376
- Per cent	-8.1	1.4	6.4	0.7	2.7

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Table 7.26 Expenditure on cash benefits to the elderly, the disabled and survivors in PPP/capita and per pensioner, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>The elderly</i>					
Cash benefits per capita	2,270	1,451	953	1,516	1,924
Old-age pension per pensioner	12,417	5,856	9,429	10,664	10,633
Services per person 65 years and older	2,952	1,097	2,969	3,788	3,520
Total benefits and services to the elderly per capita	2,708	1,613	1,296	2,098	2,502
<i>The disabled</i>					
Cash benefits per capita	575	577	376	929	495
Anticipatory pension per anticipatory pensioner	12,658	7,903	788	11,633	9,458
Services per capita	288	159	177	260	288
Total benefits and services to the disabled per capita	863	736	552	1,118	783
<i>Survivors</i>					
Total per capita	4	207	136	91	151

User charges

User charges payable for stays in nursing homes, institutions for elderly and disabled people as well as for home help are levied according to different sets of rules in the Nordic countries.

The conditions concerning user charges payable for stays in nursing homes/old people's homes and institutions for disabled people are defined centrally (by Central Government) in Denmark, Finland, Iceland and Norway, but de-centrally (by the local authorities) in Sweden.

In Denmark, residents in nursing homes, etc. are paid their pension in full and must then pay for services provided as part of their stay in the nursing home, such as rent, meals, hairdressing and laundry services. In return, care and cleaning are free of charge. User charges are estimated to amount to about 10 per cent of the total expenditure. The permanent home help service is free of charge. In return, temporary home help must be paid for, depending on income. The proportion of user charges of the total expenditure cannot be calculated.

In Finland, user charges payable for long-term care of the elderly depend on a patient's income. In 1999, user charges amounted to 21 per cent of the total expenditure. In institutions for mentally impaired people, user charges amounted to 5 per cent of the total expenditure. User charges for home

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help depend on a household's income. User charges amounted to about 16 per cent of the total expenditure on home help.

In Iceland, the proportion of user charges of the total expenditure cannot be calculated, but user charges for home help amounted to 9 per cent of the municipal expenditure.

In Norway, user charges payable for stays in institutions depend on a patient's income. User charges for stays in institutions are fixed on the basis of centrally determined rules that are adjusted in respect of how large a part of a resident's income, a municipality may demand in payment for a stay in an institution. User charges amount to 75 per cent (less a basic allowance of NOK 6,000) of an income that is lower than NOK 46,950 and to 85 per cent of incomes higher than that. Besides, there are special rules for people whose spouses still live in their homes. The individual local authorities fix user charges payable for home help, but the amount must not exceed the actual costs. User payment may not be charged for the part, which is personal care and nursing. If an income is lower than NOK 93,900 in 1999, user charges must not exceed NOK 50 per month.

In Sweden, local authorities are basically at liberty to fix the amount of user charges within the care schemes for the elderly and the disabled. User charges must not exceed the local authorities' own expenses, however. Besides, the individual must be left with an adequate amount after payment of tax, rent and user charges to the local authorities for his maintenance. User charges amounted to approximately 8 per cent of the gross expenditure for the entire care schemes for the elderly and the disabled in 1999. As from 1996, user charges payable for stays in institutions, individual housing and home help in traditional housing cannot be calculated separately. User charges payable for home help and home nursing represented 6 per cent of the gross expenditure.

Chapter 8

Housing Benefits

Table 8.1 Expenditure on housing benefits as percentage of the total social expenditure in the EU, Iceland and Norway, 1998

Denmark	2.5	Austria	0.3	Italy	-
Finland	1.4	Belgium	..	Luxembourg	0.3
Iceland	0.6	France	3.2	The Netherlands	1.6
Norway	0.7	Germany	0.7	Portugal	-
Sweden	2.5	Greece	3.1	Spain	0.3
		Ireland	3.4	United Kingdom	6.2

Note: See Table 4.1.

Housing Benefits to Families

– Housing benefits are income-adjusted and tax free

In all the countries, housing benefit is granted to both families with and families without children. In Norway, housing benefit is usually only granted to families without children in the event that at least one person receives certain other cash benefits. The rules governing housing benefit to families with children are more favourable than those applying to families without children; this is, however, not the case in Norway.

In Denmark and Iceland, the benefit is only payable to families living in rented accommodation. In the other countries, housing benefit may also be granted to families who own their accommodation. A family's income and the amount of the rent, as well as the number of children, are taken into consideration when a benefit is being granted. The scopes of these schemes vary greatly from one country to another.

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Table 8.2 Average housing benefit per month to families, 1999

	Denmark	Finland	Norway	Sweden ¹⁾
<i>Average housing benefit per month per family, KR/FIM</i>				
Married and cohabiting couples				
– with children	1,345	1,332	1,907	1,654
– without children	459	1,175	1,829	758
Single people				
– with children	1,639	1,382	1,713	1,642
– without children	352	891	1,430	611
<i>Average housing benefit per month per family, PPP-Euro</i>				
Married and cohabiting couples				
– with children	145	192	183	153
– without children	50	169	175	70
Single people				
– with children	177	199	164	151
– without children	38	128	137	56

1 December 1999.

In all the countries, housing benefits are means-tested. In addition to the housing benefit, a subsidy may be granted, which will partly or fully cover the deposit in order to enable people with a poor economy to get an appropriate and reasonable home. In Finland and Norway, social assistance may also be granted in cases where housing costs are high in relation to income.

At the beginning of the 1990s, there was a marked increase in the number of beneficiaries. This mainly applied to single providers and was due to an increase in the unemployment rate in several of the countries. From 1997, however, the number of recipients of housing benefit dropped again in some of the countries due to a decrease in the unemployment rate. In Finland, the number of recipients increased, however, as the maximum income for receiving housing benefit was increased. In Sweden, households without children lost their entitlement to housing benefits as from 1996 if an applicant was over 28 years of age, and many other households without children, who had received housing benefit according to special rules, also lost this benefit. As from 1997, a number of significant rules were introduced which resulted in a decrease in the number of households receiving housing benefits. One of the most important changes is a new system for income-regulation, where temporary and permanent benefits are subject to taxable income. Besides, the possibilities of receiving the benefit became limited, and individual income ceilings were fixed for cohabiting parents.

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Table 8.3 Families receiving housing benefit, 1990-1999

	Denmark	Finland	Norway	Sweden
<i>Number of recipients</i>				
<i>1990</i>				
Married and cohabiting couples	28,663	38,770	..	109,000
– with children	17,675	29,880	..	..
– without children	10,988	8,890	..	..
Single people	115,258	49,687	..	135,000
– with children	57,700	36,121	..	..
– without children	57,558	13,566	..	..
<i>1995</i>				
Married and cohabiting couples	33,610	74,402	5,016	198,044
– with children	21,672	49,753	5,016	180,798
– without children	11,938	26,649	..	17,246
Single people	141,265	139,414	13,740	352,416
– with children	66,026	55,838	13,740	228,021
– without children	75,239	75,974	–	124,395
<i>1998</i>				
Married and cohabiting couples	31,336	56,153	5,030	86,634
– with children	20,727	31,647	4,609	82,090
– without children	10,607	24,506	421	4,544
Single people	132,998	149,438	14,544	237,824
– with children	62,226	50,493	12,590	190,850
– without children	70,772	98,945	1,954	46,974
<i>1999</i>				
Married and cohabiting couples	31,747	53,850	5,442	69,156
– with children	21,196	28,772	5,036	65,686
– without children	10,551	25,078	406	3,470
Single people	133,220	153,149	17,323	217,605
– with children	62,138	51,325	15,224	175,902
– without children	71,082	101,824	2,099	41,703

Housing Benefit to Pensioners

– *Support to pensioners with low incomes*

In all the Nordic countries, housing benefit is payable to pensioners. The amount of the housing benefit depends on a pensioner's personal income, the amount of the rent, etc.

Table 8.4 Pensioners receiving housing benefit by the end of the years 1990-1999

	Denmark	Finland	Norway	Sweden
<i>1990</i>				
Married and cohabiting pensioners	54,617	12,036	..	49,800
Single pensioners	223,239	116,288	..	446,900
Total	277,856	130,150	..	496,700
<i>1995</i>				
Married and cohabiting pensioners	68,872	10,484	5,771	42,300
Single pensioners	263,130	131,557	42,869	512,300
Total	332,002	145,289	48,640	554,700
<i>1998</i>				
Married and cohabiting pensioners	65,014	9,638	4,544	56,807
Single pensioners	268,862	135,706	75,742	433,435
Total	333,876	149,200	80,286	490,242
<i>1999</i>				
Married and cohabiting pensioners	63,794	9,322	4,378	..
Single pensioners	269,637	137,739	76,259	..
Total	333,431	150,959	80,637	474,027

In Denmark, the benefit may also be granted to pensioners who own the house or flat they live in, but only in the shape of a loan. A heating supplement may also be granted to help cover heating costs. In Finland, housing benefit may be granted on the grounds of age or pension. In Iceland, a special housing benefit is payable to pensioners with low incomes who live alone and are unable to pay their expenses without getting a supplement to their pensions. In Norway, housing benefit is payable to recipients of old-age, anticipatory and survivor's pensions. In relation to these target groups

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there are no requirements as to the accommodation if the income does not exceed the minimum pension amount plus 30 per cent (about NOK 100,000). In respect of incomes exceeding that amount, requirements concerning the accommodation have to meet certain requirements in order for housing benefit to be payable, but an upper income limit has been fixed. Not all rented accommodation is qualifying for housing benefit to pensioners. Municipal rented, for which mortgages have been raised with the Husbanken, qualify for housing benefit. In Sweden, housing benefit is payable to old-age pensioners, recipients of anticipatory pension, and people receiving survivor's pension who have low personal incomes. Housing benefit is granted according to rules that apply uniformly to the entire country.

Table 8.5 Average housing benefit per month to pensioners, 1999

	Denmark	Finland	Norway	Sweden
<i>Average housing benefit per month to married or cohabiting pensioners</i>				
– KR/FIM	1,445	756	1,374	..
– PPP-Euro	156	109	132	..
<i>Average housing benefit per month to single pensioners</i>				
– KR/FIM	1,755	699	1,169	..
– PPP-Euro	189	101	109	..

Expenditure on and Financing of Housing Benefits

Table 8.6 Expenditure on and financing of housing benefits, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Services, million KR/FIM</i>					
A. Housing benefit to people in rented housing	8,553	2,842	772	918	15,006
a. Of which pensioners	6,750	-	-	-	7,437
B. Housing benefit to owner- occupiers	-	113	-	638	..
a. Of which pensioners	-	-	-	-	..
Services, total	8,553	2,955	772	1,556	15,006
Total expenditure, million KR/FIM	8,553	2,955	772	1,556	15,006
Total expenditure per capita, PPP-Euro	173	82	29	33	156
Expenditure as percentage of GDP	0.7	0.4	0.2	0.2	0.8
<i>Financed by (per cent)</i>					
- Public authorities	100	100	100	100	100
- Employers	-	-	-	-	-
- The insured (contributions and special taxes)	-	-	-	-	-
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	-51	308	65	22	-424
- Per cent	-0.6	11.7	9.0	1.5	-2.8

Differences and similarities in the social expenditure on housing benefits

There are distinct differences in the amounts spent by each country on housing benefits, measured in PPP per capita. Although the number of recipients has dropped noticeably, Sweden spends almost as much as Denmark, while Iceland spends least, followed by Norway. Both in Denmark and in Sweden, housing benefits play an important part to pensioners with low pension incomes, but particularly in Sweden, many single providers with low incomes receive housing benefits.

HOUSING BENEFITS

Development in the social expenditure on housing benefits from 1998 to 1999

In Denmark, the expenditure on housing benefits to pensioners as well as rent subsidies to families decreased slightly from 1998 to 1999. This was primarily due to changes in the rules governing housing benefits that resulted in an increase in the part of the rent that recipients of housing benefit are to pay themselves, as well as in a reduction of the maximum income to which rent subsidies may be granted.

In Finland, the expenditure on the general rent subsidy increased in 1999 by about 12 per cent. due to the income limit being raised in 1998 and to more people qualifying for benefits. Rent subsidies to pensioners form part of the old-age pension. This expenditure has been included in the pensions in Chapter 7. The total amount of rent subsidy paid to pensioners in 1999 amounted to FIM 1.3 billion.

In Iceland, the expenditure on housing benefits increased by 9 per cent from 1998 to 1999 due to increases in rent and housing.

In Norway, the expenditure on rent subsidies decreased slightly from 1998 to 1999. As from 1999, families with children living in rented accommodation and otherwise meeting the requirements for receipt of rent subsidy qualify. This change resulted in an increase in both granted subsidies and the number of families with children who received rent subsidies.

In Sweden, the expenditure on housing benefits decreased by SEK 350 million in current prices, corresponding to 2.3 per cent from 1998 to 1999. In relation to the GDP the level was unchanged.

Chapter 9

Other Social Benefits

In the previous chapters, a description was given of social benefits granted in connection with defined social incidents. In a number of cases, however, social incidents that are not covered by any specific legislation may occur. It is difficult to compare the extent of services provided in such cases, both in relation to the EU and between the Nordic countries.

Table 9.1 Expenditure on other social benefits as percentage of the total social expenditure in the EU, Iceland and Norway, 1998

Denmark	3.7	Austria	1.1	Italy	0.1
Finland	2.2	Belgium	2.7	Luxembourg	1.1
Iceland	2.3	France	1.4	The Netherlands	5.2
Norway	2.5	Germany	2.2	Portugal	1.5
Sweden	3.0	Greece	1.1	Spain	0.7
		Ireland	2.1	United Kingdom	0.8

Note: See Table 4.1.

Special Circumstances in the Individual Countries

A number of special circumstances in the Nordic countries make it difficult to compare their data in this chapter.

In Denmark and Norway, non-insured unemployed people, who are not entitled to unemployment benefit, are entitled to social assistance in the event of unemployment, whereas non-insured unemployed people in Finland and Sweden are entitled to a special labour-market benefit according to the labour-market legislation - and often also supplementary social aid.

In Iceland, a number of benefits under the heading 'social assistance' are payable to families and children. In the other countries, these benefits fall under special legislation.

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Supplementary to the actual social assistance, a number of other benefits may be payable:

In Denmark, these include support towards payment of non-recurrent expenses as well as removals, assistance to victims of the German occupation, financial assistance to Danish nationals living abroad, compensation to victims of crime, as well as financial support to repatriation of sailors.

In Finland, relatives of servicemen may be granted a so-called military allowance to ensure them a decent income level.

In Iceland, temporary assistance may be granted to people in extraordinarily difficult circumstances.

In Sweden, financial support may be given to Swedish nationals living abroad.

In all the Nordic countries, wage earners may receive their wages from special wage earners' guarantee funds in case insolvency of their employer makes it impossible for him to pay their wages.

Cash Benefits

Social Assistance

– The last resort in the social safety net

In all Nordic countries, social assistance will be granted when all other support options in connection with loss of income or in other social situations have been exhausted. The assistance, which is means-tested in all the countries, is thus the last resort of assistance granted by the social security systems. It will be given either as a substitute for other income or as a supplement to a very low personal income. The assistance is individual and is granted according to need in order to meet costs of living. In all the countries, granting of social assistance is subject to a household's income.

The social assistance does not influence the granting of any other social benefits or subsidies in any of the countries.

In Denmark, cash assistance is a taxable gross benefit. For people obliged to provide for children, the assistance equals 80 per cent of the maximum rate of unemployment benefit. For non-providers, the assistance equals 60 per cent of the unemployment benefit. Young people under the

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age of 25, who do not have any children living at home, are entitled to special, lower youth benefits. Recipients of cash benefit who pay high net rents or have large obligations as providers may furthermore be granted a special benefit that is tax-free. Income such as income from work will be deducted from the cash assistance, whereas child benefits and rent subsidies do not cause the assistance to be reduced. The rent subsidy will, however, be taken into account in the calculation of the special assistance. Local authorities may furthermore grant assistance to non-recurrent expenses, refugees, medical treatment, medicine, dental treatment and the like to assistance recipients who are in need thereof and to others who are unable to pay the costs.

In case a recipient of cash assistance rejects an offer of work or activation without reasonable course, the local authorities may discontinue payment of the assistance. In case a recipient of cash assistance without reasonable course does not turn up for an offer of activation, the local authorities may reduce the assistance by up to 20 per cent.

In Iceland, social assistance is taxable. In Finland, Norway and Sweden, it is payable as a tax-free net benefit.

In Finland, Central Government fixes the basic amount of the social assistance each year. Cash assistance may be payable in case payment of other benefits is delayed. Local authorities may also grant benefits in order in time to prevent people from getting into financial difficulties. In case a person on several occasions refuses to accept a job offer or training, the social assistance may be reduced by 20 or 40 per cent.

In Norway, everyone is in principle responsible for his or her own provision by making use of all income and other options of provision. This implies that all the general forms of income, such as work, public and private pension, family provision, family allowance, cash benefits, government housing benefits and other financial options, must be utilized in full before social assistance becomes payable. There is no upper limit to the amount of the assistance, which may also be granted by way of a loan. The social authorities may in special cases grant financial assistance to people who are in need of help in order to overcome or adapt to a difficult situation where they otherwise do not comply with the conditions for receiving social assistance.

In Sweden, the purpose of the social assistance is twofold: it must serve to guarantee a family a reasonable financial standard of living, and it must serve as a preventive and rehabilitating measure. Recommended norms concerning for example food, clothing and consumer goods have been fixed. The majority of the social assistance is granted towards such com-

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modities. The local authorities decide individually whether social assistance should be granted for other purposes, such as rent and acute dental treatment. The practice for granting social assistance adopted by the various municipalities varies. Some municipalities make more demands on recipients than do others, or are reluctant to pay or concentrate on labour-market measures aimed at social assistance recipients. When the amount of the social assistance is being calculated, a recipient's total income is taken into consideration, such as maintenance allowance, child allowance, housing benefit, etc. If, for instance, the housing benefit is increased by SEK 200 per month, the social assistance amount will be reduced accordingly.

Table 9.2 Rules governing award of social assistance

	Denmark	Finland	Iceland	Norway	Sweden
Social assistance payable as a fixed amount?	Yes	No ²⁾	Yes ³⁾	No	No ²⁾
Social assistance calculated individually by local authorities?	No	Yes	No	Yes	Yes
Social assistance taxable?	Yes	No	Yes	No	No
Social assistance payable as a supplement to other social benefits?	Yes	Yes	Yes	Yes	Yes
Social assistance payable as a supplement to income from work?	No ¹⁾	Yes	Yes	Yes	Yes

1 Social assistance (cash assistance) will in general not be granted as a supplement to a low income from work. Award of cash assistance is subject to the occurrence of a life event in the shape of for example unemployment or dissolution of marriage or co-habitation.

2 Each year, a "country standard" is calculated, which local authorities take into account when calculating the social assistance, cf. the text.

3 In 1999, the maximum amount for single people over 18 years was ISK 58,044 and for co-habiting couples ISK 104,480 in the municipality of Reykjavik. Income from the month in which an application has been submitted as well as for the previous month will be deducted from the amount – with the exception of child allowance and housing benefit.

OTHER SOCIAL BENEFITS

Table 9.3 Individuals receiving social assistance during the year, in thousands and as percentage of the population 16/18 years or over, 1990-1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Thousands</i>					
1990	235.2	225.6	4.6	178.3	320.4
1995	195.1	430.3	6.9	184.2	451.7
1998	185.8	391.8	5.4	151.0	429.5
1999	177.8	362.5	4.9	144.0	379.0
<i>As percentage of the population 16/18 years or over</i>					
1990	5.8	5.9	2.6	5.3	4.8
1995	4.7	10.9	3.5	5.5	6.6
1998	4.5	9.8	2.8	4.4	6.2
1999	4.3	9.0	2.5	4.4	5.5

Note: Calculations based on all people of 18 years and above (in Iceland 16 years in 1990 and 1995) - children not included. Married couples who receive social assistance, where this assistance is payable in the name of one of the spouses only, count as two individuals. The figures for Denmark include recipients of cash assistance payable towards maintenance (incl. refugees), but 3,812 recipients of introduction benefit to refugees have not been included in 1999. Activated cash assistance recipients are calculated under labour-market measures. The Swedish figures also include refugees and were revised in relation to previous reports. Previously, beneficiaries who received social assistance from more than one municipality were calculated as one person in each municipality from which he received assistance. In the revised figures such a person is counted only once.

Table 9.4 Number of individuals over the age of 18 receiving social assistance, in total and as percentage of the population, per 1 December, 1995-1999

	Denmark	Finland	Iceland	Norway
<i>Total number</i>				
1995	97,399	170,058	..	76,054
1998	86,079	161,158	..	61,495
1999	86,471	156,236	8,359	60,038
<i>As percentage of the population</i>				
1995	2.4	4.5	..	2.3
1998	2.1	4.0	..	2.0
1999	2.1	3.9	3.0	1.8

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Table 9.5 Individuals receiving social assistance during the year, by age. Total and as percentage of their age groups, 1999

	Recipients		Recipients in per cent according to age				
	Total		18-24 years	25-39 years	40-54 years	55-64 years	65+ years
<i>Denmark</i>							
Recipients, total	177,818		9.1	7.1	3.5	1.0	0.2
New, total	59,607		4.8	2.1	0.9	0.3	0.0
<i>Finland</i>							
Recipients, total	362,516		19.1	12.1	8.8	4.4	2.3
New, total	115,529		8.0	3.5	2.2	1.3	1.1
<i>Iceland</i>							
Recipients, total	4,945		4.1	3.2	2.4	1.3	0.6
New, total	2,553		2.0	1.7	1.4	0.7	0.1
<i>Norway</i>							
Recipients, total	143,958		7.9	6.1	4.2	2.4	0.9
New, total	81,371		3.8	3.5	2.5	1.3	0.5
<i>Sweden¹⁾</i>							
Recipients, total	377,653		11.0	8.5	5.1	2.3	1.4
New, total	94,353		3.4	1.9	1.1	0.5	0.4

1 Includes people over 18 years and only people with a complete personal identification number. This change entered into force in 1999, for which reason the figures are not comparable with those from previous years.

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Table 9.6 Families receiving social assistance during the year as percentage of all families, by type of family, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Families by type (per cent)</i>					
Single men	7.7	16.7	3.7	7.5	11.6
– with children	9.9	23.0	9.8	23.3	11.0
– without children	7.7	16.5	3.6	7.2	11.7
Single women	5.4	12.5	5.0	6.5	14.5
– with children	19.3	28.8	16.0	16.8	29.0
– without children	3.4	10.2	2.1	4.7	10.6
Married/cohabiting couples	5.6	5.8	0.9	3.0	3.3
– with children	9.4	7.5	1.1	3.2	4.8
– without children	3.1	4.7	0.7	2.9	1.8
Total	6.2	10.6	3.0	5.5	8.2
– with children	11.0	11.4	4.6	6.4	8.8
– without children	4.7	10.4	2.4	5.2	7.9

Note: Cf. Table 9.2. Figures for Denmark include 2,644 people whose family type has not been specified. Figures for Sweden include 71 people whose family type is unknown. The number of households is an estimate.

Table 9.7 Average amount of social assistance per family per month, 1999 (PPP-Euro)

	Denmark	Finland	Iceland	Norway	Sweden
<i>Family type</i>					
Single people	795	219	484	544	472
– with children	968	239	505	584	500
– without children	741	215	456	330	459
Married/cohabiting couple	873	284	483	761	698
– with children	935	304	477	873	714
– without children	719	262	489	649	656

Assistance to Refugees in the Nordic Countries

– *Refugees receive social assistance or similar benefits*

The five Nordic countries have all acceded to the Geneva Convention on the Right to Political Asylum/Refugee Status for people who, due to race, nationality, political views or special social affiliation, are persecuted in their home countries. Apart from the above-mentioned grounds, refugees may be granted residence permits in the Nordic countries on humanitarian grounds. People who are granted asylum may, in all the countries, be granted residence permits to close relatives, the so-called reunion of families.

A common feature of the Nordic countries is that a social safety net has been established and that a number of measures for the integration of refugees received into the country have been implemented. The rules do, however, vary considerably from one country to another.

At present, most of the asylum seekers or refugees received into the Nordic countries are people who have arrived at the borders applying for asylum. The statistics include both people who have arrived at the border of the country concerned and applied for asylum without being rejected, and convention refugees. Reunions of families are, however, not included in the statistics. The large number of residence permits granted to refugees in Denmark in 1995, is due to refugees from Ex-Yugoslavia, who had been granted a temporary residence permit, applying for and being granted residence permits.

In Denmark, asylum seekers get board and lodging plus pocket money during their stay at an asylum centre. In 1999, a new act on integration of foreigners was introduced. The integration act implies that the integration activities in respect of newly arrived refugees and other foreigners have been transferred to the local authorities. All newly arrived foreigners are offered a 3-year introduction programme that comprises courses in social knowledge, Danish and activation. Foreigners are awarded an introduction benefit, which in 1999 amounted to DKK 7,182 for providers and DKK 5,130 for singles, which was less than the equivalent cash benefits. In 2000, the introduction benefit was raised so that it corresponds to the cash benefits. Central Government reimburses 75 per cent of the local authorities' expenditure on introduction benefits during the 3-year introduction programme and furthermore grants a number of supplements towards payment of local authorities' expenditure.

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In Finland, Central Government covers local authorities' expenditure on refugees for the first three years of the refugees' stay.

In Iceland, refugees are granted social assistance from the moment of reception, which is paid by Central Government for the first 12 months.

In Norway, people who have been received in a government refugee centre are granted a maintenance allowance according to special rules applying to people staying at such centres. Central Government covers local authorities' average expenditure on refugees and people who are staying on humanitarian grounds during the first five years of their stay. Social assistance to refugees is awarded according to the Act on Social Services and Benefits in the same way as to all other recipients of social assistance.

In Sweden, refugees receive a special benefit from the moment they are received into the country in the shape of social assistance or an introduction benefit to refugees. Central Government reimburses local authorities' expenditure on this benefit starting the year, in which a refugee is granted residence permit plus the subsequent three calendar years.

Table 9.8 Number of refugees received who have been granted residence permit in the Nordic countries, 1990-1999

	Denmark	Finland	Iceland	Norway	Sweden
1990	3,044	639	41	3,867	12,839
1995	20,347	1,012	5	4,602	5,642
1998	4,758	651	21	4,221	8,193
1999	4,443	1,034	83	14,294	5,597

Table 9.9 Number of asylum seekers, 1990-1999

	Denmark	Finland	Iceland	Norway	Sweden
1990	5,292	2,743	7	3,692	29,420
1995	5,104	854	4	1,460	9,047
1998	5,702	1,272	24	8,374	12,844
1999	6,530	3,106	25	10,160	11,231

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Services

This section only deals with services that are not aimed at any particular sector, such as services offered to substance abusers. These offers are provided both by the health care services and by the social assistance system.

In all the Nordic countries, there are also a number of services not specifically aimed at any of the previously mentioned target groups. These may include unspecified services provided by the social authorities, help in case of crises, family counselling, centres for battered women, hospices, homes for the homeless and others with social problems who may need temporary accommodation.

Treatment of Alcohol and Drug Abuse

– *Several kinds of treatment are available*

Special institutions for abusers administer treatment of substance abusers. There are both institutions for alcohol abusers and institutions for drug addicts. Some of these are private institutions that have agreements with the public authorities concerning running costs. In all the countries, part of the treatment is provided by the psychiatric treatment system.

In all five countries, outpatient treatment is provided, and in some of the countries efforts are made to include families and social networks in the treatment.

Both in Denmark, Finland and Sweden, compulsory treatment may be initiated if an abuser is deemed to be a danger to him/herself or to people in his or her environment. In Norway, people may be compulsorily admitted to an institution for up to three months for examination and outlining of treatment. Also pregnant abusers may be compulsorily admitted to an institution and kept there during the entire pregnancy, if the abuse is of such a nature that it is likely that the child will be harmed, and that other measures may not be sufficient.

It is difficult to assess the number of abusers and the treatment of them, as treatment of abusers cannot be statistically separated from other somatic and psychiatric treatment.

Expenditure on and Financing of Other Social Benefits

Differences and similarities in the expenditure on social benefits

Expenditure on other social benefits is highest in Denmark, followed by Sweden and Norway, and lowest in Finland and Iceland measured in PPP per capita.

The relatively high expenditure in Denmark is a result of non-insured people, who are not entitled to unemployment benefit, receiving cash benefit. In Finland and Sweden such people are granted a cash labour-market benefit that may be supplemented by social assistance if need be. A large part of the expenditure on social assistance in Finland and Sweden are supplementing benefits to the unemployed. Besides, the number of refugees and asylum seekers received into the country also plays a part, as they in all the countries receive social assistance or some other income-substituting benefit. There are also certain differences between the countries as to whether abusers are treated in special institutions or in the general somatic and psychiatric treatment system.

Development in the expenditure on other social benefits from 1998 to 1999

In Denmark, the expenditure on cash assistance declined, which should be seen in connection with the increase in the expenditure on activation and rehabilitation. The expenditure on services is considerably higher in 1999 than in 1998, which is mainly due to expenditure on substance abusers in treatment and the introduction programme for refugees being included under other social services as from 1999.

In Finland, the expenditure on other social benefits declined slightly in 1999. This was mainly a result of the expenditure on social assistance declining by FIM 200 million on account of the improved unemployment situation. On the other hand, the expenditure on refugees and the combat of substance abuse increased.

In Iceland, the expenditure on other social benefits increased by 11,7 per cent in 1999 prices, of which services increased by 17.0 per cent and cash benefits decreased by 5.7 per cent although there were large increases in the expenditure on refugees. The decline in the cash benefits was a result of the

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increase in the employment rate, whereas there in respect of services was an increase in all areas.

In Norway, the expenditure on other social services increased steeply from 1998 to 1999. This was a result of many refugees coming from Kosovo to Norway during 1999. Central Government's and the local authorities' expenditure on reception and housing of refugees and immigrants was more than doubled from 1998 to 1999.

In Sweden, the expenditure on other social benefits decreased from 0.9 per cent of the GDP in 1998 to 0.8 per cent of the GDP in 1999. The share of the expenditure of the total social expenditure has been reduced from 3.1 per cent in 1997 to 2.5 per cent in 1999.

Table 9.10 Expenditure on and financing of other social benefits, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million KR/FIM</i>					
A. Income-substituting/supplementing benefits	7,497	2,507	981	3,732	10,465
a. Of which social assistance	-	2,382	898	3,732	10,465
B. Other benefits	2,031	-	231	267	496
Cash benefits, total	9,528	2,507	1,212	3,999	10,961
<i>Services, million KR/FIM</i>					
A. Institutions, etc.	619	446	-	1,260	2,429
B. Rehabilitation and treatment of misusers	675	475	654	1,675	614
C. Other	2,083	523	895	1,749	2,525
Services, total	3,377	1,444	1,549	4,685	5,568
Total expenditure, million KR/FIM	12,905	3,951	2,761	8,684	16,529
Expenditure as percentage of GDP	1.1	0.6	0.5	0.8	0.9
<i>Financed by (per cent)</i>					
- Public authorities	99.4	98.3	93.6	100	100
- Employers	0.6	1.7	5.0	-	-
- Insured (contributions and special taxes)	-	-	1.6	-	-
<i>Changes 1998-1999 in terms of 1999 prices</i>					
- Million KR/FIM	-46	-88	372	1,036	-769
- Per cent	-0.4	-2.2	11.7	13.6	-4.5

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Table 9.11 Expenditure on other social cash benefits and services in PPP/capita, 1999

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total	193	70	47	86	114
Services, total	69	40	61	100	58
Other social benefits, total	262	110	108	186	172

*Chapter 10***Social Expenditure**

Following a description in the previous chapters of the social protection systems, an overall survey of the social expenditure is presented in this chapter. As stated in Chapter 2, the Nordic social expenditure statistics follow the calculation method used by EUROSTAT as from the previous edition of *Social Protection in the Nordic Countries*.

The Nordic countries' and the EU's expenditure on social affairs measured in relation to the Gross Domestic Product (GDP) and per capita in PPP-Euro, broken down by functions, is shown in the two following tables. It should be noted that EUROSTAT has not used the adjusted GDP for the countries who have switched to the ESA95/SNA93 systems.

Table 10.1 Social expenditure as percentage of the GDP in the EU, Iceland and Norway, 1998

Denmark	30.0	Austria	28.4	Italy	25.2
Finland	27.2	Belgium	27.5	Luxembourg	24.1
Iceland	18.3	France	30.5	The Netherlands	28.5
Norway	27.9	Germany	29.3	Portugal	23.4
Sweden	33.3	Greece	24.5	Spain	21.6
		Ireland	16.1	United Kingdom	26.8

Note: See Table 4.1.

Table 10.2 Social expenditure per capita in the EU, Iceland and Norway, 1998. PPP/Euro

	Families and children	Unemployment	Illness	Old age, disability and survivors	Housing	Other social benefits	Total
Denmark	847	761	1.258	3.255	161	243	6.525
Finland	650	611	1.151	2.479	73	111	5.075
Iceland	528	111	1.591	1.831	28	95	4.184
Norway	869	193	2.124	3.150	48	167	6.551
Sweden	696	602	1.512	3.296	160	194	6.459
Austria	612	334	1.598	3.464	20	67	6.095
Belgium	493	738	1.415	2.989	-	154	5.789
France	597	466	1.787	2.988	194	84	6.116
Germany	617	536	1.725	3.080	41	132	6.132
Greece	255	149	758	1.846	97	33	3.138
Ireland	417	509	1.202	979	113	68	3.286
Italy	184	140	1.193	3.586	1	5	5.109
Luxembourg	1.194	299	2.090	4.780	28	97	8.489
The Netherlands	290	469	1.841	3.418	105	333	6.457
Portugal	148	132	939	1.563	0	43	2.826
Spain	66	428	928	1.724	11	22	3.179
United Kingdom	452	187	1.322	2.909	327	42	5.239

The account of the social expenditure has been divided into four sections. Firstly, an account is given of the social expenditure trends from 1990 to 1998; secondly, the financing of the total social expenditure is shown, followed by a survey of the purposes of the social expenditure, and finally, the significance of taxation in relation to the total social expenditure is shown. The Swedish figures for 1990 have been calculated by means of the previous NOSOSCO specification, while the other countries have used the specification in the ESSPROS manual.

Social Expenditure Trends, 1990-1998

The development in the social expenditure, in total and per capita, in current and fixed prices as well as in relation to the gross domestic product (GDP) and in purchasing power parities (PPP-Euro) since 1990, appears from the tables below. It should be noted that all the countries now use the ESA95/SNA-93 classification when calculating the GDP, which has resulted in corrections in respect of the gross domestic products.

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Table 10.3 Social expenditure, in total and per capita, 1990-1999

	Social expenditure		Social expenditure per inhabitant		Social expenditure per inhabitant aged 15-64 years	
	At current prices, million KR/FIM	At 1999 prices, million KR/FIM	At current prices KR/FIM	At 1999 prices KR/FIM	At current prices KR/FIM	At 1999 prices KR/FIM
<i>Denmark</i>						
1990	237,207	284,886	46,150	55,426	68,502	82,271
1995	325,634	354,566	62,288	67,822	92,442	100,655
1998	349,200	357,841	65,874	67,504	98,283	100,715
1999	361,637	361,637	67,964	67,964	101,669	101,669
<i>Finland</i>						
1990	131,369	153,702	26,345	30,824	39,146	45,801
1995	179,564	187,580	35,155	36,724	52,662	55,013
1998	187,798	190,072	36,444	36,885	54,592	55,253
1999	191,287	191,287	37,032	37,032	55,359	55,359
<i>Iceland</i>						
1990	62,290	81,102	244,478	318,313	379,572	489,292
1995	85,984	94,083	321,580	351,853	499,834	546,879
1998	107,414	111,087	392,021	405,417	606,859	627,590
1999	119,079	119,097	429,888	429,888	668,983	668,983
<i>Norway</i>						
1990	190,406	232,676	44,892	54,858	69,334	84,726
1995	253,620	275,488	58,181	63,197	90,091	97,859
1998	306,334	313,529	69,134	70,776	106,960	109,472
1999	333,441	333,441	74,729	74,729	115,457	115,457
<i>Sweden</i>						
1990	470,013	584,696	54,916	68,316	85,552	106,427
1995	588,689	596,845	66,692	67,616	104,726	106,177
1998	629,726	632,778	71,146	71,491	111,266	111,805
1999	655,601	655,601	74,013	74,013	115,447	115,447

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Table 10.4 Social expenditure in relation to the GDP, 1990-1999¹⁾

	GDP, million KR/FIM	Social expenditure as percentage of the GDP	Index for social expenditure in relation to the GDP (1990 = 100)
<i>Denmark</i>			
1990	825,310	28.7	100
1995	1,009,756	32.2	112
1998	1,168,996	29.9	104
1999	1,229,585	29.4	102
<i>Finland</i>			
1990	523,034	25.2	100
1995	564,566	31.6	125
1998	689,523	27.3	108
1999	716,404	26.7	106
<i>Iceland</i>			
1990	368,474	16.9	100
1995	451,372	19.1	113
1998	577,406	18.6	110
1999	623,579	19.1	113
<i>Norway</i>			
1990	722,705	26.4	100
1995	928,745	27.3	103
1998	1,109,248	27.7	105
1999	1,192,826	28.0	106
<i>Sweden</i>			
1990	1,410,607	33.3	100
1995	1,713,316	34.4	103
1998	1,905,349	33.1	99
1999	1,994,854	32.9	99

1 The GDP has been revised.

Table 10.5 Social expenditure per capita, 1990-1999 (PPP-Euro in terms of 1999 prices)

	Denmark	Finland	Iceland	Norway	Sweden
1990	5,973	4,430	2,646	5,250	6,302
1995	7,301	5,278	3,502	6,048	6,232
1998	7,270	5,301	4,263	6,773	6,589
1999	7,323	5,322	4,674	7,151	6,822

Financing of the Social Expenditure

In order to illustrate the financing of the social expenditure in the Nordic statistics, the direct financing of services and benefits and the current contributions paid into social funds are included. Contrary to previous editions, interest and other capital gains are now included in the social expenditure statistics. Interest and capital gains are mainly to be found in the funds established to guarantee pensions, but also in other social insurance schemes. This will be further dealt with in the following section.

Distribution of current contributions by sources of financing

Current contributions to the financing of the social expenditure are, in the Nordic statistics, broken down by the sources contributing to the individual benefits, i.e. public authorities, employers, as well as contributions and special taxes payable by the insured. As mentioned in Chapter 2, the social costs are listed as net amounts, which means that investments, etc., and user charges payable for social services have not been included.

The distribution of current contributions to the financing of social expenditure during the years 1990-1999 is shown in Table 10.6.

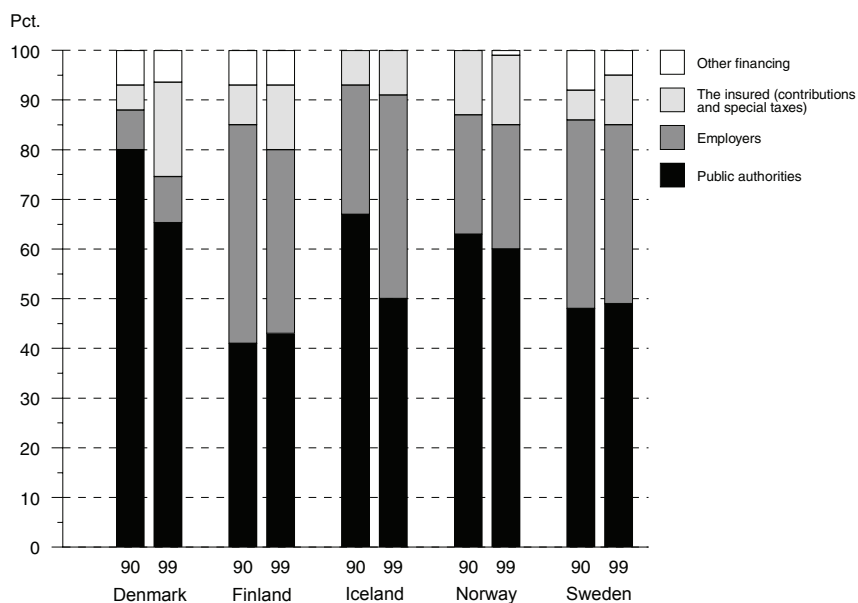
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Table 10.6 Current contributions to the financing of the social expenditure in per cent, broken down by contributions made by Central Government, local authorities, employers and the insured, 1990-1999

	Public au- thorities, to- tal	Employers	The insured (contri- butions and special taxes)	Other financing	Total
<i>Denmark</i>					
1990	80	8	5	7	100
1995	71	9	14	6	100
1998	66	9	18	6	100
1999	65	9	19	6	100
<i>Finland</i>					
1990	41	44	8	7	100
1995	46	34	14	7	100
1998	44	37	13	7	100
1999	43	37	13	7	100
<i>Iceland</i>					
1990	67	26	7	—	100
1995	61	31	8	—	100
1998	53	39	8	—	100
1999	50	41	9	—	100
<i>Norway</i>					
1990	63	24	13	—	100
1995	62	22	15	—	100
1998	61	24	14	0	100
1999	60	25	14	1	100
<i>Sweden</i>					
1990	100
1995	48	38	5	8	100
1998	49	35	10	6	100
1999	49	36	10	5	100

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Figure 10.1 Current contributions to the financing of the social expenditure, 1990 and 1999



Block Grants and Government Reimbursement to Local and County Authorities

In all the Nordic countries, the local authorities are responsible for the administration of part of the social services and benefits. The local authorities have direct contact with citizens and recipients of social benefits, and it is also local authorities that, in the first instance, meet the costs of services and benefits.

Local and county authorities receive block grants and/or reimbursement from Central Government. A block grant may be given as a general contribution or may be earmarked for specific purposes. Block grants may, for instance, be calculated on the basis of the number of inhabitants and their age distribution, or according to the tax base in the various municipalities.

Government reimbursement may be fixed by law as percentage shares of

municipal expenditure or as fixed amounts. Government reimbursement may also be calculated as the difference between expenditure and other contributions, including municipal contributions.

In Denmark, local authorities manage the main part of the social cash benefits and meet the costs of those benefits in the first instance. The costs are subsequently reimbursed, fully or partly, by Central Government. In the other Nordic countries, social benefits are mainly managed by government or other central bodies.

The majority of the social services are, in all Nordic countries, managed by the local or county authorities, which meet the costs in the first instance and subsequently receive block grants from Central Government.

Funds for Pension Purposes

The contributions financing the social expenditure are normally spent on current payments in the course of the year, but are, especially in relation to pensions, also used for the building up of funds.

The purpose of the funds, which have gradually gained in significance, may be to guarantee that means are available for future payments (premium reserve systems). The building up of funds may also occur in distribution systems (where the costs should, in principle, be covered by the contributions of the current year) so as to create a buffer to level variations in incoming and outgoing payments over time.

In Norway, social expenditure, including expenditure on supplementary pensions, is currently financed by the public budget, and the expenditure is consequently excluded from Table 10.7. The Social Security Fund is an independent, public fund and does not contribute direct to the financing of the running costs of the social security service.

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Table 10.7 Development in funds for pension purposes, 1990-1999. Billion KR/FIM in terms of 1999 prices

	Basic pension	Supplementary pension	Additional pension
<i>Amount of the funds</i>			
<i>Denmark¹⁾</i>			
At the beginning of the year, 1990	.	96.8	142.9
At the end of the year, 1990	.	103.7	154.4
At the beginning of the year, 1999	.	204.6	271.9
At the end of the year, 1999	.	229.3	311.0
<i>Finland²⁾</i>			
At the beginning of the year, 1990	0.8	117.8	38.4
At the end of the year, 1990	0.7	141.0	42.5
At the beginning of the year, 1999	1.2	291.1	41.7
At the end of the year, 1999	1.3	321.8	43.1
<i>Iceland</i>			
At the beginning of the year, 1990	0.1	132.9	.
At the end of the year, 1990	0.1	162.9	.
At the beginning of the year, 1999	-	407.3	.
At the end of the year, 1999	-	517.6	.
<i>Sweden</i>			
At the beginning of the year, 1990	.	477.9	..
At the end of the year, 1990	.	536.8	..
At the beginning of the year, 1999	.	641.5	..
At the end of the year, 1999	.	619.2	..

1 As from 1998, accounting policies have been adapted to the legislation in respect of assessment of property, assets, etc. The fund at the end of the year 1998 is including the temporary pension saving scheme and the special pension saving scheme, but excluding the Employees' Capital Pension Fund.

2 The additional pensions are exclusive of the pension funds and societies that are managed by the life insurance schemes.

Social Expenditure by Type and Purpose

Social expenditure is divided by type in cash benefits and services. By distributing the benefits according to purpose, the division is made according to the social needs or risks that the benefit is primarily aimed at relieving.

The distribution of the social expenditure according to the purpose of the benefit is rather stable in each country. New legislation and changes in

Table 10.8 The social expenditure in per cent, broken down by main groups, 1995-1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>1995¹⁾</i>					
Families and children	12.4	13.4	12.9	14.1	11.4
Unemployment	14.7	14.4	4.4	6.7	11.1
Illness	17.8	20.9	37.9	26.3	21.7
Old age	37.6	28.9	27.2	31.2	34.3
Disability	10.6	15.0	11.6	14.7	12.1
Survivors	0.1	3.8	2.8	1.5	2.4
Housing	2.4	1.5	0.4	0.7	3.4
Other social benefits	4.4	2.1	2.8	3.8	2.9
Total	100.0	100.0	100.0	100.0	100.0
<i>1998</i>					
Families and children	13.0	12.8	12.6	13.4	11.2
Unemployment	11.7	12.0	2.6	3.0	9.3
Illness	19.3	22.7	38.1	32.7	22.9
Old age	38.3	30.5	28.7	30.3	37.2
Disability	11.6	14.4	12.1	16.4	11.6
Survivors	0.1	4.0	3.0	1.4	2.3
Housing	2.5	1.4	0.6	0.5	2.5
Other social benefits	3.7	2.2	2.3	2.5	3.0
Total	100.0	100.0	100.0	100.0	100.0
<i>1999</i>					
Families and children	13.1	12.7	12.1	13.3	11.0
Unemployment	11.1	11.3	1.8	2.6	8.2
Illness	19.6	23.0	39.8	32.9	24.8
Old age	38.1	31.1	28.2	30.0	37.3
Disability	12.2	14.2	12.0	17.0	11.7
Survivors	0.1	4.0	3.0	1.3	2.3
Housing	2.5	1.6	0.7	0.5	2.4
Other social benefits	3.7	2.1	2.4	2.7	2.6
Total	100.0	100.0	100.0	100.0	100.0

1 Services in connection with illness, the elderly and the disabled have not been calculated according to a different method in Denmark and Norway.

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the social patterns have, however, given rise to shifts in the distribution. The comparison of the countries shows some differences in the distribution of the social expenditure according to purpose. The main reason for this is differences in the individual countries' assessment of the importance of benefits for various purposes.

Table 10.9 Social expenditure, in per cent broken down by type and purpose, 1999

	Denmark	Finland	Iceland	Norway	Sweden
<i>Families and children</i>					
Cash benefits	41	59	51	62	48
Services	59	41	49	38	52
Total	100	100	100	100	100
<i>Unemployment</i>					
Cash benefits	91	91	82	68	85
Services	9	9	18	32	15
Total	100	100	100	100	100
<i>Illness</i>					
Cash benefits	17	20	19	32	24
Services	83	80	81	68	76
Total	100	100	100	100	100
<i>Old age</i>					
Cash benefits	84	90	74	72	77
Services	16	10	26	28	23
Total	100	100	100	100	100
<i>Disability</i>					
Cash benefits	67	78	68	78	63
Services	33	22	32	22	37
Total	100	100	100	100	100
<i>Survivors</i>					
Cash benefits	1	100	100	95	-
Services	99	-	-	5	100
Total	100	100	100	100	100
<i>Housing</i>					
Services	100	100	100	100	100
Total	100	100	100	100	100
<i>Other social benefits</i>					
Cash benefits	74	63	44	46	66
Services	26	37	56	54	34
Total	100	100	100	100	100
<i>Cash benefits, total</i>	61	67	48	58	58
<i>Services, total</i>	39	33	52	42	42
<i>Social expenditure, total</i>	100	100	100	100	100

Taxation Rules and the Impact of Taxation on Social Expenditure

Social cash benefits may be either exempt from tax or subject to tax. In all the countries, it is of great significance whether the benefits are tax-free or taxable, as the level of taxation is relatively high. The proportion of the taxable cash benefits of the total cash benefit amount has increased over the last few years in all five countries. There are, however, considerable differences from one country to another. The largest tax-free cash benefit amounts are granted to families and children. Other social benefits (social assistance) are subject to tax in Denmark and Iceland, but are exempt from tax in the other Nordic countries. According to the ESSPROS specification, housing benefits are services.

Table 10.10 Cash benefits exempt from tax/subject to tax, total and as percentage of the GDP, 1995-1999

	Cash benefits exempt from tax		Cash benefits subject to tax	
	Total, million KR/FIM	As percent- age of GDP	Total, million KR/FIM	As percent- age of GDP
<i>1995</i>				
Denmark	18,764	1.9	188,292	18.6
Finland	15,965	2.8	106,889	18.9
Iceland	6,574	1.5	37,653	8.3
Norway	20,204	2.2	126,225	13.6
Sweden	32,457	2.0	323,257	19.7
<i>1998</i>				
Denmark	19,890	1.7	192,030	16.4
Finland	15,252	2.2	107,397	15.6
Iceland	6,095	1.0	46,576	7.9
Norway	21,385	1.9	150,957	13.6
Sweden	32,609	1.7	334,764	17.7
<i>1999</i>				
Denmark	22,554	1.8	193,129	15.7
Finland	15,445	2.1	108,734	15.1
Iceland	5,996	1.0	50,913	8.2
Norway	23,129	2.0	165,643	13.9
Sweden	31,673	1.6	343,966	17.2

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Table 10.11 Taxation of cash benefits, 1999

	Social expenditure, million KR/FIM	Of which cash benefits, million KR/FIM	Cash bene- fits exempt from tax, as percentage of total cash benefits	Cash bene- fits subject to tax, as percentage of total cash benefits
	1.	2.	3.	4.
<i>Denmark</i>				
I. Families and children	45,789	18,656	66	34
II. Unemployment	38,920	35,462	-	100
III. Illness	68,905	11,621	-	100
IV. Old age	133,678	112,037	2	98
V. Disability	42,603	28,378	24	76
VI. Survivors	173	1	100	-
VII. Housing	8,553	-	-	-
VIII. Other social benefits	12,905	9,528	10	90
IX. Administration	10,111	-	-	-
Total I.-IX.	361,637	215,683	10	90
<i>Finland</i>				
I. Families and children	23,742	13,955	64	36
II. Unemployment	20,984	19,013	1	99
III. Illness	42,786	8,425	0	100
IV. Old age	57,959	52,136	4	96
V. Disability	26,437	20,727	7	93
VI. Survivors	7,445	7,416	3	97
VII. Housing	2,955	-	-	-
VIII. Other social benefits	3,951	2,507	97	3
IX. Administration	5,028	-	-	-
Total I.-IX.	191,287	124,179	12	88
<i>Iceland</i>				
I. Families and children	14,178	7,206	66	34
II. Unemployment	2,160	1,759	3	97
III. Illness	46,612	8,613	-	100
IV. Old age	33,039	24,293	-	100
V. Disability	14,090	9,586	8	92
VI. Survivors	3,467	3,467	5	95
VII. Housing	722	772	31	69
VIII. Other social benefits	2,761	1,212	-	100
IX. Administration	2,000	-	-	-
Total I.-IX.	119,079	56,908	10	90

/ ... to be continued

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Table 10.12 ... continued

	Social expenditure, million KR/FIM	Of which cash benefits, million KR/FIM	Cash bene- fits exempt from tax, as percentage of total cash benefits	Cash bene- fits subject to tax, as percentage of total cash benefits
	1.	2.	3.	4.
<i>Norway</i>				
I. Families and children	43,314	26,877	63	37
II. Unemployment	8,300	5,630	-	100
III. Illness	107,152	34,235	0	100
IV. Old age	97,825	70,707	-	100
V. Disability	55,399	43,297	6	94
VI. Survivors	4,251	4,027	0	100
VII. Housing	1,556	-	-	-
VIII. Other social benefits	8,684	3,999	93	7
IX. Administration	6,961	-	-	-
Total I.-IX.	333,441	188,772	12	88
<i>Sweden</i>				
I. Families and children	71,010	31,393	63	37
II. Unemployment	52,337	44,424	-	100
III. Illness	160,005	41,898	-	100
IV. Old age	240,427	184,881	-	100
V. Disability	75,277	47,567	2	98
VI. Survivors	14,515	14,515	-	100
VII. Housing	15,006	-	-	-
VIII. Other social benefits	16,529	10,961	100	100
IX. Administration	10,495	-	-	-
Total I.-IX.	655,601	375,639	8	92

Chapter 11

Taxation on wages and income transfers in the Nordic countries. Total marginal effects.

Preface

For many years, NOSOSCO has collected comprehensive, detailed data regarding the compensation for previous wages in a number of social events, the so-called stylized family cases.

The stylized family cases (typical cases) are described in Appendix 2, and a more detailed description of the calculation basis and the basic data are available on NOSOSCO's web site (see colophon).

The annual publication only comprises a graphical illustration and a brief description of the compensation levels. However, through analysis the collected data may contribute to providing a much more detailed picture of the relationship between wages and income transfers as it is possible to examine the marginal effects on the basis of the collected data by including the effect from taxation and social contributions on wages and income transfers.

NOSOSCO therefore decided that this year's theme should be the taxation on wages and income transfers as well as the total marginal effects.

The analysis is based on the stylized family cases collected for 1998 since it has not been possible to include the 1999-results for reasons of time.

Hans Hansen of the Danish National Institute of Social Research has been in charge of the analysis in collaboration with a reference group consisting of the following members:

Rikke Thoning	Ministry of Social Affairs, Denmark
Ilari Keso	Ministry of Social Affairs and Health, Finland
Kristinn Karlsson	Statistics Iceland
Liv Torgersen	National Insurance Administration, Norway
Linda Gustafsson	Ministry of Health and Social Affairs, Sweden
Johannes Nielsen	NOSOSCO's Secretariat

Introduction

This chapter deals with personal income taxation and payment of social contributions in relation to wages and income transfers in the Nordic countries. To the extent possible, this chapter will also examine the total marginal effects, i.e. the effect from taxation and change of income transfers when a particular income component is changed. Total marginal effects may for instance have an impact on the incentive to work more or to save for old age.

In general, income transfers differ considerably from one Nordic country to another. Sweden, Finland, Iceland and Norway for instance have substantial work- and income-based public pension schemes, which is only the case in Denmark to a limited extent. Sweden, Finland and Norway generally have more work- and income-based schemes than Denmark, whose benefit structure is characterised by almost fixed benefits. Iceland is situated in the middle.

Taxation on income transfers is also an area in which the Nordic countries differ significantly from one another. Denmark and Iceland are probably the countries in which most income transfers are taxed according to the usual tax rules, but even in this area there are considerable deviations. In the case of Denmark, the most important deviation is probably that the general social contribution (the labour market contribution/arbejdsmarkedetsbidraget) is not levied on income transfers. As a result, this contribution was phased in by means of a gradually increasing percentage while the rates for taxable income transfers were reduced at the same time. In the case of Iceland, the most important deviation is that the 4 per cent tax for pension funds is not levied on income transfers.

Another example of rate adjustment was in 1994 when Danish public pensions became subject to heavier taxation than before. Consequently, most pension rates were increased to provide more or less the same income after tax as previously before tax.

In addition to rates for income transfers, the taxation on and the gradual reduction of income transfers are crucial for the recipient's total disposable

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income. Finally, the purchasing power of the disposable income in each country is important in connection with international comparisons focusing on prosperity levels. This chapter will not deal with the latter aspect. The calculation cases presented in the tables of this chapter covering taxation and total marginal effects are all based on 1998 levels and rules, whereas 1999 forms the basis of the calculation cases presented in the other chapters. These cases mainly cover net replacement rates.

In spite of this timing difference between the calculation of the total marginal effects and the net replacement rates, the publication as a whole is able to describe - to a certain extent - the extension of both the 'poverty trap' and the 'unemployment trap' in the Nordic countries. The 'poverty trap' means high total marginal effects, and the 'unemployment trap' means high net replacement rates. These terms should not be understood literally: High net replacement rates may for instance apply to pensioners who are not necessarily 'unemployed'. The publication only describes the extension 'to a certain extent' as the possibility of calculating the total marginal effects is subject to limitations, see below.

Why is taxation interesting?

Existing income transfers, whether subject to taxation or not, reflect the national purchasing power level that the politicians have intended the benefit recipients to have. It also appears from the above Danish examples that benefit levels are adjusted when their taxation status is changed.

However, this does not mean that it is uninteresting whether the benefit is subject to taxation and social contributions or not. Firstly, it is easier to compare incomes, which irrespective of source are subject to 'normal' taxation, although this quality is primarily optical. Moreover, benefit recipients are - for better or for worse - more directly 'connected' to the general development of society, more specifically the development of expenses, both centrally (state taxes) and locally (regional taxes). The social contributions (e.g. in the area of health insurance) reflect the development of expenses in the areas they are to cover (e.g. the health sector). Normal taxation on income transfers also means that to an increasing extent 'other' income is taxed in the same way as 'other' income (e.g. wages or interest income) earned by people who do not receive income transfers, to the effect that the progression is more homogeneous, i.e. occurs at the same income levels for all income earners. In this area, special taxation on pensions, e.g. in connection with a particularly high basic allowance, which is reduced as other in-

come increases, may give very high progression at relatively low income levels. If the income before tax is also used for the reduction of other benefits, e.g. housing benefits, this may result in very high total marginal effects, also at relatively modest income levels. In respect of benefits subject to full taxation, the reduction of other benefits may also begin at the same income level, irrespective of income source - perhaps also an optical quality - which leads to simpler reduction rules, e.g. with only one set of reduction 'thresholds'.

Overview of taxation and payment of social contributions on income transfers in the Nordic countries

This section attempts to outline personal income taxation and payment of social contributions, but only seen from the recipient's point of view. Social contributions paid by the employer or by social security offices are not included.

This section only deals with the income transfers for which stylized family type calculations have been made, i.e. cash benefits in connection with childbirth and illness (the benefit for these two events is the same in all the countries, except for Iceland where mainly salary and wages are paid during illness), benefits for families with children (almost no taxation), unemployment compensation for insured and non-insured persons, old age pension and disability pension.

Furthermore, social assistance is included, but only for the purpose of showing taxation on the last resort of the social security network.

Taxation and payment of social contributions on income transfers and wages are compared below, see Tables 11.1-6. A Danish wages of approx. DKK 134,000 (50 per cent of the average pay of a production worker (APW) in 1997) and a Danish disability pension of approx. DKK 147,000 are used to illustrate the different treatments of the two income sources. As to the former income, taxes amount to approx. DKK 35,000 and social contributions to approx. DKK 17,000, a total of DKK 52,000. As to the disability pension, taxes amount to approx. DKK 38,000 (personal income tax whereas disability pensions are not subject to payment of social contributions). Without scrutinising the nominal income amounts, it is obvious that the taxation and payment of social contributions are much more lenient for the person who receives disability pension than for the wage/salary

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earner with 50 percent APW income. The former pays approx. 26 per cent of his income, whereas the latter pays approx. 38 per cent of a somewhat smaller nominal income for the two purposes.

Table 11.1 Taxation on cash benefits in connection with childbirth, adoption and illness

	Denmark	Finland	Iceland ¹⁾	Norway	Sweden
Ordinary personal income tax	X		X	X	X
Special personal income tax		X			
Ordinary social contributions			X ²⁾	X	X
Special social contributions	X	X			

1 Only comprises cash benefits in connection with childbirth and adoption.

2 The 4 per cent contribution on wages/salaries for pension funds, see below, is not included, this contribution is not levied on cash benefits.

Comments: Ordinary personal income tax means that the benefit is taxed in the same way as wages. This does not mean that mothers on maternity leave necessarily have all the tax allowances that are relevant when they work, e.g. allowance for transport to and from their place of work, but that the taxation on the cash benefits, if ordinary, in principle corresponds to the taxation on wages as to tax rates and basic allowances or tax credits.

In this sense, all the countries have ordinary personal income taxation on this benefit, except Finland where the special 'allowance for wages' in connection with local taxes does not apply to income transfers. An interpretation has also been made to distinguish income tax amounts from social contribution amounts. In Denmark, for instance the general social contribution, the labour market contribution, has been interpreted as a social contribution, which it is officially, but, in reality, it may as well be considered part of the personal income tax. This contribution is also called the gross tax.

In the same way, ordinary social contributions mean that social contributions on the benefit are paid in the same way (i.e. same rates and same limits) as social contributions on wages. In Sweden, the 'egenavgift' (own payment) paid on cash benefits corresponds to that paid on wages. This also applies to Iceland if the 4 per cent contribution on wages for pension funds is disregarded. This contribution is considered a 'private' expense, which may, however, be deducted from the taxable income. Denmark has, as already mentioned, no general social contribution on cash benefits, and in addition, a double ordinary contribution is levied for the Danish labour market supplementary pension (ATP). The income-related contributions

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for unemployment (basic insurance) and pension are not paid in Finland, but the contributions for health insurance on the same basis as the local tax are also levied on cash benefits. In Norway, the 'trygdeavgift' on daily cash benefits corresponds to that levied on wages.

Allowances for families with children and child benefits (barnbidrag) are not taxed in any of the Nordic countries. In some cases, child benefits are subject to tax for the recipient, but only amounts exceeding the normal benefit (forskudsbidraget). This is for instance the case in Denmark. In Finland, for instance the supplement to children from the unemployment insurance is subject to payment of tax.

Table 11.2 Taxation on unemployment benefits of insured unemployed

	Denmark	Finland	Iceland	Norway	Sweden
Ordinary personal income tax	X		X	X	X
Special personal income tax		X			
Ordinary social contributions			X ¹⁾	X	X
Special social contributions	X	X			

1 The 4 per cent contribution on wages/salaries for pension funds is not included, this contribution is not levied on cash benefits.

Comments: Exactly the same comments as for Table 11.1. Furthermore, unemployment insurance is voluntary in Denmark, Finland and Sweden. As a result, the special membership fee for the unemployment insurance is not compulsory. In Denmark and Sweden, insured unemployed pay this fee, also when they are unemployed. In Finland, practice varies in this area.

Table 11.3 Taxation on benefits in connection with unemployment of non-insured unemployed

	Denmark	Finland	Iceland	Norway	Sweden
Ordinary personal income tax	X		X		X
Special personal income tax		X			
No personal income tax				X	
Ordinary social contributions			X ¹⁾		X
Special social contributions	X	X			
No social contributions				X	

1 The 4 per cent contribution on wages/salaries for pension funds is not included, this contribution is not levied on cash benefits.

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Comments: According to the table, there are no differences between benefits for insured and non-insured unemployed in respect of taxation and social contributions. Norway is an exception. But some of the details vary from one country to another. In Denmark, non-insured unemployed receive social assistance (kontanthjælp). The non-insured unemployed do not pay labour market contribution on social assistance just as the insured unemployed do not pay labour market contribution on their unemployment benefits, and the contribution for the supplementary pension corresponds to the ordinary contribution (related to salary/wages) but only in case the unemployed receives social assistance for more than six months. As mentioned above, the unemployment insurance is voluntary in Denmark, Finland and Sweden, but the two latter countries also have a compulsory basic insurance, which is examined in Table 11.3. Non-insured unemployed do not pay to the voluntary insurance, and consequently such payments are not made when non-insured unemployed lose their jobs. In Iceland, an ‘out-insured’ (the rights to insurance benefits have expired) unemployed receives social assistance for 16 weeks between two unemployment benefit periods. In Norway, an ‘out-insured’ unemployed also receives social assistance.

Table 11.4 Taxation on old age pensions

	Denmark	Finland	Iceland	Norway	Sweden
Ordinary personal income tax	X		X		
Special personal income tax		X		X	X
Ordinary social contributions			X ¹⁾		
Special social contributions		X		X	
No social contributions	X				X

1 The 4 per cent contribution on wages/salaries for pension funds is not included, this contribution is not levied on cash benefits.

Comments: The special personal income tax in Finland and Sweden is for instance due to the fact that the special basic allowances are so high that the minimum pensions in the two countries are not taxed. So the taxation on old age pensions deviates more from ordinary taxation than was the case for the Finnish income transfers already mentioned. The basic allowance is reduced as income grows for instance income from the income-based pension, see below. In addition, Swedish pensioners do not benefit from the tax reductions as a result of the social contributions for the new pensions system. In Finland, the special ‘allowance for wages’ in respect of local taxation does not apply to pensioners as it only applies to wages. In Norway, tax may

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either be levied using the taxes rules for ordinary personal income tax, but with a special allowance, or using a special tax limitation rule, depending on which rule is the most favourable to the pensioner in question. This normally means that no taxes are levied on minimum pensions in Norway.

Old age pensioners do not pay social contributions in Denmark or Sweden. In Finland, health insurance payments are charged at a special rate. Otherwise, pensioners do not pay social contributions, and in Norway the trygdeavgift is lower for pensioners.

Table 11.5 Taxation on disability pensions

	Denmark	Finland	Iceland	Norway	Sweden
Ordinary personal income tax	X		X		
Special personal income tax		X		X	X
Ordinary social contributions			X ¹⁾		
Special social contributions		X		X	
No social contributions	X				X

1 The 4 per cent contribution on wages/salaries for pension funds is not included, this contribution is not levied on cash benefits.

Comments: In many ways, the disability pension resembles the old age pension also in respect of taxation and social contributions, but there are some differences. Danish disability pension is classified under ordinary personal income tax as most disability pensions are taxable. However, two of the additional amounts, the disability amount (invaliditetsbeløbet) and the early retirement amount (førtidsbeløbet) are not subject to payment of tax. These two amounts were left out, so to speak, in 1994 when taxes began to be levied on pensions. The recipients of these additional amounts do, however, pay tax on most of their pensions. In Denmark, recipients of 'ordinary disability pension' pay ordinary personal income tax. In Finland, the 'special personal income tax' comprises – in addition to the special basic allowance, which is also granted to old age pensioners – two other deductible allowances: a special tax credit in the state tax and a special allowance that is deducted from the local tax base. The latter may only be used, however, when the pensioner also has a wage income. Otherwise, the comments are similar to the comments made under Table 11.4, Taxation on old age pensions.

It may be concluded that the taxes levied on pensions and the payment of social contributions, both relating to old age and disability pensions, are much more lenient than in the case of wages. This applies even to Denmark where personal income tax began to be levied on pensions in 1994, at least

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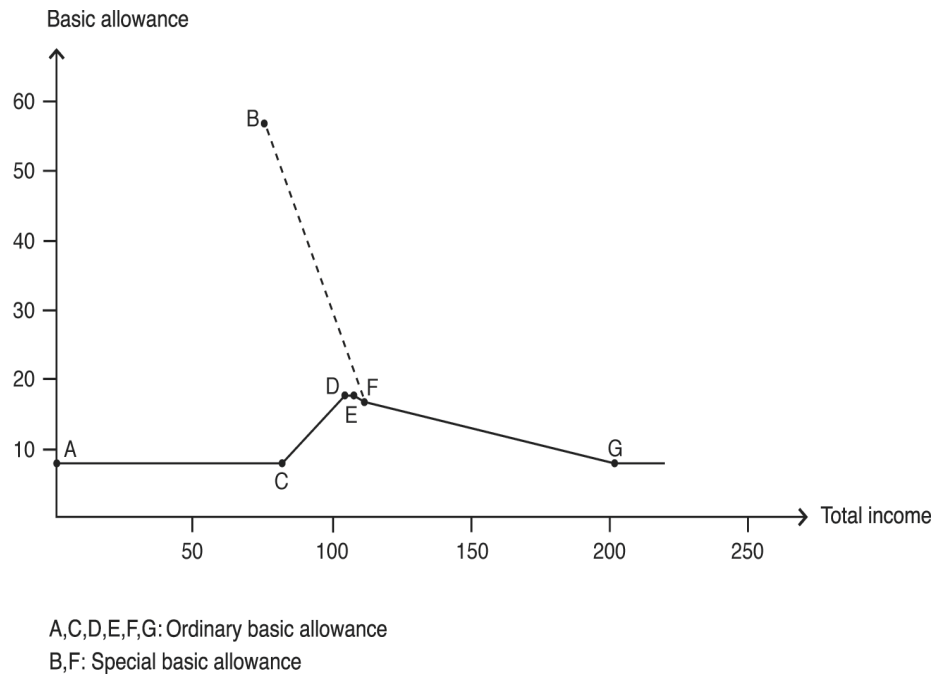
on old age pensions. Iceland is the country that comes closest to having ordinary taxation.

The basic allowances for taxation on pensions in Sweden and Finland are particularly interesting. Their construction and consequences will be discussed later. We have chosen taxation on old age pension for a single pensioner in 1999 as illustration. First in Sweden.

The maximum basic allowance amounts to 1.5232* the basic amount ('basbeloppet') in 1999. With a basic amount of SEK 36,400 the basic allowance amounts to SEK 55,444 for an entire pension. This amount is reduced by 65 per cent of the income exceeding this level, hereinafter called extra income. It should be remembered that if the extra income is ATP (employment pension), the pension is first reduced one to one to the effect that only the ATP exceeding the pension is treated as extra income. If the basic allowance were reduced to zero, this would take place at an extra income (exceeding SEK 55,444) of SEK 85,300. However, this does not take place as a pensioner's basic allowance cannot be lower than the ordinary basic allowance at a similar income (total income, not only extra income). This takes place at an extra income of almost SEK 58,000, equivalent to a total income (taxable) of SEK 113,300.

The extra income is taxed by approx. 31.5 per cent (the average Swedish local tax in 1999), and as the basic allowance up to an extra income of almost SEK 58,000 is reduced by 65 per cent of the extra income, tax is increased by $65 \cdot 0.315 = 20.5$ per cent. The marginal tax thus constitutes $31.5 + 20.5 = 52$ per cent in the relevant tax bracket for extra income. In general, marginal tax is defined as the tax levied on the last earned krone. In the bracket for extra income in question, tax on the last earned krone is levied at 52 per cent. In addition, the effect of the state tax of SEK 200, a fixed amount, has to be added. However, the ordinary basic allowance does have a marginal tax effect. Only it is not as pronounced as the effect of the special basic allowance for pensioners. The profiles of both basic allowances are outlined in Figure 11.1. It should also be remembered that the social contribution ('egenavgift') for wages, even though this tax is deducted from the taxable income, has a marginal effect up to the ceiling of 7.5 times the basic amount.

Figure 11.1 Ordinary basic allowance and special basic allowance for single Swedish pensioner in 1999



Also Finland has a special basic allowance for pensioners to the effect that pensioners receiving minimum pension do not pay taxes or social contributions (for health insurance). In the case of income exceeding the minimum pension (and somewhat more) the basic allowance is reduced by 70 per cent. If the extra income comes from the public work-based pension, the minimum pension is reduced by 50 per cent of the work-based pension exceeding a small personal allowance.

The recipient of minimum pension does not pay state tax. For a single pensioner, the basic allowance in respect of local tax amounts to FIM 34,400 in 1999. It is reduced by 70 per cent of income exceeding this amount, i.e. the amount is reduced to zero at an extra income of approx. FIM 49,100.

The local average tax rate is approx. 19 per cent in 1999, and a social contribution of 3.9 per cent on the same basis as the local tax has to be added. Consequently, the ordinary marginal tax rate is approx. 23 per cent,

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and to this amount a state tax beginning at a taxable income of FIM 47,000 has to be added. In the relevant tax bracket for extra income, the reduction of the pensioner's basic allowance by 70 per cent of the extra income results in a marginal tax effect of $70 \cdot 0.19 = 13.3$ per cent, i.e. a total marginal tax rate of $23 + 13 = 36$ per cent in connection with income that reduces the special basic allowance for the single pensioner. The reduction of the ordinary basic allowance to be deducted in connection with Finnish local tax also has a marginal tax effect, but this effect applies to all taxpayers. As already mentioned, the effect of the state tax on a total taxable income of FIM 47,000 has to be added. In contrast to Sweden, it is not possible to choose an ordinary basic allowance as an alternative.

The purpose of this rather detailed examination of the special basic allowances for pensioners in Sweden and Finland is to prove the comment made earlier that such schemes contribute to a high marginal taxation in income brackets where high marginal taxation is unusual.

Table 11.6 Taxation on social assistance

	Denmark	Finland	Iceland	Norway	Sweden
Ordinary personal income tax	X		X		
Special personal income tax					
No personal income tax		X		X	X
Ordinary social contributions			X ¹⁾		
Special social contributions	X				
No social contributions		X		X	X

1 The 4 per cent contribution on wages/salaries for pension funds is not included, this contribution is not levied on cash benefits.

Comments: In Denmark, Iceland and Norway the benefit corresponds to the benefit paid to non-insured unemployed (in Iceland and Norway the 'out-insured'). In Finland, social assistance benefits are 'parallel' to the benefits paid to non-insured unemployed, but they are not subject to tax. This is also the case in Norway and Sweden.

What is the effect of ordinary taxes and social contributions?

Tax effects are in general examined by means of the average tax and the marginal tax at different income levels. This is also the case in this publication, and the income levels used are 50, 75, 100, 125 and 150 per cent of the APW's gross income. The APW does not earn the same nominal wage in all the Nordic countries, not even if measured in the same currency or in purchasing power parities. One of the reasons for the difference is that the social contributions paid by employers vary a good deal, i.e. approx. 33 per cent of the wage in Sweden and almost nothing in Denmark. Differences in productivity may also contribute to the differences. However, the comparison is made between full time employees in the manufacturing industry (at least at the 100 per cent APW level), i.e. people having the same job functions. It is far from unproblematic to use the APW as a standard. But it has become an accepted standard most of all because of OECD's comparative work. It must be assumed that each country's tax system is adjusted to that particular country's nominal income level. As a result, there is no point in comparing the tax on e.g. wages/salaries that are equal in nominal terms in the Danish and the Swedish tax systems without corrections. If both the wage/salary in the Swedish system and the Danish system correspond to the Danish APW level (in DKK), the Swedish salary/wage (in 1998) corresponds to almost 150 per cent of the Swedish APW gross pay. If such a comparison was made after all, it would be the same as comparing the tax in Denmark for a Danish medium income with the tax in Sweden for a relatively high Swedish income, and that is hardly the purpose of using wages/salaries that are similar in nominal terms.

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Table 11.7 Average tax paid by single person without children in 1998. Full employment

	Income level in per cent of APW income:				
	50	75	100	125	150
<i>Denmark</i>					
Total	38.4	42.1	44.5	47.7	50.2
From tax	25.9	30.8	33.7	37.3	40.0
From social contributions	12.5	11.3	10.8	10.4	10.2
<i>Finland</i>					
Total	25.9	31.7	36.0	39.0	41.6
From tax	18.1	23.8	28.0	30.9	33.5
From social contributions	7.8	7.9	8.0	8.1	8.1
<i>Iceland</i>					
Total	5.8	16.3	21.6	24.8	26.9
From tax	5.3	16.0	21.4	24.6	26.7
From social contributions	0.5	0.3	0.2	0.2	0.2
<i>Norway</i>					
Total	24.6	27.3	29.6	33.3	36.0
From tax	16.8	19.5	21.8	25.5	28.2
From social contributions	7.8	7.8	7.8	7.8	7.8
<i>Sweden</i>					
Total	37.1	36.9	36.7	40.2	43.0
From tax	29.6	29.6	29.5	33.0	36.8
From social contributions	7.5	7.3	7.2	7.2	6.2

All the countries have progressive personal income tax. In the case of Sweden, tax only becomes progressive for incomes exceeding 100 per cent of APW income. Iceland has the strongest progression as the average personal income tax is increased more than fivefold in the relevant income bracket. Social contributions are either proportional (N) or slightly degressive, except for Finland where social contributions are slightly progressive. The total tax burden (tax + social contributions) is highest in Denmark and lowest in Iceland in all income brackets. It should be noted that in the case of Iceland, the pension tax of 4 per cent of gross pay has not been included as a social contribution. Even if this tax had been included, Iceland would still

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have a much lower tax burden than the other countries.

Children only have a direct impact on tax in Norway, where an amount may be deducted from income in respect of childcare and where there is a tax credit for children.

Table 11.8 Average tax in Norway in 1998 for single parent with one child and a single person without children

	Income level in per cent of APW income:				
	50	75	100	125	150
<i>Without children</i>					
From tax	16.8	19.5	21.8	25.5	28.2
<i>With one child</i>					
From tax	10.2	13.1	16.8	19.7	23.4

One child results in a substantial reduction of the average tax burden, especially in the low income brackets. This is also due to the fact that a single parent is taxed according to class 2, see the description of the Norwegian tax system.

The changes in average tax (tax + social contributions) between income brackets are due to the 'marginal taxation' of the income change when passing from one income bracket to the next. In general, marginal tax is measured as the tax levied on the last earned krone. In this case, the change in income constitutes 25 per cent of APW income, i.e. a quite substantial change, so what is really measured is the average marginal tax when the income is changed by 25 per cent of APW income.

In all the countries, the marginal taxes increase as income increases, with the exception of Iceland where marginal taxes remain constant. The marginal effect of the social contributions is almost constant in all of the Nordic countries, except for Sweden where maximum is reached shortly after the income passes 125 per cent of the APW level. When maximum is reached, the marginal effect of further income increases is zero. As long as the marginal tax exceeds the average tax, the tax will increase. In contrast, the tax will decrease if the marginal tax is lower than the corresponding average. In Denmark, Norway and Sweden, marginal taxes increase substantially in the income bracket 100-125 per cent of APW income.

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**Table 11.9 Marginal tax paid by single person without children in 1998.
Full employment**

	Between the following income levels in per cent of APW income:			
	50-75	75-100	100-125	125-150
<i>Denmark</i>				
Total	49.7	51.2	61.0	62.4
From tax	40.7	42.2	52.0	53.4
From social contributions	9.0	9.0	9.0	9.0
<i>Finland</i>				
Total	43.6	48.9	50.7	55.3
From tax	35.5	40.5	42.3	46.9
From social contributions	8.1	8.4	8.4	8.4
<i>Iceland</i>				
Total	37.5	37.5	37.5	37.5
From tax	37.5	37.5	37.5	37.5
From social contributions	0.0	0.0	0.0	0.0
<i>Norway</i>				
Total	32.5	36.5	48.2	49.5
From tax	24.7	28.7	40.4	41.7
From social contributions	7.8	7.8	7.8	7.8
<i>Sweden</i>				
Total	36.4	36.5	53.8	57.1
From tax	29.5	29.4	46.9	56.0
From social contributions	6.9	7.1	6.9	1.1

Total marginal effect for single parent

The marginal tax coupled with reduced benefits in connection with increasing income determine the total marginal effect measuring the amount left after an income increase when taxes have been paid and social benefits have been reduced or payments for e.g. day-care institutions have been changed. Formally, the marginal effect can be defined as (change in tax + change in income-dependent income transfers)/ change in primary income source, in per cent. It should be emphasised that the marginal effect also softens an income decrease as tax decreases and income-dependent benefits increase. The latter effect is often ignored when discussing marginal effects. The total marginal effect may be examined by replacing the single person without children with a single parent with one child who in all the countries, except Norway, is subject to the same marginal taxes as the single person without children. In addition, a change in income has an impact on housing benefits, payment for day-care institution and in the case of Iceland also on child benefits. The housing benefit may also change for a single person without children, but in this case we have chosen to look at the total marginal effect for a single parent with one child. It should be noted that the change in the 'primary income source', wage/salary in this case, is considerable, i.e. 25 per cent of APW income. Usually, a much smaller change in the primary income source is used.

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**Table 11.10 Total marginal effect for a single parent with one child in 1998.
Full employment**

	Between the following income levels in per cent of APW income:			
	50-75	75-100	100-125	125-150
<i>Denmark</i>				
Total	73.6	66.8	61.0	62.4
From tax and social contributions	49.7	51.2	61.0	62.4
From housing benefits	12.5	10.0	-	-
From day-care institution	11.4	5.6	-	-
<i>Finland</i>				
Total	86.3	68.0	55.2	55.3
From tax and social contributions	43.6	48.9	50.7	55.3
From housing benefits	31.2	7.6	-	-
From day-care institution	11.5	11.5	4.5	-
<i>Iceland</i>				
Total	52.3	46.3	42.5	42.5
From tax and social contributions	37.5	37.5	37.5	37.5
From housing benefits	..	..	..	..
From day-care institution	9.8	3.8	-	-
From child benefits	5.0	5.0	5.0	5.0
<i>Norway</i>				
Total	55.0	54.0	38.8	52.4
From tax and social contributions	26.8	35.8	38.8	49.5
From housing benefits	..	..	..	..
From day-care institution	28.2	18.4	-	2.9
<i>Sweden</i>				
Total	59.3	62.7	69.2	63.3
From tax and social contributions	36.4	36.5	53.8	57.1
From housing benefits	16.6	20.0	9.1	-
From day-care institution	6.3	6.0	6.3	6.2

Note: .. means that the 'contribution' is not included as no data are available.

If reduction of housing benefits and additional payment for day-care institution is included, the marginal effect is increased, sometimes dramatically. In Denmark and Finland an increasing marginal taxation turns into a pronounced decreasing total marginal effect as income increases. In Iceland, con-

stant marginal taxes also turn into decreasing total marginal effects, but the trend is not so pronounced. In this case, it should, however, be remembered that housing benefits are not included in the figures for Iceland, which, by the way, is the only country where child benefits contribute to the marginal effect.

Particularly Finland and Denmark have substantial marginal effects when income changes between the two lowest income brackets. One unit of extra income leaves 14 per cent in Finland and 26 per cent in Denmark. This does not really provide an incentive to increase the working effort and the income in this income bracket, and parallelly an income decrease is not felt very much. 86 per cent and 74 per cent, respectively, is compensated for by lower tax, increased housing benefit and lower payment for day-care institution. A single parent who contemplates increasing working hours, will reach the conclusion that the income for consumption or savings is only increased to a very limited extent when the marginal effect is so high, and as a result the single parent in question may refrain from increasing the working effort. Sweden may also have considerable marginal effects, but in the higher income brackets compared with Finland and Denmark. Allowances for day-care expenses and tax credits for children in Norway mean that the marginal effects shown are relatively modest for low incomes. However, the Norwegian housing benefit system is not included in the figures, nor is the transitional allowance for single parents. The latter is reduced by 40 per cent of wages exceeding a certain limit, and at an income of approx. 100 per cent APW the transitional allowance is removed altogether. The total marginal effect for Norway is thus considerably larger than shown in Table 11.10 for the first two income brackets.

But, as already mentioned, high total marginal effects may constitute a serious problem in respect of for instance the incentive to make an extra working effort. However, it would be even more serious if these people experienced the problem on a permanent basis. However, this does not seem to be the case, at least not for families whose members are able to work. With the relatively modest number of children per family nowadays, the use of day-care institutions is limited to a relatively limited number of years. As to housing benefit, a Danish study shows that on average families of working age remain 3 years in the system. The number of years is, however, considerably higher for families of pensioners.

The income situation for families of pensioners is relatively stable, so in that situation the high total marginal effects are probably not felt very often, they are merely potential, but they may, of course, have an impact on pension savings if it is generally believed that extra income earned by a pensioner is almost swallowed by taxes and the reduction of other income transfers.

Taxation and marginal effects in connection with old age pension

This section mainly focuses on the taxation on pensions based on different previous wages: 50, 75, 100, 125 and 150 per cent of APW income. In all the countries, with the exception of Denmark, the pension varies according to the previous income. In Sweden, there is no variation for the two highest previous income levels. Maximum pension is reached at a previous income of 125 per cent of the APW level. It is assumed that the previous income levels have been constant, at least when the pension rights were achieved.

Table 11.11 Average taxes for single pensioner in 1998

	Previous income level in per cent of APW income:				
	50	75	100	125	150
<i>Denmark</i>					
Total	28.9	28.9	28.9	28.9	28.9
From tax	28.9	28.9	28.9	28.9	28.9
From social contributions	-	-	-	-	-
<i>Finland</i>					
Total	13.3	20.1	28.5	31.5	34.2
From tax	11.0	16.8	24.3	27.2	29.8
From social contributions	2.3	3.3	4.2	4.3	4.4
<i>Iceland</i>					
Total	-	0.4	5.8	9.8	12.6
From tax	-	-	5.5	9.5	12.4
From social contributions	-	0.4	0.3	0.3	0.2
<i>Norway</i>					
Total	-	7.6	14.4	18.6	19.4
From tax	-	6.1	11.9	15.6	16.4
From social contributions	-	1.5	2.5	3.0	3.0
<i>Sweden</i>					
Total	23.2	27.7	29.1	29.6	29.6
From tax	23.2	27.7	29.1	29.6	29.6
From social contributions	-	-	-	-	-

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The average taxes reflect the deviations from ‘ordinary personal income tax’ and ‘ordinary social contributions’ as already mentioned. Income-dependent pensions are subject to progressive income tax as long as the pension increases. In the case of Denmark, where pensions are not income-dependent and therefore remain constant, it is obvious that the tax burden remains constant too.

The marginal effects – our next focus – require special attention. Only marginal effects resulting from pensions varying when ‘jumping’ from one previous income level to the next will be examined. Usually, only the marginal effect resulting from a change in ‘other’ income (e.g. a supplementary private pension or capital income) is examined, including the impact of such ‘other’ income on the public pension. It is important to keep this difference in mind. In this case, where for instance the Danish pension remains constant, there is no marginal effect. It is not defined, see the note to the next table. In reality, the Danish pension (usually) contributes to the marginal effect as it (usually) varies according to the ‘other’ income, and varying pensions as such have a bearing on for instance the housing benefit. Furthermore, the varying pensions are the result of the jump between the previous income levels, which may give a variation of 0, for instance in the case of Sweden from 125 to 150 per cent of the previous APW level, in contrast to the variation in wages in Table 11.9, which remained constant at 25 per cent of APW income.

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Table 11.12 Total marginal effect for single pensioner in 1998

	Between the following previous income levels in per cent of APW income:			
	50-75	75-100	100-125	125-150
<i>Denmark</i>				
Total	.	.	.	.
From tax and social contributions	.	.	.	.
From housing benefits	.	.	.	.
<i>Finland</i>				
Total	89.7	88.7	43.5	47.5
From tax and social contributions	55.6	56.4	43.5	47.5
From housing benefits	34.1	32.3	-	-
<i>Iceland</i>				
Total	1.6	26.0	28.4	28.4
From tax and social contributions	1.6	26.0	28.4	28.4
From housing benefits	..	..	..	..
<i>Norway</i>				
Total	33.3	44.1	42.8	27.3
From tax and social contributions	33.3	44.1	42.8	27.3
From housing benefits	..	..	..	..
<i>Sweden</i>				
Total	84.9	51.6	34.8	.
From tax and social contributions	41.9	34.8	34.8	.
From housing benefits	43.0	16.8	-	.

Note: . means that the marginal effect is not defined (division by 0), .. means that the 'contribution' is not included as no data are available.

First of all, the high total marginal effects for Finland in the two lowest income brackets and for Sweden in the lowest income bracket should be noted. Very little of the higher pension remains at 75 per cent and 100 per cent of the previous APW income in Finland and at 75 per cent in Sweden. First of all, the drastic result stems from the reduction in housing benefits, but the marginal tax (or the contribution for the total marginal effect from personal income tax and social contributions) is also high in these income brackets. As already mentioned, this has to do with the reduction of the spe-

cial personal allowance (basis allowance) for Finnish and Swedish pensioners. The resulting effect is, in addition to a considerable contribution to the total marginal effect, an almost decreasing marginal contribution from personal income tax in the two countries. The Norwegian marginal tax profile also ends up showing a decreasing trend when income grows.

Taxation and marginal effects in connection with unemployment benefits for insured unemployed

In all of the five Nordic countries, unemployment benefits for insured unemployed are related to their previous incomes. But the level at which maximum benefits are achieved varies considerably from one country to another. In Denmark, maximum benefits are achieved at a relatively low income, in Norway at a relatively high income, and in the case of Finland, there is no maximum at all, but the degree of compensation is smaller for high incomes than for low incomes. The table below indicates the average taxation on the benefits relating to previous incomes of 50, 75, 100, 125 and 150 per cent of APW income. In Denmark, unemployment benefits reach their maximum in the income bracket 50-75 per cent, in Iceland and Sweden in the income bracket 75-100 per cent, whereas the benefits reach their maximum between 100 and 125 per cent in Norway.

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Table 11.13 Average taxes for a single parent with one child in 1998. Insured unemployed

	Previous income level in per cent of APW income:				
	50	75	100	125	150
<i>Denmark</i>					
Total	33.2	33.9	33.9	33.9	33.9
From tax	28.2	29.5	29.5	29.5	29.5
From social contributions	5.0	4.4	4.4	4.4	4.4
<i>Finland</i>					
Total	21.0	22.7	25.1	26.2	27.3
From tax	19.5	21.2	23.6	24.7	25.7
From social contributions	1.5	1.5	1.5	1.5	1.6
<i>Iceland</i>					
Total	-	-	0.6	0.6	0.6
From tax	-	-	-	-	-
From social contributions	-	-	0.6	0.6	0.6
<i>Norway</i>					
Total	11.6	17.5	18.4	19.6	19.6
From tax	3.8	9.7	10.6	11.8	11.8
From social contributions	7.8	7.8	7.8	7.8	7.8
<i>Sweden</i>					
Total	37.3	37.0	36.9	36.9	36.9
From tax	29.6	29.6	29.6	29.6	29.6
From social contributions	7.7	7.4	7.3	7.3	7.3

The picture is characterised by proportional taxation, which partly has to do with a constant tax burden, when the maximum benefit has been reached. In Finland and Norway, a certain progression can be seen mainly in the first income brackets. Almost no taxes are levied on Icelandic unemployment benefits.

Unemployment benefit is a typical income-replacing benefit, which 'disappears' when the unemployed person obtains for instance a wage income again. As a consequence, there is no point in examining the marginal effect for unemployment benefits at the point where the wage income replaces the benefits, as it will be 100 per cent per definition. In the following pages, the marginal effect relating to unemployment benefits should therefore be seen as the effect on taxes and other benefits, in this case housing benefits and payment for day-care

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institutions, when unemployment benefits vary as a result of different previous wage levels. This may lead to considerable differences in the size of benefits, for instance in the case of Finland where the degree of compensation, as already mentioned, falls as income increases. When the unemployment benefits reach their maximum, the marginal effect is not defined as was the case when pensions reached their maximum in the previous section.

Table 11.14 Total marginal effect for a single parent with one child in 1998. Insured unemployed

	Between the following previous income levels in per cent of APW income:			
	50-75	75-100	100-125	125-150
<i>Denmark</i>				
Total	61.2	.	.	.
From tax and social contributions	38.5	.	.	.
From housing benefits	11.0	.	.	.
From day-care institution	11.7	.	.	.
<i>Finland</i>				
Total	68.9	77.2	86.0	80.7
From tax and social contributions	29.2	36.5	40.8	40.6
From housing benefits	30.4	29.1	33.8	28.5
From day-care institution	9.3	11.6	11.4	11.6
<i>Iceland</i>				
Total	19.6	35.1	.	.
From tax and social contributions	-	7.1	.	.
From housing benefits	..	..	..	..
From day-care institution	19.6	28.0	.	.
<i>Norway</i>				
Total	30.2	65.8	35.6	.
From tax and social contributions	30.2	21.2	35.6	.
From housing benefits	..	..	..	..
From day-care institution	-	44.6	-	.
<i>Sweden</i>				
Total	48.3	63.3	.	.
From tax and social contributions	36.4	36.3	.	.
From housing benefits	5.7	20.0	.	.
From day-care institution	6.2	7.0	.	.

Note: . means that the marginal effect is not defined (division by 0), .. means that the 'contribution' is not included as no data are available.

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Finland is characterised by substantial marginal effects, which are mainly due to the fact that housing benefits decrease when unemployment benefits increase. In the case of Norway, the gradual increase in the payment for day-care institutions has a strong effect in the income bracket 75-100 per cent of previous APW income. In the case of Iceland, most of the marginal effect stems from day-care payments. In Iceland, unemployment benefits do not influence the payment of child benefits, and therefore they do not contribute to the total marginal effect.

In the three countries where unemployment insurance is voluntary, the non-insured unemployed receive: social assistance in Denmark and a basic insurance benefit in Sweden and Finland. In the two latter countries, this is also the minimum benefit for insured unemployed. The three benefits are fixed amounts, i.e. they are independent of previous income and therefore their marginal effect is not defined. The tax burden for these benefits is 30 per cent in Denmark, 18 per cent in Finland and 37 per cent in Sweden.

Taxation and marginal effects in connection with maternity benefits

Maternity benefits are also related to previous income, but also in this case maximum is achieved at very different previous incomes. In Denmark and Iceland, maximum is achieved in the income bracket 50-75 per cent, in Norway in the income bracket 100-125 per cent and in Sweden in the income bracket 125-150 per cent. There is no maximum in Finland.

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Table 11.15 Average taxes for a single parent with one child in 1998. Maternity benefits

	Previous income level in per cent of APW income:				
	50	75	100	125	150
<i>Denmark</i>					
Total	33.1	33.9	33.9	33.9	33.9
From tax	28.2	29.5	29.5	29.5	29.5
From social contributions	4.9	4.4	4.4	4.4	4.4
<i>Finland</i>					
Total	20.3	24.0	27.8	29.4	31.3
From tax	18.8	22.5	26.2	27.8	29.7
From social contributions	1.5	1.5	1.6	1.6	1.6
<i>Iceland</i>					
Total	-	0.5	0.5	0.5	0.5
From tax	-	-	-	-	-
From social contributions	-	0.5	0.5	0.5	0.5
<i>Norway</i>					
Total	19.7	24.0	26.9	27.6	27.6
From tax	11.9	16.2	19.1	19.8	19.8
From social contributions	7.8	7.8	7.8	7.8	7.8
<i>Sweden</i>					
Total	37.3	37.0	36.8	36.7	36.7
From tax	29.6	29.6	29.5	29.5	29.5
From social contributions	7.7	7.4	7.3	7.2	7.2

The proportional taxation in Denmark and Iceland (almost tax-free) is due to the fact that maximum benefits are already achieved between 50 and 75 per cent of APW income. In Sweden, the benefits increase from approx. SEK 86,000 to approx. SEK 218,000, still with almost proportional taxation, it is even vaguely degressive, see also Table 11.7. Norway and Finland have progressive taxation. In the case of Norway, it should be noted that the average personal income tax ('from tax' in the table) is higher than in Table 11.8 for an employed single parent who has a higher income than the recipient of maternity benefits. This is due to the fact that in contrast to the recipient of maternity benefits, the employed single parent uses the day-care institution, which entitles him or her to a deduction in the taxable income.

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Maternity benefits have the same characteristics as unemployment benefits: i.e. they replace an income. The marginal effects are thus interpreted in the same way as for unemployment benefits. The varying benefits in connection with the previous wage/salary levels result in marginal contributions from tax and housing benefits. Use of day-care institution and related payment are not included in this case, which should be kept in mind when the total marginal effect is compared with that of other cases.

Table 11.16 Total marginal effect for a single parent with one child in 1998. Maternity benefits

	Between the following previous income levels in per cent of APW income			
	50-75	75-100	100-125	125-150
<i>Denmark</i>				
Total	52.0	.	.	.
From tax and social contributions	40.9	.	.	.
From housing benefits	11.1	.	.	.
From day-care institution	..	..	..	..
<i>Finland</i>				
Total	61.3	70.0	40.7	46.4
From tax and social contributions	31.3	39.6	40.7	46.4
From housing benefits	30.0	30.4	-	-
From day-care institution	..	..	..	..
<i>Iceland</i>				
Total	1.8	.	.	.
From tax and social contributions	1.8	.	.	.
From housing benefits	..	..	..	..
From day-care institution	..	..	..	..
<i>Norway</i>				
Total	32.5	35.8	35.8	.
From tax and social contributions	32.5	35.8	35.8	.
From housing benefits	..	..	..	..
From day-care institution	..	..	..	..
<i>Sweden</i>				
Total	42.1	56.4	56.3	37.6
From tax and social contributions	36.4	36.4	36.4	37.6
From housing benefits	5.7	20.0	19.9	-
From day-care institution	..	..	..	..

Note: . means that the marginal effect is not defined (division by 0), .. means that the 'contribution' is not included as no data are available.

Finland has relatively high marginal effects in the two lowest income brackets and Sweden in the two middle income brackets. In both cases, to an increasing extent caused by the contribution from housing benefits.

Taxation and marginal effects in connection with disability pension

Disability pensions resemble old age pensions very much, and also in this case the centre of attention is the disability pensions, which are related to the previous income level. In Denmark, the amount is fixed, independent of previous income, whereas the disability pension in Finland, Norway and Sweden varies according to the previous income. In Sweden, the maximum pension is achieved at a previous income level of 125 per cent of APW income. There are no figures for Iceland.

Table 11.17 Average taxes for single disability pensioner in 1998

	Previous income level in per cent of APW income:				
	50	75	100	125	150
<i>Denmark</i>					
Total	25.6	25.6	25.6	25.6	25.6
From tax	25.6	25.6	25.6	25.6	25.6
From social contributions	-	-	-	-	-
<i>Finland</i>					
Total	11.7	17.9	25.8	30.1	32.6
From tax	9.6	14.7	21.8	25.8	28.3
From social contributions	2.1	3.2	4.0	4.3	4.3
<i>Norway</i>					
Total	-	9.2	16.3	18.3	19.8
From tax	-	7.3	13.4	15.3	16.8
From social contributions	-	1.9	2.9	3.0	3.0
<i>Sweden</i>					
Total	22.5	27.6	29.0	29.5	29.5
From tax	22.5	27.6	29.0	29.5	29.5
From social contributions	-	-	-	-	-

In Denmark, taxation is proportional, benefits are constant, whereas taxation

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in the other countries is progressive, particularly in Finland and Norway.

The marginal effects of disability pensions are interpreted in the same way as those of old age pensions. The fact that the Danish disability pension is reduced as other income increases is thus not reflected as only the varying pensions give rise to marginal effects, and Danish disability pensions do not vary.

Table 11.18 Total marginal effect for single disability pensioner in 1998

	Between the following previous income levels in per cent of APW income:			
	50-75	75-100	100-125	125-150
<i>Denmark</i>				
Total	.	.	.	.
From tax and social contributions	.	.	.	.
From housing benefits	.	.	.	.
<i>Finland</i>				
Total	84.4	90.4	54.0	45.6
From tax and social contributions	50.4	56.5	47.0	45.6
From housing benefits	34.0	33.9	7.0	0
<i>Norway</i>				
Total	35.8	44.0	28.3	31.3
From tax and social contributions	35.8	44.0	28.3	31.1
From housing benefits	..	..	..	..
<i>Sweden</i>				
Total	93.2	72.7	34.8	.
From tax and social contributions	43.2	34.8	34.8	.
From housing benefits	50.0	37.9	-	.

Note: . means that the marginal effect is not defined (division by 0), .. means that the 'contribution' is not included as no data are available.

In Finland and Sweden, the total marginal effects are extremely high in the lowest income brackets. Also in this case, the reduced housing benefits contribute to a considerable extent. In Sweden, the contribution from housing benefits is even larger than the contribution from taxes. The fact that the pension is related to the previous income level almost loses its importance when marginal effects are so high.

Conclusive comments

Denmark has the highest tax burden (average taxation) for employed persons in the income brackets examined in this analysis, and Iceland has the lowest. The Danish tax burden is also relatively high in respect of social contributions, but often the Finnish and Swedish tax burdens are even higher. This has to do with the fact that Denmark has more fixed benefits compared with the two other Nordic countries, whereas Finnish and Swedish benefits to a higher extent vary according to previous income. In general, social benefits are subject to very low taxation in Iceland. Norway, which also has a high number of income-related benefits, always has a lower tax burden than Denmark, Finland and Sweden.

The way the marginal effect is measured in this analysis provides relatively inadequate information on Denmark due to most benefits being fixed. In the cases where the marginal effects can be examined, they are high but not extreme. Mainly Finland and Sweden show high – sometimes even very high – total marginal effects. Mainly the Finnish housing benefit scheme and the Swedish one for pensioners contribute substantially to the total marginal effect, particularly at relatively low incomes. The Norwegian day-care payment, which varies according to income, may contribute substantially to the marginal effect. Iceland is the only country in which child benefits vary according to income and thus contribute to the total marginal effect. However, the contributions are modest.

Finally, the Swedish and Finnish tax systems offer special personal allowances for pensioners. These allowances are reduced for income exceeding the national basic pensions, and in the reduction interval they contribute considerably to the total marginal effect.

The Finnish old age pension is dependent on previous income, but sometimes this is not reflected in the total disposable income. The Finnish old age pensioner whose (gross) pension is increased by FIM 10,300 from the lowest income bracket to the next bracket, only obtains an increase in annual disposable income of FIM 1,050. Between the next two brackets, the gross increase amounts to FIM 19,000 and the increase in disposable income to FIM 2,100, a total gross increase of more than FIM 29,000, but an increase in disposable income of only a little more than 10 per cent.

The duration of the ‘poverty trap’ has been mentioned. For families of working age this period usually only lasts for a couple of years. This has to do with the fact that their children leave their day-care institutions and start school, that the families move to another home with another rent or that their income situation changes, for instance if a single parent gets married. Seen in that perspec-

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tive, the high total marginal effects are not so serious, but in the cases where they block the incentive to increase working efforts or obtain a better-paid job, they are indeed serious.

The high total marginal effects may also be potential so that if one income component was changed, they would be felt. But if for instance a pensioner's income remains unchanged, the marginal effects will not be felt. But high potential marginal effects for pensioners may block the incentive to secure old age, which may render them 'active' in an earlier stage of life. It is also likely that in future it will be necessary to encourage pensioners to stay longer in the labour market for instance because of the ageing of the population, and in that case the potential marginal effects suddenly become relevant.

High marginal effects require a more varied interpretation than a static interpretation merely establishing their existence. Marginal tax on an income increase must always be paid, but it is uncertain whether the marginal effect from housing benefits and day-care payments will ever be felt as changes may have occurred long before that. However, this should not lead to the conclusion that high total marginal effects do not constitute a problem. They may very well be or become problematic.

Appendix: Ordinary personal income tax and ordinary social contributions

Previous sections have referred to ‘ordinary personal income tax’ and ‘ordinary social contributions’, i.e. taxes and social contributions relating to wage income. The following pages will briefly describe what ‘ordinary’ means in respect of each country. The description will be very simplified as it will only cover wage income, standard allowances (tax allowances or tax credits) and compulsory (with only a few exceptions) social contributions. This corresponds to the situation of the stylized family types, in very simplified form as they have no investment income, share dividends, interest expenses or specific transport expenses.

Denmark

Tax unit: The individual, but it is possible to transfer unused allowances in respect of bottom tax (bundskaat), middle tax (mellemskaat) and local tax from one spouse to the other.

Tax base: Personal income (middle tax and top tax (topskat)), i.e. gross income less labour market contribution and contributions for pension (ATP (employment pension) and temporary pension savings). Taxable income (bottom tax and local tax), i.e. personal income less contribution for unemployment insurance. Unemployment insurance is voluntary.

State tax 1998:

Bottom tax: $0.08 \star$ (taxable income – DKK 31,400).

Middle tax: $0.06 \star$ (personal income – DKK 139,000).

Top tax: $0.15 \star$ (personal income – DKK 251,000).

Local tax 1998:

$0.324 \star$ (taxable income – DKK 31,400). The tax rate of 32.4 per cent is inclusive of church tax.

Marginal tax ceiling: If the aggregate tax rates (less 0.7 per cent church tax) exceed 58 per cent, the top tax is reduced by the difference.

Social contributions 1998:

Labour market contribution: 8 per cent of gross income – own ATP contribution.

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Temporary pension savings³: 1 per cent of the same basis as the labour market contribution.

ATP: own contribution of DKK 894 per year.

Unemployment insurance: DKK 3,904 per year (voluntary).

Finland

Tax unit: The individual, but it is possible to transfer certain unused allowances between spouses.

Tax base: Gross income less the 3 per cent standard allowance, max. FIM 1,800 for work-related expenses. Moreover, social contributions for unemployment insurance and income-related pension are deducted from gross income.

State tax 1998:

The base is taxed in the following way:

Base in FIM	Tax of bracket starting	Tax on remaining income
46,000- 62,000	50 FIM	6 per cent
62,000- 78,000	1,010 FIM	16 per cent
78,000-110,000	3,570 FIM	20 per cent
110,000-173,000	9,970 FIM	26 per cent
173,000-306,000	26,350 FIM	32 per cent
306,000 and more	68,910 FIM	38 per cent

Local tax 1998:

The starting point of local taxes is the state tax base, but two allowances are calculated:

Allowance for wages: The base for this allowance is gross income. The allowance is 20 per cent of the gross income exceeding FIM 15,000 up to a maximum of FIM 5,500. The allowance is reduced by 2 per cent of the base (gross income less work-related expenses) exceeding FIM 43,000 (reduced to zero at a base of FIM 318,000). The allowance may only be used in connection with wages.

³ This scheme only applied for one year, but in 1999 it was replaced by a permanent scheme (special pension saving scheme). In 1998, the basis was not quite the same for wage/salary earners as for recipients of income transfers (except pension which is not subject to social contributions), but both categories paid to the scheme. The basis is the same for all from 1999.

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Standard allowance: The base for this allowance is the income for local taxation less all other deductible allowances. Maximum allowance is FIM 8,800. It is reduced by 20 per cent of income (base) exceeding this amount. It is reduced to zero at a base of FIM 52,800.

The tax base for local taxation is the base for state taxation less the two allowances. On average, local taxes are levied at 18.83 per cent, including church tax, of the 1998 tax base.

Social contributions 1998:

Unemployment: 1.4 per cent of gross income (basic insurance) + contribution to voluntary insurance. The calculations are based on 0.4 per cent of gross income being paid to voluntary insurance.

Income-related pension: 4.7 per cent of gross income.

Health insurance: 1.5 per cent on the tax base for local taxation up to FIM 80,000. 0.45 per cent extra (totalling 1.95 per cent) on the tax base exceeding FIM 80,000.

Iceland

Tax unit: The individual, but it is possible to transfer 80 per cent of unused tax credits between spouses

Tax base: Gross income less 4 per cent contribution to pension fund. The 4 per cent are fixed by statute, but the contribution itself is not considered a compulsory payment.

State tax 1998:

State tax is levied at a rate of 27.41 per cent of the tax base. The tax credit of ISK 280,320 given to all persons over 16 years is deducted from this amount.

A 5 per cent 'top tax' is levied on all incomes exceeding ISK 2,805,840 (gross income).

Local tax 1998:

11.61 per cent (average) of the tax base is paid in local tax. Any unused state tax credits reduce the payment of local tax.

Social contributions 1998:

All persons between 16 and 70 years pay social contributions in the amount of ISK 4,065 if the taxable income (tax base) exceeds ISK 718,401.

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Norway

Tax unit: The individual (class 1) but sometimes together (class 2). Single parents are taxed as class 2. This also applies to married couples where one of the spouses has no income or only a low income.

Tax base: There are two tax bases in Norway, personal income (gross income) used in connection with the state surtax, and ordinary income calculated on the basis of personal income less various allowances, see below.

State tax 1998:

The surtax is calculated on the basis of the gross income according to the following scale:

Class 1	Class 2	Tax rate
gross income NOK	gross income NOK	
0 - 248,000	0 - 300,000	0
248,000 - 272,000	300,000 - 305,000	9.5
272,000 and more	305,000 and more	13.7

The ordinary income is used in connection with ordinary state tax and local tax. The ordinary income is calculated on the basis of the personal income less a standard allowance of NOK 25,000 (class 1) or NOK 50,000 (class 2). In addition, there is an allowance of 20 per cent of the personal income, minimum NOK 3,700 and maximum NOK 32,600. Expenses for day-care up to NOK 20,700 for one child and NOK 24,700 for two children or more are also deductible. On this basis, the total state and local taxes are levied at a rate of 28 per cent, of which the state tax accounts for 11 per cent. NOK 1,820 may be deducted from tax for each child under 16 years. For children between 16 and 18 years the amount is NOK 2,540. In case the deductible amount exceeds the tax amount payable, the balance is paid out in cash.

Local tax 1998:

Local tax is levied at a rate of 17 percentage points of the total tax (of ordinary income).

Social contributions 1998:

The general trygdeavgift constitutes 7.8 per cent of the personal income.

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Sweden

Tax unit: The individual – unused allowances are not usually transferred between spouses.

Tax base: Gross income.

State tax 1998:

Before calculating the state tax (and the local tax), two allowances are deducted from the gross income. The first is the ordinary personal allowance, which is calculated in the following way:

Gross income.	Personal allowance
0 to 1.86 basic amount (basbelopp)	0.24 basic amount
1.86 to 2.89 basic amount	0.24 b + 0.25(gross income - 1.86 b)
2.89 to 3.04 basic amount	0.4975 basic amount
3.04 to 5.615 basic amount	0.4975 b - 0.1(gross income - 3.04 b)
5.615 basic amount and more	0.24 basic amount

In 1998, the basic amount (b) was SEK 36,400.

The second allowance is for the pension contribution of 6.95 per cent of gross income up to 7.5 times the basic amount (increased basic amount).

All taxpayers subject to local tax, see below, pay SEK 200 in state tax.

Moreover, 25 per cent of the tax base exceeding SEK 213,100 – the so-called ‘brytpunkt’ – is paid in state tax.

Local tax 1998:

Local tax is levied at a rate of 30.76 (average) on the same base as for the state tax.

Social contributions 1998:

Pension contributions: Pension contributions are paid at a rate of 6.95 per cent of the gross income up to a limit of 7.5 times the basic amount (increased basic amount).

Unemployment insurance: The calculations are based on SEK 600 per year (voluntary).

Appendix 1

Calculation Basis for Income Distribution

The tables on income distribution on NOSOSCO's home page and the figures in Chapters 3, 4 and 7 are based on the following:

Calculations of Quartiles

The calculations were based on all households. The quartiles were calculated on the basis of the equivalent disposable income, i.e. the income was adjusted as to the number of people to subsist on it in the various families. The correction was made by dividing the household income by the number of family members.

In Figure 3.2, the first quartile is made up of the households earning the lowest incomes, whereas the households earning the highest incomes make up the fourth quartile.

In Figures 3.3 and 3.4, the average disposable income was calculated for single people and couples, respectively, broken down by quartiles converted into PPP-Euro. Moreover, the gross income was included and broken down in percentages by the factor income and the social services and benefits, and the tax in percentage of the gross income in 1998. Also here, the quartiles were fixed on the basis of the disposable income for all households.

Households

A household consists of individuals living together and sharing the household economy. The households were calculated on the basis of information from interviews (In Denmark registers). Adult children living together with their parents count as being members of their parents' households.

Single people

One-person households consist of one adult (over 17 years) and any children living at the same address, irrespective of their ages.

Cohabiting people

Cohabiting couples consist of 2 adults (over 17 years) and any children living at the same address, irrespective of their ages.

Children

Children are regarded as children until they reach the age of 17 years.

Households Broken Down by Age

In the tables and figures where households have been broken down by age, it is the age of the head of the family who counts. The head of the family is defined as the person earning the most.

Factor Income

The factor income consists of gainful employment, income from self-employment, and capital income. Employers contributions to social security schemes were not included in the wages.

Tax

Tax comprise income tax, property tax, and households' contributions to social security schemes.

Social Cash Benefits

Social cash benefits comprise both taxable and tax-exempt cash benefits. These may be income-substituting benefits such as daily cash benefits or pensions, and/or income-supplementing cash benefits such as housing benefits and child allowances.

CALCULATION BASIS FOR INCOME DISTRIBUTION

Disposable Income

The disposable income is composed of factor income plus social cash benefits less tax.

Appendix 2

Description of Typical Cases

The calculations of typical cases (see NOSOSCO's home page: www.nomos.dk) forming the basis of tables and figures on compensation in the event of loss of income, was revised considerably in 1998 compared with the previous editions of *Social Security in the Nordic Countries*.

The calculation of disposable income thus includes both housing benefits and charges payable for day care of children. As the amount of both housing benefits and charges payable for day care depend on the income, they become significant in relation to compensation payable in connection with the social occurrences included in the calculations of the typical cases.

The average pay for an industrial worker (Average Production Worker – APW) is used. This wage average was calculated by the OECD and is used in most comparative studies.

The following family types and income levels have been used:

Single parent with one child: APW 50%, 75%, 100%, 125%, and 150%. (I, II, III, IV, and V).

Single person with no children: APW 50%, 75%, 100%, 125%, and 150%. (I, II, III, IV, and V).

Couple with two children: APW 75% and 50% - 100% and 75% - 125% and 100% - 150% and 125%. (I, II, III, and IV).

Couple with no children: APW 75% and 50% - 100% and 75% - 125% and 100% - 150% and 125%. (I, II, III, and IV).

The following applies to the individual typical cases:

DESCRIPTION OF TYPICAL CASES

Typical Case 0

Income and tax regarding typical cases for an APW, 1999

Employer's costs

In order better to be able to illustrate the overall taxation in the Nordic countries in terms of both income tax and social contributions, employer's costs, i.e. gross wages plus statutory social contributions, have been included. Consequently, two accounts of the net income (i.e. gross wages less income tax and social contributions payable by employees) in relation to "gross income" were prepared: net income in relation to the employer's costs and net income in relation to the gross wages. The employers' contributions for Norway correspond to that payable in Oslo.

In respect of Denmark, employers' statutory social contributions cannot be calculated. It is, however, estimated that for an employee with a salary corresponding to that of an APW, the contributions constitute about 1½ per cent of the salary. This estimate is only used in typical case 0 for single people earning a salary corresponding to that of an APW. In the calculation of the lowest APW values social assistance has not been included, even though people with such an income would be entitled to this.

Tax payment

Average national rates of taxation have been used, i.e. the average municipal rates of taxation including the average church tax percentages.

Children's ages and use of day care institutions

Child allowances and charges payable for day care institutions are calculated on the basis of the following family types:

- Single parent with an infant of 0 years, i.e. a new-born baby in typical case I.
- Single parent with a child of five, i.e. a pre-school child attending a day care institution.
- Couple with two children aged five and nine, i.e. a pre-school child attending a day care institution and a child attending school, still needing after-school care.

Payment for the day care institution is, where possible, calculated on the basis of average charges and national rules governing payment. For Nor-

way, the rates applying in Oslo have been used, and for Iceland the rates applying in Reykjavík have been used.

In all the typical cases, it is assumed that the children are attending day care institutions, with the exception of the infant in typical case I. It is also assumed that the children in typical cases II and III are in day care institutions.

As to child allowances, these include, in addition to the child allowances proper payable to single parents and couples with children, maintenance allowances to single parents with children, corresponding to the amount of the allowances payable in advance by the social security scheme, cf. Chapter 4.

Housing costs and housing benefits

It is assumed in all the cases that the families live in rented accommodation. The amount of the housing cost/rent depends on the family type, but is independent of the amount of the income. Housing costs include only the rent and no other costs such as heating, gas, or electricity. Therefore, calculations of heating supplements, for instance, to which pensioners in Denmark with low incomes are entitled, have not been included.

It has not been possible to determine the amount of the rent for the individual family types in a consistent way for all the countries. In some countries, the rent was determined on the basis of an estimate of the expenses for rented accommodation for the individual family types and calculations of the average rent per square meter at a national level, whereas it in other countries was based on rent surveys for various family types within certain municipal groups.

The rent for the individual family types is merely used to calculate the amount of any housing benefit, whereas the rent itself is not included in the calculation of the disposable income. As far as Iceland and Norway are concerned, calculations of housing benefits are not included. This is due partly to the housing benefit being of limited importance, and partly to it being fixed on the basis of an assessment of the individual families' need.

Gross income

The gross income is the income from work and excludes, for instance, child allowance and housing benefit.

DESCRIPTION OF TYPICAL CASES

Disposable income

The disposable income is calculated as gross income plus child allowance and housing benefit less income tax, social security contributions payable by employees, and charges payable for day care institutions. The social security contributions payable by employees include, in the case of Denmark, Finland, and Sweden, contributions to the voluntary unemployment insurance scheme in the shape of membership fees to the unemployment funds. Union contributions have, however, not been included in the calculations.

Disposable incomes are calculated on a yearly basis, both for employees in work and in connection with receipt of various social benefits. The calculations are based on the assumption that the people in question receive the social benefits throughout the year, even if this in some cases is not possible (e.g. maternity benefit). The listed incomes per month are the annual figures divided by 12.

The degrees of compensation in connection with social occurrences are calculated as the disposable income in connection with receipt of the social benefit in per cent of the disposable income from work.

Typical Case I

Level of compensation for typical cases in connection with childbirth, 1999

The following family types have been used:

- Single parent with a new-born baby receiving daily cash benefit, seen in relation to a single person with no children.
- Couple with two children (five and nine years old) in addition to the new-born, where the person earning the highest income receives daily cash benefit, seen in relation to a couple with two children (five and nine years old) where both adults work.
- Couple with a new-born baby where the person earning the highest income receives daily cash benefit, seen in relation to a couple with no children where both work.

Typical Case II

Level of compensation for insured people for typical cases in connection with unemployment, 1999

Calculations have been included for the level of compensation for all four family types: a single parent with one child receiving unemployment benefit; a single person with no children receiving unemployment benefit; a couple with two children where the person earning the highest income receives unemployment benefit; and a couple with no children where the person earning the highest income receives unemployment benefit.

Typical Case III

Level of compensation for non-insured people for typical cases in connection with unemployment, 1999

Calculations of levels of compensation have been included for a single parent with one child and for a single person with no children. In both cases, the adult is assumed to be at least 30 years of age.

Typical Case IV

Level of compensation for typical cases in connection with illness, 1999

Calculations have been included for levels of compensation for all four family types, cf. typical case II.

DESCRIPTION OF TYPICAL CASES

Typical Case V

Level of compensation for typical cases in connection with old-age pension, including supplementary pension at maximum qualifying period, 1999

Calculations have been included for the level of compensation for a single person with no children and a couple with no children, respectively, where both are old-age pensioners. The supplementary pension has been included with the maximum amount obtainable in 1999.

Typical Case VI

Level of compensation for typical cases in connection with anticipatory pension, including supplementary pension at maximum qualifying period, 1999

The calculation has been made for a single 50 year-old anticipatory pensioner with no children who was fully employed, until he was awarded anticipatory pension (i.e. maximum qualifying period for a 50 year-old). Moreover, it is assumed that the person in question has completely lost his working capacity.

Appendix 3

Further information

Further statistical information on the social security systems in the Nordic countries is obtainable from the individual statistical offices in the respective countries. Further information is obtainable from the following:

DENMARK

Danish Immigration Service
Ryesgade 53
DK-2100 Copenhagen Ø
Phone +45 35 36 66 00
Fax +45 35 36 19 16
Web: www.udlst.dk

Danish Labour Market
Supplementary Pension
Kongens Vænge 8
DK-3400 Hillerød
Phone +45 48 20 48 20
Fax +45 48 20 48 00
Web: www.atp.dk

Danish National Institute of
Social Research
Herluf Trolles Gade 11
DK-1052 Copenhagen K
Phone +45 33 48 08 00
Fax +45 33 48 08 33
Web: www.sfi.dk

Directorate of
Unemployment Insurance
Finsensvej 78
DK-2000 Frederiksberg
Phone +45 31 10 60 11
Fax +45 31 19 38 90
Web: www.adir.dk

Directorate General for Employ-
ment, Placement and Vocational
Training
Blegdamsvej 56
P.O. Box 2722
DK-2100 Copenhagen Ø
Phone +45 35 28 81 00
Fax +45 35 36 24 11
Web: www.ams.dk

Ministry of Social Affairs
Holmens Kanal 22
DK-1060 Copenhagen K
Phone +45 33 92 93 00
Fax +45 33 93 25 18
Web: www.sm.dk

FURTHER INFORMATION

National Board of Health
Amaliegade 13
P.O. Box 2020
DK-1012 Copenhagen K
Phone +45 33 91 16 01
Fax +45 33 93 16 36
Web: www.sst.dk

Statistics Denmark
Sejrøgade 11
DK-2100 Copenhagen Ø
Phone +45 39 17 39 17
Fax +45 39 17 39 99
Web: www.dst.dk

Social Appeals Board
Amaliegade 25
P.O. Boks 3042
DK-1021 Copenhagen K
Phone +45 33 41 12 00
Fax + 45 33 41 14 00
Web: www.dsa.dk

FINLAND

Central Pension Security Institute
FIN-00065 Central Pension Security Institute
FIN-00521 Helsinki
Phone +358 9 1511
Fax +358 9 1481 172
Web: www.etk.fi

Social Insurance Institution
P.O. Box 450
FIN-00101 Helsinki
Phone +358 9 43411
Fax +358 9 4341 530
Web: www.kela.fi

Ministry of Social Affairs
and Health
P.O. Box 33
FIN-00023 Government
Phone +358 9 1601
Fax +358 9 160 3824
Web: www.vi.fi/stm/english/index.htm

STAKES
P.O. Box 220
FIN-00531 Helsinki
Tel +358 9 39671
Fax +358 9 3967 2324
Web: www.stakes.fi

Statistics Finland
FIN-00022 Statistikcentralen
Phone +358 9 17341
Fax +358 9 1734 3522
Web: www.stat.fi

ICELAND

National Association of
Pension Funds
Suðurlandsbraut 30
IS-108 Reykjavík
Phone +354 581 4977
Fax +354 581 4332
Web: www.ll.is

National Economic Institute
Kalkofsvegi 1
IS-150 Reykjavík
Phone +354 569 9500
Fax +354 562 6540
Web: www.ths.is

FURTHER INFORMATION

State Social Security Institute
Laugavegi 114
IS-150 Reykjavík
Phone +354 560 4400
Fax +354 562 4535
Web: www.tr.is

Directorate of Labor
Hafnarhúsinu Tryggvagötu
IS-150 Reykjavík
Phone +354 511 2500
Fax +354 511 2520
Web: www.vinnumalastofnun.is

National Wage Control
Committee
Borgartúni 22
IS-105 Reykjavík
Phone +354 562 1470
Fax +354 562 4570

Ministry of Health and Social Security
Laugavegi 116
IS-108 Reykjavík
Phone +354 560 9700
Fax +354 551 9165
Web: www.stjr.is/htr

Statistics Iceland
Skuggasundi 3
IS-150 Reykjavík
Phone +354 560 9800
Fax +354 562 8865
Web: www.statice.is

NORWAY

Directorate of Labour
C.J. Hambros plass 2d
P.O. Box 8127 Dep.
N-0032 Oslo
Phone +47 23 35 24 00
Fax +47 23 35 27 50
Web: www.aetat.no

Ministry of Social Affairs
and Health
P.O. Box 8011 Dep.
N-0030 Oslo
Phone +47 22 24 90 90
Fax +47 22 24 95 75
Web: www.dep.no/shd

National Insurance Administration
Drammensveien 60
N-0241 Oslo
Phone +47 22 92 70 00
Fax +47 22 92 73 00
Web: www.trygdeetaten.no

Norwegian Board of Health
Calmeyers gate 1
P.O. Box 8128 Dep.
N-0032 Oslo
Phone +47 22 34 90 90
Fax +47 22 34 95 90
Web: www.helsetilsynet.no

Statistics Norway
Kongens gate 6
P.O. Box 8131 Dep.
N-0033 Oslo
Phone +47 21 09 00 00
Fax +47 21 09 49 88
Web: www.ssb.no

FURTHER INFORMATION

SWEDEN

National Board of Occupational
Safety and Health
S-171 84 Solna
Phone +46 8 730 90 00
Fax +46 8 730 19 67
Web: www.arbssky.se

Swedish Immigration Board
P.O. Box 6113
S-601 70 Norrköping
Phone +46 11 15 60 00
Fax +46 11 10 81 55
Web: www.migrationsverket.se

National Labour Market Board
S-113 99 Stockholm
Phone +46 8 5860 60 00
Fax +46 8 5860 64 99
Web: www.amv.se/ams

Ministry of Health and
Social Affairs
103 33 Stockholm
Phone + 46 8 405 10 00
Fax + 46 8 723 11 91
Web: www.regeringen.se

National Board of
Health and Welfare
S-106 30 Stockholm
Phone +46 8 55 55 30 00
Fax +46 8 55 55 32 52
Web: www.sos.se

National Social Insurance Board
S-103 51 Stockholm
Phone +46 8 786 90 00
Fax +46 8 786 95 80
Web: www.rfv.se

Statistics Sweden
P.O. Box 24300
S-104 51 Stockholm
Phone +46 8 506 940 00
Fax +46 8 661 52 61
Web: www.scb.se

OTHER

EUROSTAT
Office for Official Publications
of the European Communities
L-2985 Luxembourg
Luxembourg
Web: Europa.eu.int/en/int/en/comm/eurostat

Nordic Medico-Statistical Com-
mittee (NOMESCO)
Sejrøgade 11
DK-2100 Copenhagen Ø
Denmark
Web: www.nom-nos.dk

OECD
Unité des Services à la Clientèle
Service des Publications
2, rue André-Pascal
F-75775 Paris Cedex 16
France
Web: www.oecd.org

World Health Organization
Regional Office for Europe
Scherfigsvej 8
DK-2100 Copenhagen Ø
Denmark
Web: www.who.dk

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Sosial sikkerhet i de nordiske land. Utgifter til og omfanget av visse sosiale tiltak 1968 (1968/69). Nordisk Statistisk Skriftserie nr. 22. Oslo 1971.

Social Security in the Nordic Countries. Expenditure on and scope of certain social security measures 1968 (1968/69). Statistical Reports of the Nordic Countries no. 22. Oslo 1971.

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