

## Social Protection in the Nordic Countries 2000



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*Scope, expenditure and financing*

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**Social Protection in the Nordic Countries 2000**  
*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:

**<http://www.nom-nos.dk/nososco.htm>**

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. It was set up to coordinate the social statistics of the Nordic countries and to make comparative analyses and descriptions of 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 countries chair the Committee in turn for three years with Iceland having the chairmanship for the period 2002-2004.

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 the ESSPROS, EUROSTAT's nomenclature.

In the present issue of Social Protection, a theme section concerning the financing of the social benefits and services in the Nordic countries has been included. The theme is a resume and update of the report *Finansiering av helse- og sosialutgifter i de nordiske lande på 1990-tallet*.

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

## PREFACE

The Nordic Social-Statistical Committee is currently composed as follows:

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Nordic Social-Statistical Committee, 2002.

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## *Symbols Used in the Tables:*

Data not available .....	..
Data non-existent .....	.
Less than half of the unit used .....	0 or 0,0
Nil (nothing to report) .....	–

## *Chapter 1*

# Changes in Nordic Social Policies since 1999

**DENMARK:** During recent years, Denmark has had a stable economic development without any significant balance problems. The average annual increase of the GDP was 2.7 per cent from 1995 to 2000. In 2001, the growth dropped to 0.9 per cent, primarily as a result of influences from the international trends. In 2002, a growth of the GDP of 1.7 per cent is expected and in 2003 2.3 per cent. The employment rate increased markedly since 1994, which resulted in the unemployment rate decreasing from 12.3 per cent in 1994 to 5.0 per cent in 2001. In 2002, the increase in the labour force is expected to be larger than the increase in the employment rate, so that the unemployment rate will increase slightly in 2002, but decrease again in 2003.

The increase in the payroll costs was relatively high in Denmark, which was primarily due to a relatively tight labour market. An increase is estimated in the surplus on the balance of payment in 2002 and 2003 to about 3 per cent of the GDP, and the surplus of the total public finances is estimated to be about 2 per cent of the GDP. The financial framework for the social sector is estimated to be relatively tight in future years as a result of the expenditure development that has been agreed between Central Government and the municipal organizations.

In future, the number of elderly will increase while the number of people of working age will decrease. In order to maintain and extend the welfare society and for businesses to have their needs for employees met, many more people must get into the labour market. The Government's objective is an increase in the employment rate of about 87 000 people from 2000 to 2010. The demographic development alone will result in a decrease in the labour force of 66 000 people until 2010. Through a lower unemployment rate and an increasing participation rate for people who are at present not in the labour market, the employment rate shall increase by 153 000 until 2010.

Already adopted reforms are expected to increase the participation rate



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by about 80 000 people until 2010. These concern the stop of new accessions to the transition allowance in 1996, the reform of the voluntary early retirement scheme in 1999 and of the anticipatory pension scheme as from 2003, as well as in this connection a continued development of the broad labour market with increased employment for people suffering from reduced working capacities.

In 2002, the Government will present an action plan, "More People in Employment". Focus will be placed on an enhanced job provision in relation to the unemployed, a more flexible activation and more emphasis on the business-related initiatives. Besides, there will be enhanced activities to find jobs to immigrants and refugees, to get young people out into the labour market quicker and to increase the focus on work to the elderly unemployed. The incentives to look for a normal job will be increased by ensuring that it will be worth everyone's while to get a job.

As from 1 July 2002, new principles concerning entitlement to cash benefits and introduction benefits were introduced. Only persons, who have stayed in the country for at least seven out of the past eight years, shall be entitled to full cash benefits. Persons, who do not comply with the residence requirement, shall be entitled to so-called start assistance, which is lower than the cash benefits and the introduction benefits. The new rules cover people who arrive in Denmark after 1 July 2002.

In 2001, a reform of the anticipatory pension system was adopted, which enters into force on 1 January 2003. The reform enhances active efforts rather than passive maintenance. The citizens' resources rather than their limitations should be pinpointed. Not until it has been established that it shall not be possible to maintain any affiliation to the labour market, neither on normal nor on special conditions, shall anticipatory pension be awarded. At the same time, the anticipatory pension scheme will be simplified and become more transparent.

As a result of the substantial improvement of day-care offers to children that has taken place over several years, the coverage of day-care offers to children has increased for all age groups. The number of enrolled children between six months and nine years has increased by 70 per cent from 1991 to 2001. At the same time, the number of children on waiting lists to a day-care offer was reduced to one fifth of what it was in 1994. The number of municipalities with a care guarantee also continued to increase. With the government groundwork from November 2001, the effort to make day-care offers more flexible and to increase citizens' freedom of choice has become enhanced. One of the new options is that as per 1 July 2002 it will be possible to be granted an allowance

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for looking after one's own children in replacement of a place in day care.

The rules governing parental leave were altered as per 1 January 2002. Parents are now entitled to 1 year's leave per child born after that date. At the same time, parental leave has been made more flexible in that part of the leave may be postponed, and that the part reserved for fathers having been made more flexible. After the introduction of the new rules it will no longer be possible to use the old rules governing child-minding leave.

The activities concerning children and young people at risk has been substantially developed during recent years. Part of the improvement can be ascribed to a general enhancement of the service as a result of the development in the field. Another reason was the financing structure in the sector, where municipalities and counties to date have shared the expenses. With a view to creating coherence between powers and financial responsibility, a financing reform was implemented on 1 January 2002. In future, part of the expenses will be defrayed by the municipalities and part by the counties. As to a number of other activities, the municipalities will pay a fixed basic rate and the counties the remaining expenses (the so-called basic-rate model).

The expenditure on the Danish health sector has increased during the 1990s. The expenditure on hospitals, which make up two thirds of the expenditure in that field, has increased by about 2.5 per cent per year since 1990. In 2002, an extraordinary DKK 1.6 billion was allocated to the hospital sector. Furthermore, DKK 1.5 billion was allocated to increase the treatment capacity in order to reduce the waiting lists. In total, the expenditure increased by about 7 per cent in 2002.

As part of the Governments objectives to increase the citizens' freedom of choice and to reduce the waiting periods, a rule was introduced on 1 July 2002 to the effect that if patients have to wait more than two months to be treated, they may be treated at approved private clinics or abroad. As regards choice of GP and the possibility of choosing private visiting nurses, more flexible rules were introduced.

The last decade has seen a considerable extension of the activities in the services for the elderly. There has been an increase in the housing options for the elderly, which, however, does not nearly correspond to the increase in the number of elderly. Simultaneously, there has been a switch from traditional nursing homes to special housing units for the elderly. Most places for the elderly are now special housing units. The elderly have also got more say in the choice of place and form of accommodation, if they are to move to a nursing home and the like.

The expenditure on services to the elderly, which include home help, has

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increased by 1.1 per cent since 1995. The increase in the expenditure reflects to a high degree the increase in the number of elderly. The number of people over 80 years, who receive home help, has increased during recent years. With effect from 1 July 2002, the elderly have obtained more say in the choice of home help and the organization of the help. The elderly may now to a higher degree than before influence the kind of help they get as well as who shall supply that help. The amendment of the Act results in a more flexible home help, at the same time as their freedom of choice and autonomy is increased. Besides, the possibility of getting a substitute, in case the usual home help does not turn up, has been tightened.

Due to the demographic development, the ageing area faces large challenges, but an anticipation of more elderly with fewer resources and more differentiated needs, as well as an increased number of elderly with other ethnical backgrounds, also contributes to increase the pressure on the ageing sector.

The expenditure on adults at risk has also increased during the 1990s; for example the number of substance abusers undergoing treatment has increased drastically. The Government has presented an action plan for adults at risk. According to the plan, future actions will include a treatment guarantee for substance abusers, more places for the treatment of alcoholics, as well as the establishment of more acute activities for the homeless.

Offers to the disabled have been extended and enhanced. As per 1 October 2002, it will be possible to go on leave to look after relatives, who suffer from permanently reduced mental or physical capabilities, and the accompaniment scheme for people with reduced mental or physical capabilities has been extended, so that people who have been assigned to the scheme may continue to accompany others after they have turned 67 years. Besides there is now, as in the ageing sector, more freedom of choice and more autonomy for people who lived in special housing units.

The financing of the expenditure on disabled adults and adults at risk has, in the same way as for children at risk, been altered to the effect that it has now become a basic-rate model. Also in this field it is expected that the financing reform will result in more coherence between powers and financing and consequently in less growth in the expenditure, as well as more flexible offers. Activities concerning mental patients have been increased and improved during recent years – the proportion of mental patients staying in single rooms is for example expected to be about 70 per cent in 2003 as against 42 per cent in 1997. There has also been an increase in the number of staff per bed in wards. The activity level within the local area psychi-

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atric scheme has increased markedly in recent years, at the same time as the number of local-area psychiatric units increased by 50 per cent from 1995 to 2000. The number of people who have been assigned a support or contact person continues to increase. Consequently, the expenditure on the psychiatric sector increased concurrently with the extension – about 15 per cent from 1993 to 2000. That part of the psychiatric activities that fall within the social area is also covered by the financing reform with a switch to the basic-rate model mentioned above.

**FINLAND:** The economic growth decreased in 2001 after seven years of strong growth. The total production increased by only 0.7 per cent. The increase was dependent on national demand. The basic factors of the economy are, however, in place and the economy is expected to become stronger gradually with an estimated increase of 1.6 per cent in 2002.

The financing surplus of the public sector was weakened in 2001 to 4.9 per cent in relation to the total production and is estimated to shrink to 3.5 per cent in 2002 as a result of the decreased surplus in the national economy. The financial position of the municipalities clearly became weaker in 2001 and the municipal economy will remain in deficit in 2002. During the last few years, the public debt (the EMU debt) remained at 44 per cent in relation to the GDP.

Although the total productivity nearly came to a halt in 2001, the demand for labour continued to increase. The employment situation of over 55-year-olds has improved quickly. With part-time pension becoming more common, the number of persons leaving the work force has decreased.

In 2002, the demand for labour is estimated to become slightly weaker. The level of employment is estimated to decrease to 67.5 per cent, and the unemployment rate to increase to an average of 9.4 per cent. The duration of unemployment is becoming longer, and regional differences in unemployment are growing.

At the beginning of 2000 some changes were made to pensions in order to increase the number of years at work and postpone the shift to retirement.

The age limit for entitlement to part-time pension will remain at 56 years until the end of 2002, and the age limit for individual anticipatory pension will be raised from 58 to 60 years. Furthermore, unemployed people, who have reached the age of 55 years, now have improved possibilities of accepting short-term work without a weakening of their pension cover.

At the same time, the basis for the calculation of unemployment pensions

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were changed slightly to the effect that new unemployment pensioners are granted a pension that is about 4 per cent lower than before.

The central organizations of the labour market have reached agreement on a proposal concerning the development of the employment pension of the private sector in order for them to correspond with the changed working conditions. The aim is to encourage people to stay longer in the labour market.

According to the proposal, employment pensions would begin to be accumulated from the age of 18 until the age of 68. At present, employment pensions are accumulated as of the age of 23. The new system would be based on a flexible pensionable age. The transition to full pensioning could take place between 63 and 68 years, and endeavours are made to postpone pensioning by increasing the incentive to stay in the labour market.

Furthermore, it is suggested that unemployment pension shall not be granted as from 2006. According to the proposal, the new system shall come into force in 2005, and efforts are still made to improve it.

The high level of unemployment that has prevailed for a long time has increased the risks of exclusion. In order to prevent this, a number of measures to prevent this development has been made within the administrative sector of the Ministry of Social Affairs and Health. In addition to this, an act on rehabilitating work came into force in September 2001. In the act, the local social welfare and health care authorities are obliged to draw up an activation plan together with the unemployed person who is entitled to labour market support or social assistance, and who has been unemployed for a long time.

People under the age of 25 are entitled to have the activation plan drawn up earlier than is people over 25 years.

People under the age of 25, who without any acceptable reason refuses to assume assigned rehabilitating work, may lose his entitlement to labour-market support for a fixed period just as the social assistance may be reduced.

For people aged 25 or over, participation in rehabilitating work is voluntary.

The number of people, who receive social assistance, has slowly decreased. At the same time, there has been an increase in the number of people who has received social assistance for a long period. In 2000, one fourth of the social assistance recipients received the assistance for more than 10 months.

In order to stimulate people to accept short-term employment, 20 per cent of a person's/family's income from work will not be taken into consideration, when social assistance is awarded from 1 April 2002 to 31 March 2005, with a maximum of EUR 100, however.

Taxation and the income transfers contribute effectively to eliminate the

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income differences in the country.

The differences in the household incomes have increased, however, since the middle of the 1990s. One of the reasons for the income differences is a sharp increase in the capital growth, and it is especially households with the highest incomes that have increased their share of the total incomes, but the incomes have increased in all the income groups.

In the spring of 2001, the Ministry of Social Affairs and Health together with the Association of Finnish Local and Regional Authorities presented a National Framework for Services for the Elderly.

The Framework is especially aimed at municipal decision makers and the managements who are responsible for the functional definitions of the policy on the elderly as well as the allocation of resources to implement the Framework.

According to the Framework, the policy on the elderly should be defined in such a way that each municipal plan deals with the connection between the health and welfare of the elderly citizens and the care and services offered by the municipalities.

At the same time, the responsibilities of the various administrations and interest groups for implementing the objectives are defined. More than half of the municipalities have drawn up a strategy for their policy on the elderly.

As from August 2001, municipalities have been obliged to provide one year of pre-school education free of charge for six year-olds prior to their beginning school proper.

Pre-school education may be provided by either the educational or the social welfare system.

Since 2000, municipalities have been at liberty to provide pre-school education according to the new provisions. In the autumn of 2000, 89 per cent of the six year-olds participated in pre-school education. In the academic year 2001-2002, the proportion increased to 93 per cent.

In order to amend the insufficiencies in the psychiatric treatment of children and young people, the Government has allocated special funds to the municipalities for the years 2000-2002. With the help of the allocation it has been possible to reduce the waiting lists for those in need of urgent treatment, just as the waiting time for child and youth psychiatric treatment and family counselling has become shorter.

As at the beginning of 2000, maximum user charges of FIM 3 500 (EUR 589) for a 12 months period was introduced in the health care sector. The ceiling applies to outpatient treatment performed by a doctor, treatment in polyclinics and payment for day surgery, as well as payment for short-term

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care in institutions both within the social and the health sectors.

After the ceiling has been reached, treatment is free of charge for the remaining part of the period. In 2000, almost 80 000 people were provided with a so-called free card after having reached the expenditure ceiling.

As from 1 January 2002, health centres may charge a fee of EUR 15 for emergency medical visits.

During the 1990s, endeavours have been made to extend the dental care scheme to apply to all of the population, but it became necessary to postpone the reform due to various cuts. In April 2001, the reimbursement from the health care scheme was extended to cover everyone born in 1946 or later. At the same time, the municipal dental care service is being gradually extended. In December 2002, the age limit will be removed, and the entire population will then be covered by the dental care scheme.

After the state subsidy reform in 1993, the Government's share of the municipal social welfare and health care costs has decreased year by year. In December 2002, the state subsidy will be increased from 24.2 per cent to 25.3 per cent of the calculated costs.

As per 1 January 2002, Finland began using the euro. The switch from FIM to EUR does not affect the social benefits, the pensions or the level of the user charges within the social and the health sectors, as both user charges and benefits remained unchanged.

The annual index regulations have been made in the same way as during previous years.

**ICELAND:** The economic development has been favourable during recent years in Iceland. In the second half of the 1990s, growth has amounted to 4-6 per cent each year, but in 2001 growth dropped to 3 per cent. Since 1997, the government budget showed a surplus. The surplus is expected to decrease in future.

According to the Institute of Economics, inflation in 2001 was 5.2 per cent, and the Institute anticipates that inflation will be 2.6 per cent in 2002. The purchasing power increased for a couple of years, and in 1999 the increase amounted to 5 per cent, in 2001 1.5 per cent and in 2002, a 1 per cent increase is expected.

Public expenditure increased steadily for some years, but in 2001 there was a decrease of about 3 per cent, and a further decrease of 2.5 per cent is expected in 2002. The decrease could be seen in both private consumption and investments. In spite of a certain economic recess in 2001, most indicators suggest that a favourable economic development is still to be antici-

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pated in years to come.

The unemployment rate dropped markedly during the second half of the 1990s and was down to 1.4 per cent in 2001 and is in 2002 2.3 per cent. This means that 3 200 people on average are unemployed, and there are still differences between men and women and between the metropolitan area and the rest of the country. The youth unemployment rate is also higher than the rate for the rest of the population, and there has been an increase in the unemployment rate for the youngest age groups from 11 to 14 per cent.

International comparisons show that the participation rate is higher in Iceland than it is in other OECD countries. In 2000, it was 83.5 per cent in Iceland, 80 per cent in the other Nordic countries, 65.9 per cent on average in the OECD countries and 74 per cent in the USA.

In the spring of 2001, the Ministry of Health and Social Security arranged a conference on education and forecast for staff groups within the health sector. It was found that a more systematic planning was needed as well as co-operation between the education authorities, health service and staff associations in order better to make allowances for the future demand for staff.

The waiting lists in the health sector were the subject of the annual meeting of the Insurance Service in 2001. It was discussed that waiting periods became longer for many kinds of surgical operations, and it was stated that statistics in the field were not very good. It was necessary to be able to check how many people wait more than three months within certain specialities. Privatizing has been mentioned as an alternative to reducing the waiting lists, but this was not endorsed by the ministers for social affairs and health, as they were not prepared to split the population into two groups, one group that had to wait and another that could buy its way out of the waiting lists.

In the spring of 2001, the Parliament adopted a national health plan for the period until 2010. In the plan, measures to improve conditions for children and elderly were pinpointed. Intoxicants, drug-related matters, mental health, prevention of accidents and prevention of heart diseases and cancer are also some of the areas that will be pinpointed. On the basis of the health plan another plan for care and services to the elderly was drawn up for 2002-2007.

A patient insurance scheme has just been adopted that covers patients in case of injuries that are afflicted to them in connection with examinations and treatment in the health sector. The act makes it easier to deal with



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complaints and demands for compensation for afflicted injuries, just as it is a vast step forward to secure patients' legal position.

During recent years, focus has been on the improvement of the situation for children and young people suffering from long-term illnesses. A plan was developed recently to secure the support of society to such children and their parents. In order to implement the plan, the Government has set up a committee that is in charge of the implementation and of amending the Act on General Insurance in order to provide support to families with children suffering from long-term illnesses.

Mothers and fathers have to some extent for a while had the possibility of sharing the six months' leave in connection with pregnancy and birth. In 1998, a new act entered into force enabling new fathers to go on leave for another two weeks. Besides, the maternity period has been prolonged to seven months as at 1 January 2001, eighth months as at 1 January 2002 and nine months as at 1 January 2003.

**NORWAY:** The revival of the Norwegian economy has now ended after the longest period of growth in modern times.

The break in the growth that characterized the Norwegian economy in 2000 continued in 2001. The increase in the GDP dropped by almost 1 percentage point to 1.4 per cent in 2001. The decrease in the growth was due to the unusually large amount of rain and snow in 2000 with high growth rates for the electricity supply. Without the electricity supply, the growth in the GDP has by and large been the same in 2001 as it was the year before.

There is only little available capacity in the Norwegian economy. The record high employment rate in 2000 continued in 2001. The unemployment rate increased slightly in 2001 but is still rather low. The competitiveness of Norwegian industry has become considerably weakened during recent years due to the increasing expenses. This is mainly a result of the large payroll increases in Norway compared with the most important trading partners of the country. Since 1997, the expenditure on wages and salaries has increased by about 10 per cent more than with the trading partners. The increase in consumer prices has also been larger than with the trading partners. The increase in prices was in 2001 3.0 per cent after an increase of 3.1 per cent in 2000. The large increases in petrol prices and in prices on other petrol products are the most important explanation of the growth in prices.

At the same time as Norway has a high employment rate, the expenditure on illness and anticipatory pension increases, and mainly the expenditure on sickness benefits. Part of the increase in the absence due to illness

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and in the anticipatory pensioning is a result of demographic changes.

In the autumn of 2001, the Government entered into a four-years' intention agreement with the labour market parties concerning a more "including" working life.

The agreement aims at reducing the absence due to illness by planning work in such a way that there will also be room in the labour market for elderly employees and people who suffer from reduced working capacities.

It is an important principle that the measures concerning absence due to illness become deeply rooted in the working life and are initiated in cooperation between the labour market parties and authorities, just as both employers and employees will be given responsibilities. A precondition for meeting the objectives in the intention agreement is that all parties follow up effectively on their responsibilities, and that the measures are initiated as early as possible during the absence due to illness.

That means that the authorities' measures must be initiated at a far earlier stage than is the case today.

The intention agreement has three operational objectives:

1. To reduce the absence due to illness by at least 20 per cent for the entire agreement period in relation to the absence due to illness in 2001;
2. To get far more employees with reduced capabilities in work than is the case to-day;
3. To take care of the elderly employees' resources and labour in order to counteract early retirement from working life.

On the basis of those three sub-objectives, a cooperation agreement has been drawn up that is to ensure a reciprocally binding cooperation between the individual enterprises and the social insurance authorities.

The main aim of the cooperation agreement is that each enterprise takes on itself to implement measures with a view to carry through the operational objectives of the intention agreement. The cooperation agreement entered into force in January 2002.

Enterprises that enter into a cooperation agreement with the social insurance authorities will be approved as working-life enterprises (WL-enterprises).

The agreement entails obligations and rights for both employers and employees.

The following measures are reserved for employers and employees in the WL-enterprises:

- A possibility of implementing active notice of sickness without any

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prior approval from the social insurance authorities.

- A specific contact person from the social insurance authorities to help and follow up on absentees in an enterprise.
- Occupational health services in the WL-enterprises have their own reimbursement rates in the social insurance scheme for reintroducing long-term ill people and anticipatory pensioners in the labour market.

Employees in WL-enterprises may themselves give notice of illness for a maximum of eight days at a time with an upper ceiling of 24 days.

One of the Government's objectives is to get people who receive anticipatory pension back to work. In order to ensure an effective reactivation of anticipatory pensioners, an experiment was implemented in 2001 concerning reactivation measures with the use of wage subsidies and temporary employment. People may be employed on a temporary basis for a maximum of one year, after which they must be permanently employed. Employers shall receive a wage subsidy that may vary over time, but which for a maximum of three years may amount to 50 per cent on average of pay and social charges. The experiment will run for five years and expires by the end of 2006.

As from 2002, new rules on labour-market measures have been introduced. There will be fewer kinds of labour-market measures, which both cover ordinary and disabled jobseekers.

There should be more room for local assessments and individual adaptation. In respect of impaired people, both higher subsidies and longer periods of time may be applied in order to ensure that they get suitable job offers. A few measures only aim at impaired people.

The Parliament has asked the Government to give an explanation of the objective of joint management of the labour market and the social security authorities and the municipal social services.

Due to the users of those services there is a great need for simplification. Better coordination of services based on the individual's need is essential to enable recipients of social benefits and services to provide for themselves and to offer jobs to impaired people who have some degree of working capacity.

The purpose of any amalgamation of the three bodies should be that those in need of help only would have to contact one place and consequently only have to talk to one person. The Parliament will prepare a report on the subject in the course of 2002.

Just as most other countries, Norway faces large demographic changes

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with a steep increase in the number of elderly in some years. That will entail increased expenditure on pensions and health and care services. The increased proportion of elderly combined with increasing average pension amounts will result in formidable challenges in future. The challenge will be enhanced by the fact that there is a trend towards early pensioning.

In the Government's long-term programme for 2002-2005, a parliamentary pension commission was set up in which the political parties of the Parliament are represented. The commission is to clarify main aims and principles concerning a common pension system. The commission has also been asked to evaluate conditions that are connected with early retirement as well as future needs for such schemes. Furthermore, the commission is to establish whether or not the formation of a fund of pensions will make it possible to secure a sustainable pension system in the long run. The commission must present its report before 1 October 2003.

Although there is an increasing tendency towards early retirement, Norway still has a large proportion of elderly employees compared with other countries. In order to counter the increased tendency towards early retirement from work, the State finances an action plan for senior policies. The action plan will be prepared in collaboration with the parties of the working life. The aim of the plan is to further a good working environment and a good personnel policy that can make it attractive for many people to continue working as an alternative to early retirement. The objective of the intention agreement is to take care of the elderly employees' resources and labour in order to counter early retirement from the labour market, and the action plan for senior policies should be seen in this connection.

On the basis of the Parliament's discussion of the "Utjamningmeldinga" (St melding no 50 (1998-99)), recommended guidelines were drawn up in 2001 to contribute to a more uniform practise in the calculation of the financial social assistance in the municipalities and more equality in the calculated support in uniform situations where support is granted.

Priority has been given to combat poverty. The Government is committed to goal-oriented measures for the individual who is in need of help in order to help as many people as possible out of poverty, as well as to improve conditions for families with children who live in poverty.

One central aim of this policy is to contribute to as many people as possible becoming able to help themselves. At the same time, all individuals should be able to feel sure that the public authorities are there to help them should they need extra help and support.

Important fields of cooperation are measures to get families with children

## CHANGES IN NORDIC SOCIAL POLICIES SINCE 1999

out of poverty, treatment and rehabilitation of abusers, labour-market measures, housing offers and social networks. A measure plan against poverty is being prepared that will comprise specific goal-oriented measures in a number of fields.

Efforts are made to improve welfare schemes and measures so that they will benefit groups and individuals who are in need of extra help and support.

**SWEDEN:** As a result of the international recession, the growth in the GDP dropped in Sweden from 3.6 per cent in 2000 to 1.2 per cent in 2001. The growth rate for 2002 has been estimated to be 1.4 per cent.

The Government and the Parliament have decided that there must be a surplus in the public finances of 2 per cent of the GDP, calculated as an average within one economic cycle. On the basis of such goals that are expressed as an average of an economic cycle, the goals for each year will be fixed as percentages, depending on the cyclical situation and the utilization of resources in the Swedish economy. Since their introduction in 1995 the goals have been reached every year, and the surplus was larger than expected in all the years. In 2001, the public surplus was SEK 105 billion or 4.8 per cent of the GDP, according to the national accounts.

The employment rate increased slightly in the course of 2001. The regulated degree of employment for people between 20 and 64 years, which according to the Government's employment goal should reach 80 per cent in 2004, was 78.2 per cent in 2001. That is an increase of 1 percentage point in relation to 2000 and 2.3 percentage points in relation to 1999, where the degree of employment was 75.9 per cent.

The second half of 2001 was characterized by a recession, which was most clearly reflected in the sharp increase in the number of notices of dismissals and in a decrease in the number of new vacant positions. Consequently, the employment rate is expected to decrease somewhat during 2002.

The unemployment rate dropped by 0.9 percentage points from 1999 to 2000 to 4-7 per cent, measured as an annual average. In spite of the weak economic growth the previous year, the number of people in employment increased by almost 2 per cent from 2000 to 2001, and the unemployment rate decreased to 4 per cent, measured as an annual average.

In November 2000, the goal of a reduction of the unemployment rate by 50 per cent was reached. As part of the efforts to increase fairness and welfare, the Government presented an objective in the economic survey of 2001 to reduce the need for social assistance by 50 per cent from 1999 to 2004.

The fairness goal was introduced to break away from the disturbing de-

## CHANGES IN NORDIC SOCIAL POLICIES SINCE 1999

velopment in the 1990s towards an increasing number of social assistance recipients and the trend towards larger financial and social differences in society.

The effort to increase the employment rate is decisive for a reduction of the need for social assistance and for supplying groups at risk with a chance to provide for themselves.

Whole-year equivalents (recipients converted into recipients of social assistance for an entire year) are used as indicators of the need for social assistance. Recipients of social assistance equalled in 1999 115 000 whole-year recipients. In 2000, the figure dropped about 12 per cent to about 101 000 whole-year recipients.

A number of changes have been made to the Swedish social insurance system in the past two years. The new Social Insurance Act (SFS 1999:799), which entered into force in 2001, implies that the insurance be divided into two different parts: one, which is based on residency in the country, and one, which is based on work.

The insurance that is based on residency requires that a person must be resident in Sweden in order to receive benefits, which are based on the residency criterion, such as child allowance and housing benefits.

The work-based insurance requires that a person work in Sweden, either as an employee or in self-employment, in order to receive benefits that are based on work, such as sickness benefits or parental benefits exceeding the guaranteed amount.

Special rules apply to certain groups, which means that the insurance shall also apply during visits abroad. This applies for example to students, welfare workers and government employees. As from 2002, only the basic amount and the lowest amount of parental benefits are depending on residency, whereas the other parental benefits are based on work.

For children born on 1 January 2002 or later, payment of parental benefits may be prolonged by 30 days to a total of 480 days, of which 60 days are reserved to each of the parents when they share the minding of the child.

In respect of daily cash benefit days to parents, which are taken after 1 January 2002, it applies that the guaranteed amount (the minimum amount) for days with parental daily cash benefits which are payable at the level of sickness benefits, shall be increased by SEK 60 to SEK 120 per day. Apart from those days with amounts corresponding to the sickness benefits, there is an additional 90 days, for which SEK 60 per day will still be payable.

In 2001, the ordinary child allowance was increased from SEK 850 to

## CHANGES IN NORDIC SOCIAL POLICIES SINCE 1999

SEK 950 per month, and the prolonged time with child allowance was also increased from SEK 850 to SEK 950 per month. The multiple birth supplement was also increased.

Subsidies in connection with adoption were increased from SEK 24 000 to SEK 40 000.

Maintenance allowances are payable in the month after it has been granted. The provisions governing maintenance allowance in connection with a child living alternately with its parents will be changed to the effect that both parents may receive a maximum of half the maintenance allowance (SEK 586 per month). The allowance will be reduced by half of the amount that would have been fixed as repayment to the insurance funds, had they paid the amount in advance. A child that studies may receive maintenance allowance (a maximum of 2 x SEK 586 per month) by alternately living with its parents.

By way of a change of parents' obligations, an extended right exists to allowances to children between 18 and 21 years as from 2002. If a child is attending school after it has turned 18, the parents are always liable to maintain it as long the schooling lasts. A break in the studies can no longer entail that parents' liabilities cease. Similar changes will be implemented in the entitlement to prolonged time with maintenance allowance. Payment of the maintenance allowance shall, however, also in future be stopped in June of the year in which the child in questions turns 20 years.

As to pensions, an income basis amount was introduced that corresponds to the increased price basis amount in 2001. The amount shall be adjusted in relation to changes in the income index.

As to pensioners, who are born in 1937 or earlier, a sensibility indexation of the employment pension will be introduced, which implies that the employment pension shall be adjusted in relation to the income development in society.

The income basis amount for 2002 has been fixed at SEK 38 800. The amount is used in the calculation of the highest pensionable income, which is SEK 291 000 (7.5 x SEK 38 800). The increased price basis amount for 2002 has been fixed at SEK 38 700, which is used in the calculation of pension points. The price basis amount for 2002 has been fixed at SEK 37 900 and is used in the calculation of the price basis amount.

In 2001, housing benefits shall be payable to pensioners for 90 per cent and that part of the rent that does not exceed SEK 4 500 per month. This means that the so-called floor of SEK 100 shall lapse, and that the ceiling will be increased to SEK 500.

For the special housing benefit to pensioners, the limit for the calculation

## CHANGES IN NORDIC SOCIAL POLICIES SINCE 1999

base shall be raised from SEK 5 200 to SEK 5 700. Besides, the limit for a reasonable standard of living to at least 1.294 times the price basis amount for single people and to at least 1.084 times the price basis amount for married people.

In 2001 and in 2002, municipalities may also grant housing subsidies.

As from 1 January 2002, almost all municipalities in Sweden introduce a maximum rate for pre-school activities and minding of school children. In the pre-school, the user charge for the first child is at most SEK 1 140, or three per cent of a household's income. In the minding schemes for school children, the user charge for the first child is at most SEK 760, or two per cent of a household's income.

On 1 July 2002, maximum payment and payment in relation to income shall be introduced in the care schemes for the elderly. The proposal is not a guarantee against low incomes, but rather against high user charges. The lowest amount that will be paid back to an individual before user charges are calculated (the so-called reservation amount) will for single people amount to SEK 3 979 per month and for co-habiting people SEK 3 333 per month in terms of 2001 prices. The highest user charge that municipalities may impose for nursing and care will be SEK 1 476 per month in terms of 2001 prices.

The highest user charge in sheltered housing units that are not covered by the Act on Rented Accommodation, will be SEK 1 537 per month in terms of 2001 prices. The incomes that form the basis for the calculation of user charges and the reservation amount will also be adjusted. The calculation of the basis for user charges must take place on the basis of all current incomes from work, commercial activities and capital. An individual's property does not affect the amount of the user charge.



## Chapter 2

# Method

The present report follows the structure and definitions used in the ESSPROS<sup>1</sup> 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 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 the ESSPROS are the following: Classification is made according to *schemes* to illustrate whether these schemes cover all of a population or only part of it. Besides, 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 the ESSPROS.

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

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<sup>1</sup>ESSPROS = European System of Integrated Social PROtection Statistics.

## METHOD

fit schemes (*special schemes*) that cover only part of a population. The countries define which national schemes fall under the individual *schemes* within the framework of the ESSPROS. A distinction is made between *basic schemes* which cover the statutory benefits to a 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 that 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 the ESSPROS, statistics have been designed primarily to 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 the 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 included under expenditure on the health sector. Besides, the expenditure in the ESSPROSS calculations is a net expenditure, whereas it in the OECD calculations is a 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 the 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, such 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 payable 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 an employee's salary.

## 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 the ESSPROS method of calculation.

## Specifications

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

## Administration Costs

The present report lists administration costs 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 administration 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. This does not apply to Iceland, however, where children over the age of 15 living at home are calculated as an independent household. 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 concerning distribution of income in the present report have been based, 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. 1999 estimates have been used. The estimates for the individual countries are as follows: Denmark 9.04; Finland 1.197; Iceland 94.72; Norway 10.55 and Sweden 11.05. In the calculations in the tables of income distribution, which are based on 1999 data, estimates for 1999 have also been used.

## METHOD

### 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 statistics 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.

### Miscellaneous

Since Finland changed from Finmark to Euro on 1 January 2002, the time series concerning social expenditure have been translated to Euro.

### *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 population decrease 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

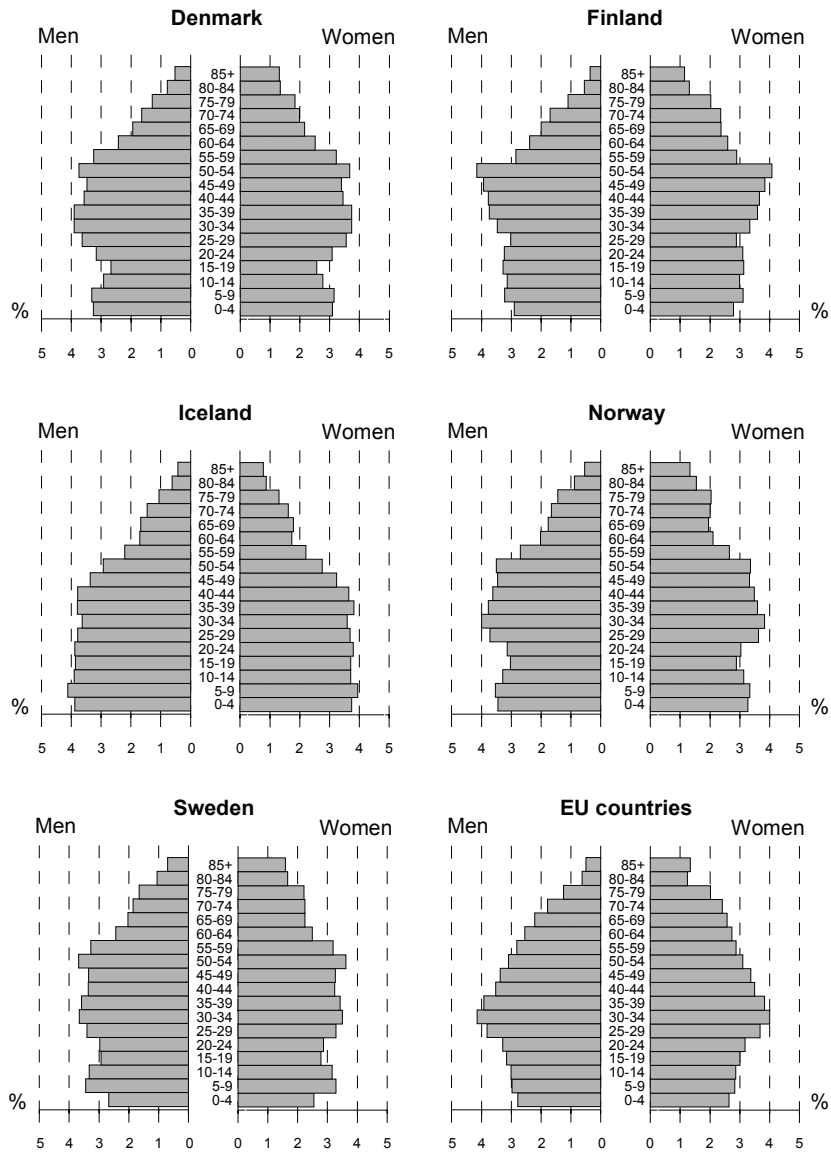
**Table 3.1 Mean population by sex and age, 2000**

	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	246	9	216	9	15	11	218	10	358	8
7-17 »	345	13	366	14	24	17	325	15	638	15
18-24 »	226	9	235	9	15	11	195	9	370	8
25-49 »	987	37	928	37	52	37	834	37	1 541	35
50-64 »	504	19	486	19	19	14	369	17	825	19
65-79 »	260	10	249	10	12	8	219	10	496	11
80- »	70	3	47	2	3	2	64	3	153	3
Total	2 638	100	2 526	100	141	100	2 224	100	4 380	100
<i>Women</i>										
0-6 years	234	9	208	8	15	11	206	9	341	8
7-17 »	327	12	351	13	23	17	308	14	603	13
18-24 »	220	8	224	8	15	11	189	8	355	8
25-49 »	954	35	896	34	51	36	802	35	1 482	33
50-64 »	503	19	495	19	19	13	364	16	816	18
65-79 »	319	12	349	13	13	9	269	12	600	13
80- »	142	5	127	5	5	3	129	6	284	6
Total	2 699	100	2 650	100	140	100	2 267	100	4 481	100
<i>Men and women</i>										
0-6 years	480	9	424	8	30	11	424	9	699	8
7-17 »	672	13	717	14	48	17	633	14	1 241	14
18-24 »	447	8	459	9	30	11	384	9	725	8
25-49 »	1 941	36	1 824	35	102	36	1 635	36	3 023	34
50-64 »	1 007	19	981	19	38	14	734	16	1 641	19
65-79 »	580	11	598	12	25	9	487	11	1 096	12
80- »	212	4	174	3	8	3	193	4	436	5
Total	5 337	100	5 176	100	281	100	4 491	100	8 861	100



POPULATION AND INCOME DISTRIBUTION

Figure 3.1 Population by sex and age as percentage of the total population, 2000



## Income Distribution

Several previous studies have shown that the differences in the income level are relatively smaller in the Nordic countries than those in most of the OECD countries. Figure 3.2 shows the distribution of disposable household income for each country in 1999, broken down by quartiles.

The quartiles have been calculated on the basis of the equivalent disposable income. The first quartile is made up of the households with the lowest incomes, whereas the households with the highest incomes are found in 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 gross income distribution in per cent on factor income and social services and benefits, as well as the tax in per cent of the gross income in 1999.

The quartiles have been fixed on the basis of the disposable incomes for the total number of households. Consequently, single people and couples have not been broken down in the same way in all the quartiles, a fact that must be taken into consideration when the results are interpreted. As was the case in Figure 3.2, equivalent incomes have been used.

The proportion of the social benefits of the gross income is largest for the households with the lowest disposable incomes in all countries, and smallest for the households with the highest disposable incomes. The social benefits are in other words contributing to the elimination of income differences. In all the countries, social benefits constitute a relatively large part of the gross incomes in the lowest quartile for single people. This does not apply to the same extent for couples with children.

In all the countries, social cash benefits constitute a larger part of the gross income for all single people than is the case 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.

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.

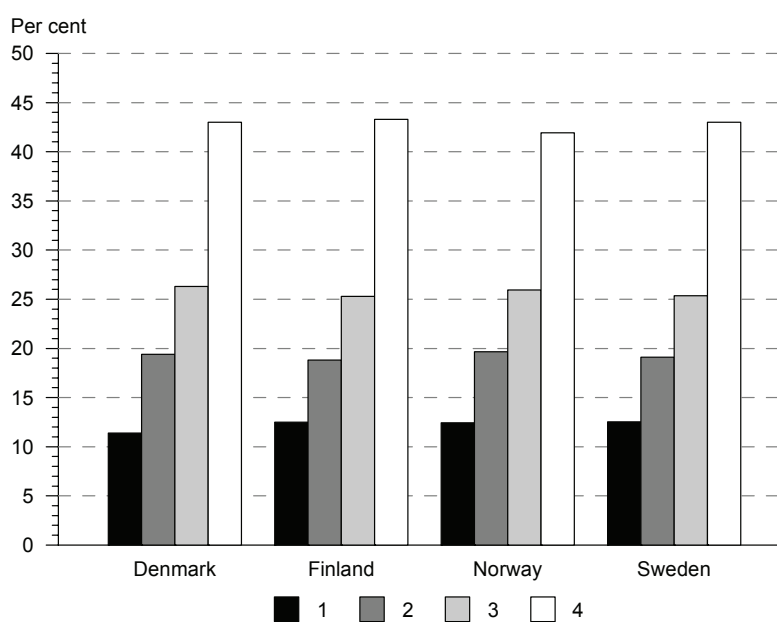
The tax share of the gross income is highest in Denmark and Sweden. In respect of Denmark, this is among other things due to the fact that employ-

## POPULATION AND INCOME DISTRIBUTION

ers' social contributions play a much less important role in the financing of public benefits than they do in the other Nordic countries (cf. Chapter 10). Differences in the taxation of social benefits in the various countries are also relevant.

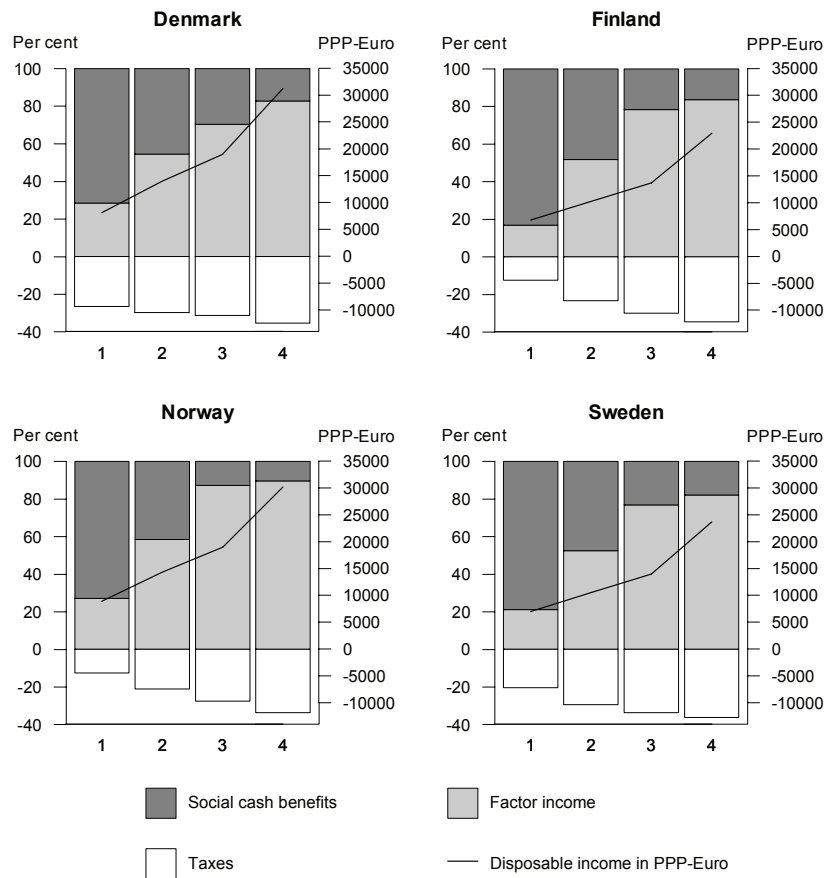
A more detailed description of the calculation basis is given in Appendix 1.

**Figure 3.2 Distribution of household incomes by quartiles, per cent, 1999**



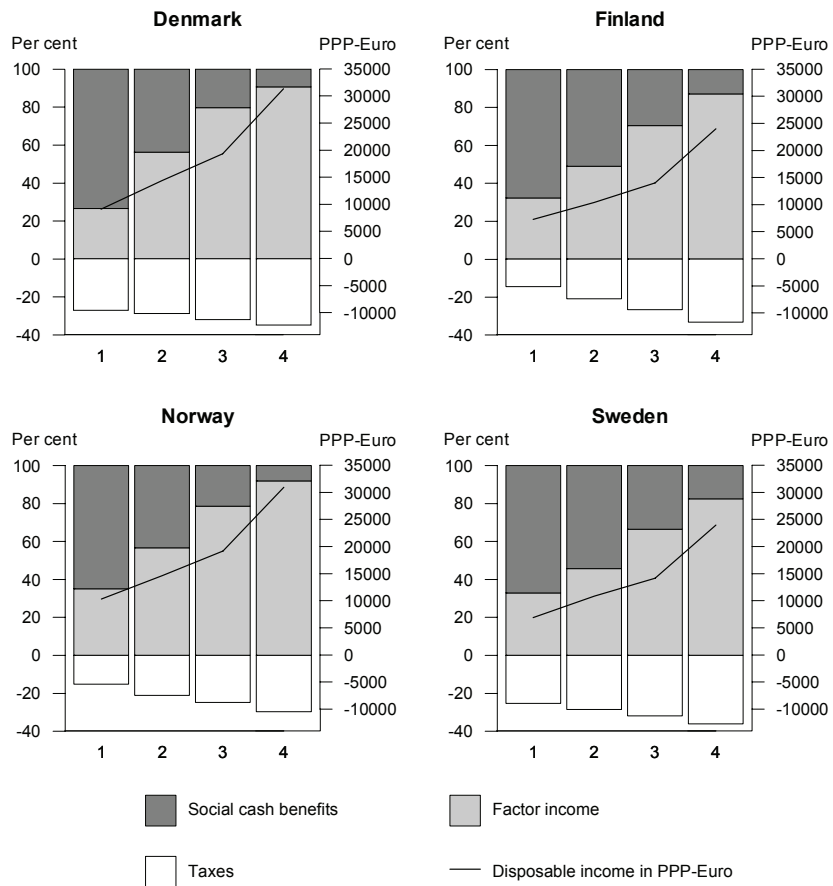
POPULATION AND INCOME DISTRIBUTION

**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, 1999; 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, 1999; 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, the way in which the money is spent differs rather considerably from one EU country to another.

**Table 4.1 Expenditure on families and children as percentage of the total social expenditure in the EU, Iceland and Norway, 1999**

Denmark	13.0	Austria	10.3	Italy	3.7
Finland	12.8	Belgium	9.1	Luxembourg	15.5
Iceland	12.1	France	9.8	The Netherlands	4.3
Norway	13.2	Germany	10.5	Portugal	5.2
Sweden	10.5	Greece	7.6	Spain	2.1
		Ireland	13.0	United Kingdom	8.8

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

One 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 women's participation rate is high (cf. Chapter 5). This increases the need for child-minding options during parents' working hours.

FAMILIES AND CHILDREN

**Table 4.2 Families by family type, 2000**

	Denmark <sup>1)</sup>	Finland	Iceland <sup>2)</sup>	Norway <sup>3)</sup>	Sweden <sup>4)5)</sup>
<i>Number of families with children aged 0-17 years (1 000)</i>	653	613	43	573	1 142
Percentage of whom are:					
– Married couples	64	65	55	63	} 79
– Cohabiting couples	18	16	20	15	
– Single parents	18	19	25	22	21
Total	100	100	100	100	100
<i>Number of families without children (1 000)</i>	2 217	2 157	103	1 500	2 462
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	8	12	26
Women	87	88	92	88	74
Total	100	100	100	100	100
<i>Number of single people without children (per cent):</i>					
Men	50	48	55	48	58
Women	50	52	45	52	42
Total	100	100	100	100	100
<i>Average number of people per family</i>	1.9	1.8	3.0	2.0	2.0

1 Furthermore, there are 15 919 families consisting of children under the age of 18 living outside of their family homes.

2 As from 2000, children aged 0-17 years will be calculated in the same way as in the other countries.

3 1998.

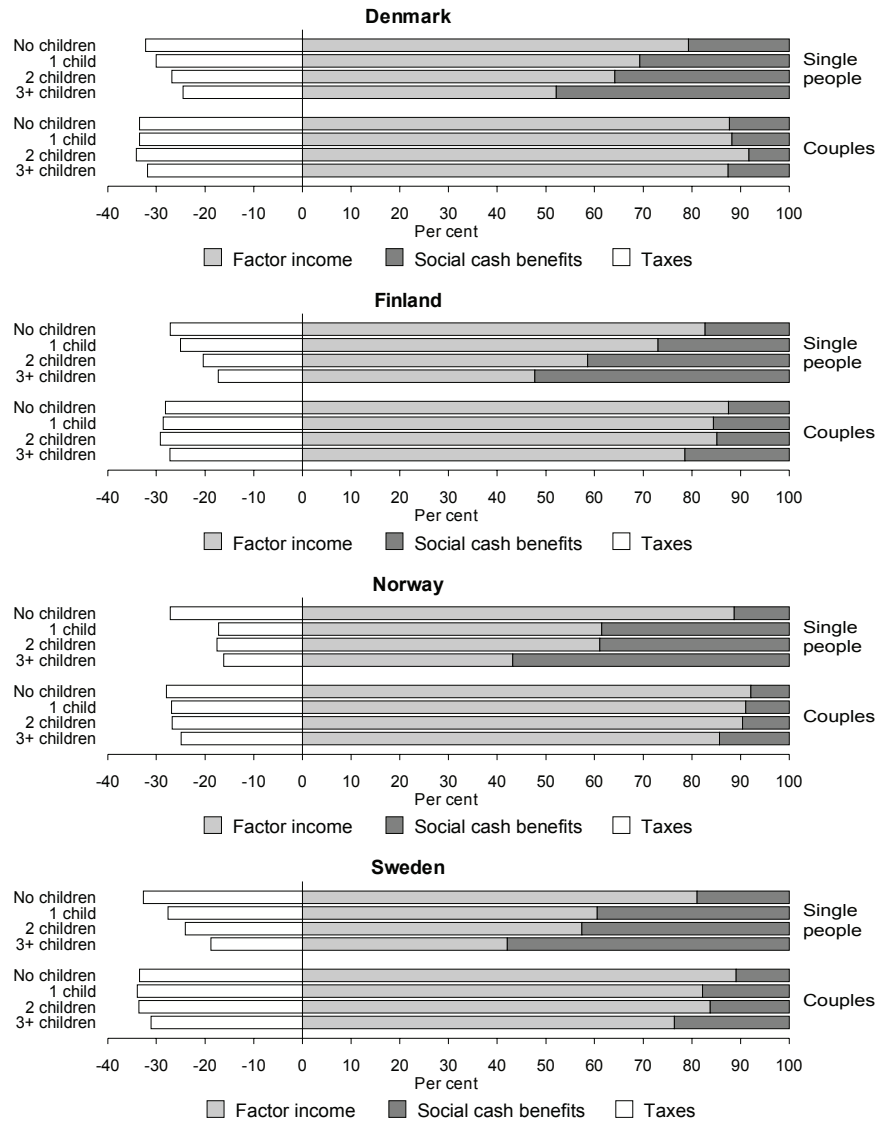
4 Figures taken from labour-force surveys performed by Statistics Sweden. The data have been calculated on the basis of a selection of about 17,000 individuals per month. The number of people per family has been calculated by dividing the number of households consisting of persons between 18 and 64 years 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 incomes on factor incomes and social cash benefits for families and for single people, with or without children, respectively.

FAMILIES AND CHILDREN

Figure 4.1 Income structure in 1999 for single people and for couples aged 20-44 years





**Table 4.3 Index for the disposable incomes for single people and married or cohabiting couples, with or without children, respectively, and the total disposable incomes in PPP-Euro for all in the age group 20-44 years, 1999 (total disposable income = 100)<sup>1)</sup>**

	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	105	101	115	102	117
1 child	90	102	93	100	93	102	90	102
2 children	77	97	94	99	99	95	88	95
<i>Total disposable income in PPP-Euro</i>								
Total	13 944	20 655	10 894	14 883	14 963	20 779	11 124	15 017

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

The relative income levels for single people and for couples with or without children, respectively, appear 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 is defined as 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 for the comparison.

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

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

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.

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. It goes for all the countries that social benefits and taxes

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contribute to reducing differences in factor income between singles and couples, between families with and without children and between families with one child and families with two or more children.

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 it is among couples.

# Cash Benefits to Families and Children<sup>2)</sup>

## 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

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<sup>2</sup> 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.

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 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 those 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 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. When both parents are gainfully employed, the compensation level equals the amount of the disposable income when the person earning the most is receiving maternity benefit, stated in per cent of the disposable income.

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. This also applies to couples, cf. Figure 4.3.

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**Table 4.4 Rules governing payment of income-substituting cash benefits in the event of childbirth as per December 2000**

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

**Table 4.5 Amount of income-substituting cash benefits in the event of childbirth as per December 2000**

	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 <sup>1)</sup>	DKK 3 145	.	.	NOK 5 664	SEK 5 279
Income ceiling per week for full compensation in PPP-Euro <sup>1)</sup>	348	.	.	537	478
Min. amount per week in national currency	.	EUR 60,55	ISK 12 777 <sup>2)</sup>	NOK 618 <sup>3)</sup>	SEK 420
Min. amount per week in PPP-Euro	.	51	135	59	38
Max. amount per week in national currency	DKK 2 846	.	ISK 17 719 <sup>2)</sup>	NOK 5 664/4 531 <sup>4)</sup>	SEK 4 214
Max. amount per week in PPP-Euro	315	.	187	537/430	381
<i>Not working</i>					
Amount of maternity benefit (per week)	.	EUR 60,55	ISK 7 835	NOK 618	SEK 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.

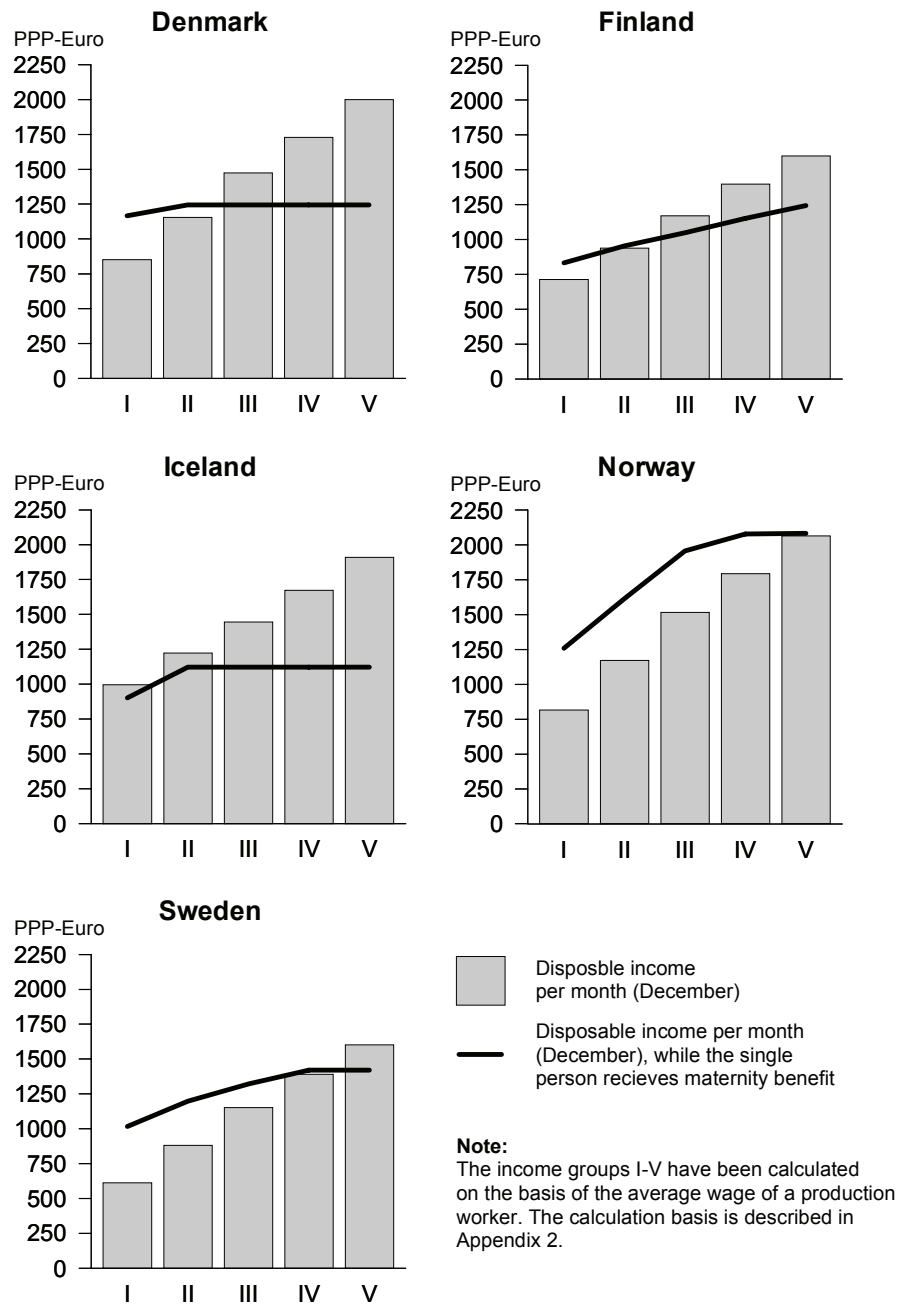
2 The amount of the maternity benefit depends on the amount of work carried out during the 12 months prior to the confinement. The minimum amount will be payable after between 516 and 1 031 hours of work, and the maximum amount after 1 032 hours or more.

3 Calculated as maternity benefit for gainfully employed people, the benefits amount to NOK 472 and NOK 378, respectively. However, there is a guaranteed minimum amount equal to the non-recurrent payment of NOK 32 138, corresponding to NOK 618 per week.

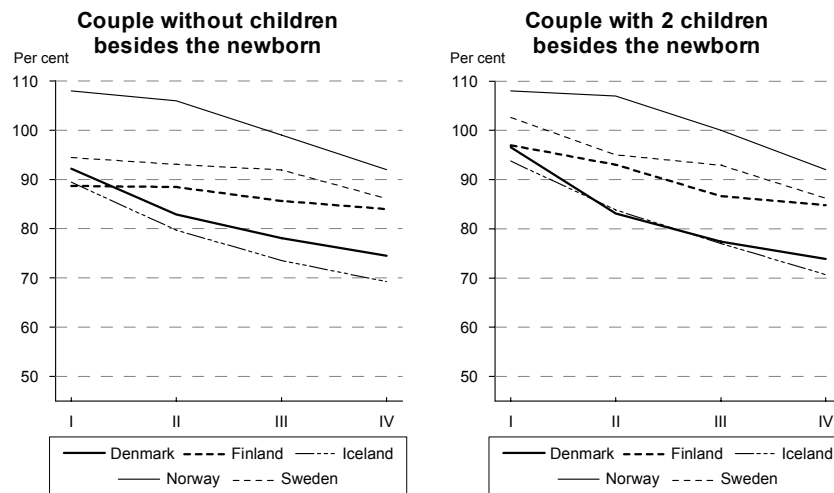
4 NOK 5 664 is 100 per cent for 42 weeks, and NOK 4 531 is 80 per cent for 52 weeks.

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Figure 4.2 Disposable income for a single parent with a newborn child, 2000



**Figure 4.3 Disposable income while receiving maternity benefit as percentage of disposable income from work, 2000**



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

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 is receiving maternity benefit.

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 their income. Besides, public employees and some private employees are paid in full for the first months following childbirth. In the other countries, daily cash benefits are 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, but for incomes above 23 642 euro per year the compensation is only 40 per cent and for incomes above 36 271 euro per year the compensation is only 25 per cent. In the other countries, the maximum daily cash benefit is highest in Norway and lowest in Iceland.

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.

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**Table 4.6 Recipients of daily cash benefits in the event of pregnancy, childbirth or adoption during the year, 1990-2000**

	Denmark	Finland	Iceland <sup>1)</sup>	Norway	Sweden
<i>Number of beneficiaries</i>					
Men					
1990	34 499	27 338	75	645	104 356
1995	41 003	40 267	10	25 166	130 786
1999	44 343	41 635	1 255	32 230	154 031
2000	45 559	42 294	1 421	33 806	166 661
Women					
1990	80 108	110 518	5 404	51 949	295 080
1995	90 335	108 429	5 066	76 088	327 846
1999	83 125	97 883	4 900	78 882	271 679
2000	82 657	97 359	5 097	80 368	275 214
<i>Number of benefit days (1 000)</i>					
1990	12 523	16 900	725	5 149	50 607
1995	14 385	16 947	688	10 699	52 212
1999	13 503	15 313	659	10 989	37 438
2000	13 150	15 232	698	11 152	37 100
Of which men, percentage					
1990	4.1	2.4	..	..	8.8
1995	4.4	3.6	0.1	5.8	10.3
1999	5.4	4.0	3.2	7.0	12.8
2000	5.5	4.1	3.3	7.2	13.7

1 Mothers who receive full pay from their employers are not entitled to daily cash benefit during maternity leave.

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 exclusive right to four weeks of leave with daily cash benefits as well as to a 'time-account' scheme that since 1994 has allowed for flexible use of leave of ab-



sence with daily cash benefits. With effect from 1 July 2000, an independent accumulation right was introduced for fathers. Previously, fathers were not entitled to paternity benefits if the mothers had not accumulated such benefits, but now fathers may receive paternity benefits based on their own accumulation. Fathers entitlement to paternity benefits is still dependent on mothers having work after childbirth; receiving publicly acknowledged education; or depending on aid to take care of the child due to illness or injury. 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 2000, 80 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 84 per cent of the days were for children under the age of two, and for men, about 52 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 2000, parents were entitled to a minimum of eight and a maximum of 13 weeks of leave, but a minimum of 8 weeks and a maximum of 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 are in a position to grant a supplementary benefit of up to DKK 35 000 per year. In 2000, there were an average of just under 20 000 people on child-minding leave. The number has practically remained the same since 1998.

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 small children. The allowance may be granted either as a supplement towards child minding in the home or as a supplement towards private child minding. The allowance towards child

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mindings 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 plus a supplement. The basic amount is EUR 252 per month per child under three years, and EUR 84 per month per each additional child under three years. For other children of pre-school age, the allowance amounts to EUR 50 per month.

The supplement (EUR 168) will only be granted for one child and is subject to family income. At the end of 2000, child-minding allowances were being paid for 126 960 children. Allowances towards private child minding are 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 EUR 63 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 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 2000, 2.7 per cent of mothers and 0.7 per cent of fathers chose the time account. Three fourth of the women chose leave with a compensation level of 80 per cent. 32 659 fathers received daily cash benefit. Of these 2 098 fathers received paternity benefit for longer than the four weeks that are reserved for fathers.

In Norway, cash benefits are granted for children between one and three years. The cash benefit amounts to NOK 3 000 per month, is granted per child without being subject to income or need, and is tax-free. The Norwegian Parliament fixes 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 part-time place in a kindergarten.

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.

### *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 the 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 special rules concerning minding of chronically or seriously ill children. Those rules are described in Chapter 7.

## Child Allowance

### *– Allowances 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 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 Norway, child allowance was previously payable until a child turned 16. With effect from 1 May 2000, the upper limit to entitlement to child allowance was raised to 18 years. In all the countries, child allowances are financed by Central Government.

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**Table 4.7 Rules governing child allowance 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Child allowance income-adjusted?</i>	No <sup>1)</sup>	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

1 The special child allowance granted where one or both a child's parents receive anticipatory pension or retirement pension is, however, income adjusted.

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 Denmark, the ordinary child allowance payable to single providers has been reduced as from and including 2000 at the same time as the maintenance allowance, payable by the parent not living with the child, was increased correspondingly.

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.

**Table 4.8 Annual amount of child allowance as per December 2000**

	Denmark DKK <sup>1)</sup>	Finland EUR	Iceland ISK <sup>2)</sup>	Norway NOK <sup>3)</sup>	Sweden SEK <sup>4)</sup>
<i>Couple with:</i>					
1 child	10 600	1 080	-	9 948	10 200
2 children	21 200	2 406	-	19 896	20 400
3 children	31 800	3 979	-	30 840	33 324
<i>Single parent with:</i>					
1 child	18 048	1 489	157 024	19 896	10 200
2 children	32 340	3 213	297 754	30 840	20 400
3 children	46 632	5 189	460 056	41 784	33 324
Average amount of child allowance per child in KR/EUR	10 896	1 299	63 599	12 329	10 899
Average amount of child allowance per child in PPP-Euro	1 205	1 085	671	1 169	986

1 Calculations have been made on the basis of a general family allowance for the 3-6 year-olds of DKK 2 650 per quarter to both single parents and couples. The allowance payable for the 0-2 year-olds amounted to DKK 2 925 per quarter and to DKK 2 100 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 allowance 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 in the table have been made for one child under 7 years and the average annual income for couples with children and for single parents. The average amount is payable for all children between 0 and 15 years. The average amount per child is ISK 38 867 for couples and ISK 161 470 for single parents.

3 As from 2000, child allowance shall be payable until a child turns 18 (previously 16). At the same time the rate was lowered. The calculation has been based on child allowances for children between three 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 2000, divided by the number of children receiving child allowance and the number of children with prolonged period of child allowance in December 2000.

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In Sweden, a multiple-birth supplement is granted to families with three or more children.

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. The special child allowance for children of pensioners will be income adjusted as from April 2000. In Iceland, a non-income-adjusted supplement is granted in the shape of maternity or paternity wages to widows and widowers, single mothers and families with three or more children. 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 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 maintenance-allowance advance has been fixed. 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 law was amended to the effect that maintenance allowance advances would 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 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Maximum amount per child per year, KR/EUR</i>	10 644	1 380	159 234	13 290	14 076
Maximum amount per child per year, PPP-Euro	1 177	1 152	1 681	1 260	1 274

**Table 4.10 Number of children receiving maintenance allowance advances as percentages of the population under 18 years, 1990-2000**

	Denmark	Finland	Iceland	Norway	Sweden
1990	14	7	16	12	15
1995	15	10	17	15	16
1999	14	10	18	12	16
2000	14	10	19	15	16

## Other Benefits

In Norway, tax relief for children supplements the ordinary child allowance. 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 who have lost one or both parents. 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.

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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 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 minding their children in their own homes, either part-time or full-time.

In all the countries, local authorities must ensure that there are sufficient places available. In Denmark, 71 per cent of the municipalities provided a child-minding guarantee in 2000 for children aged 0-9 years, whereas another 26 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 2000, a little over 3 300 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 2000, subsidies were paid for private minding of 14 060 children.

In Sweden, local authorities are obliged to provide a place for all children in a day-care institution (pre-school) within three to four months after their parents have applied for it. This obligation is limited to children whose parents work or are studying, or to children who have special needs for a (pre-school) place in day care.



### *Family day care*

Municipal family day care exists in all Nordic countries. These schemes cover mainly 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.

### *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 2000, 93 per cent of all 6 year-olds attended pre-school classes, 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.

## FAMILIES AND CHILDREN

**Table 4.11 Children enrolled in day-care institutions and family day care  
(1 000) by age, 1990-2000**

	Denmark	Finland <sup>1)</sup>	Iceland <sup>2)</sup>	Norway <sup>3)</sup>	Sweden <sup>4)</sup>
<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>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
<i>2000</i>					
<1 year	10	1	0	1	.
1-2 years	103	40	5	44	108
3-5 years	192	122	12	144	250
0-5 years total	306	163	17	189	358
6 years	65	44	-	.	87
0-6 years total	370	207	17	.	445
7-10 years	171	8	-	.	252
0-10 year-olds total	542	215	17	.	697

1 Figures from and including 1999 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 1999, 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.

There are different upper 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.

FAMILIES AND CHILDREN

**Table 4.12 Children enrolled in day-care institutions and family day-care, by age as percentages of the respective age groups, 1990-2000**

	Denmark	Finland <sup>1)</sup>	Iceland <sup>2)</sup>	Norway <sup>3)</sup>	Sweden <sup>4)</sup>
<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>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
<i>2000</i>					
<1 year	15	2	7	2	.
1-2 years	77	35	59	37	60
3-5 years	92	67	92	78	86
0-5 years total	75	46	68	52	66
6 years	90	67	-	.	77
0-6 years total	77	49	58	.	68
7-10 years	63	3	.	.	51
0-10 year-olds total	72	31	.	.	60

1 Figures as from 1999 include children in publicly subsidised private day care.

2 As from 1995, only children between 0 and 5 years. The enrolment percentage in 1995 was 91 for 3-5 year-olds and 67 for 0-5 year-olds.

3 As from 1999, only children between 0 and 5 years.

4 Cf. Table 4.11, note 4.

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.

## 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.

### *Preventive measures*

In Denmark, 31 616 families made use of one or more preventive measures during 2000 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, the end of 2000 had placed 6 943 children and youths placed in residential care, with foster families or in other relevant institutions, to relieve their parents from taking care of them for a while. 1 263 children and youths had had a personal advisor appointed to them, and 1 058 children a specific contact person. 2 368 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, help in getting a job, a place to live, or support to hobby activities. In 2000, 49 351 people received support. 93 per cent of these were children under 18 years, whereas the remaining 7 per cent were between 18 and 20 years. In 2000, there was an addition of 13 618 new clients, corresponding to 28 per cent of all those receiving assistance.

In Iceland, there were 57 Child Welfare Service boards in 2000. 20 of the boards were established on the basis of a population of less than 1 000 inhabitants, whereas nine boards were based on a population of more than 5 000 inhabitants. The number of boards has decreased in recent years due to the fact that several municipalities are now sharing a board. In total, the boards dealt with 3 310 cases during 2000, and there were 2 728 new cases

based on suspicion of neglect, or fear that due to its behaviour a child would harm itself. Following the boards' investigations, 400 cases were dropped. In 2 292 cases, support measures were needed due to neglect, sexual abuse and/or physical abuse, alcohol and/or drug abuse, either by a child itself or by its parents. 2 746 children received help in 2000 in the shape of preventive measures. Of those, 430 were placed outside of their homes for short or long periods. Preventive measures taken by the Child Welfare Service may be advice to or guidance of the parents, support contact, support families, placement of children in family care or in institutions, etc. In each case brought before a child welfare service, there must be a plan in writing stating the purpose of using the various measures, when they are to be reassessed, as well as specification of the roles of the child, the parents, the Child Welfare Service board and any other parties during the duration of the plan.

In Norway, 25 870 children made use of one or more preventive measures in 2000. 9 295 received help in the shape of placement in respite homes, 5 604 were allocated support or contact persons. Support and contact people are employed by the local authorities to follow up on the young people to ensure that they function well socially. 10 595 people received financial support. Some of the children were also placed outside of their homes as part of the preventive scheme. The Child Welfare Service cared for 6 035 children in 2000, 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 of extended pre-school classes combining daily activities with visits to the homes, which measure aims 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 a contact 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 2000. About 22 000 children and youths had such a contact during the year. About 18 900 children and youths received personal support based on need, and about 4 700 participated in a structured treatment programme (without placement) during 2000.

### *Placement outside of the home*

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. 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. Formally, most of the placements in Norway are involuntary as they are performed by the county authorities.

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, government committees 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 for a child to be placed outside of its home without any decision being made by the welfare service.

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.

In spite thereof, the number of placements increased slightly during recent years in all the countries. In Denmark, the decline in the number of placements since 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. 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. Especially in the older age groups more boys than girls are placed outside of their homes, whereas the differences within the younger age groups are considerably smaller.

FAMILIES AND CHILDREN

**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, 1990-2000**

	1990			1995			1999			2000		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
<i>Denmark</i>												
0-6 years	..	..	<b>6.8</b>	..	..	<b>3.9</b>	4.6	4.4	<b>4.5</b>	4.6	4.5	<b>4.5</b>
7-14 years	..	..	<b>14.9</b>	..	..	<b>11.9</b>	14.2	10.7	<b>12.5</b>	14.9	11.0	<b>13.0</b>
15-17 years	..	..	<b>34.2</b>	..	..	<b>29.3</b>	34.5	28.9	<b>31.7</b>	35.7	30.5	<b>33.1</b>
18-20 years	..	..	<b>17.9</b>	..	..	<b>15.0</b>	16.3	15.1	<b>15.7</b>	18.3	15.9	<b>17.1</b>
0-20 years	..	..	<b>16.1</b>	..	..	<b>12.0</b>	13.5	11.3	<b>12.4</b>	14.2	11.8	<b>13.0</b>
<i>Finland</i>												
0-6 years	5.0	5.1	<b>5.1</b>	5.3	5.2	<b>5.2</b>	5.6	5.5	<b>5.6</b>	5.9	5.5	<b>5.7</b>
7-14 years	7.5	6.8	<b>7.2</b>	8.6	8.3	<b>8.5</b>	10.6	8.7	<b>9.4</b>	10.4	8.8	<b>9.6</b>
15-17 years	11.2	11.4	<b>11.3</b>	12.4	13.0	<b>12.7</b>	14.7	15.3	<b>15.0</b>	16.1	16.2	<b>16.1</b>
18-20 years	2.2	5.1	<b>5.3</b>	9.4	8.6	<b>9.0</b>	10.8	10.0	<b>10.4</b>	12.0	11.3	<b>11.7</b>
0-20 years	7.0	6.7	<b>6.8</b>	8.2	7.9	<b>8.1</b>	9.4	8.9	<b>9.2</b>	10.1	9.2	<b>9.7</b>
<i>Iceland</i>												
0-6 years	..	..	<b>5.5</b>	..	..	<b>3.5</b>	3.9	3.7	<b>3.8</b>	2.8	2.5	<b>2.6</b>
7-12 years	..	..	<b>16.9</b>	..	..	<b>9.0</b>	6.5	5.2	<b>5.9</b>	5.7	3.9	<b>4.8</b>
13-16 years	..	..	<b>8.2</b>	..	..	<b>11.4</b>	10.6	7.9	<b>9.3</b>	10.5	7.0	<b>8.8</b>
0-16 years	..	..	<b>10.2</b>	..	..	<b>7.3</b>	6.8	5.5	<b>6.1</b>	6.1	4.3	<b>5.2</b>
<i>Norway</i>												
0-6 years	3.4	3.3	<b>3.5</b>	3.5	3.0	<b>3.4</b>	3.6	3.3	<b>3.5</b>	3.7	3.4	<b>3.6</b>
7-14 years	6.1	5.8	<b>6.2</b>	8.4	7.0	<b>7.9</b>	8.2	7.3	<b>7.8</b>	8.3	7.5	<b>7.9</b>
15-17 years	9.2	9.3	<b>9.6</b>	13.8	15.0	<b>14.2</b>	16.1	16.0	<b>16.1</b>	17.9	16.8	<b>17.4</b>
18-19 years	5.0	5.5	<b>5.4</b>	7.6	7.0	<b>7.4</b>	9.8	10.0	<b>9.9</b>	11.2	10.7	<b>11.0</b>
0-19 years	5.6	5.5	<b>5.7</b>	7.2	7.0	<b>7.1</b>	7.8	7.3	<b>7.5</b>	8.2	7.6	<b>7.9</b>
<i>Sweden<sup>1)</sup></i>												
0-6 years	..	..	<b>3.7</b>	3.5	3.6	<b>3.6</b>	3.7	3.5	<b>3.9</b>	3.8	3.5	<b>3.6</b>
7-14 years	..	..	<b>7.9</b>	7.3	6.8	<b>7.0</b>	7.6	6.8	<b>7.2</b>	7.4	6.8	<b>7.1</b>
15-17 years	..	..	<b>14.5</b>	14.6	14.2	<b>14.4</b>	16.0	16.3	<b>16.2</b>	16.9	16.7	<b>16.8</b>
18-20 years	..	..	<b>5.8</b>	5.7	4.5	<b>5.1</b>	12.0	9.9	<b>11.0</b>	13.0	10.5	<b>11.8</b>
0-20 years	..	..	<b>7.1</b>	6.7	6.3	<b>6.5</b>	8.1	7.5	<b>7.8</b>	8.4	7.6	<b>8.0</b>

1 As from 1999, 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.

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

### *Differences and similarities in the expenditure on families and children*

The amounts spent by the Nordic countries on families and children vary highly, measured in PPP per capita. 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.

In Denmark, cash benefits to parents minding children covers leave schemes for child minding, in Finland, allowances for minding children in the home, and in Sweden, temporary parental benefits. In Norway, the amount covers expenditure on a child-supervision scheme. This is a scheme aimed at granting single providers a subsidy for minding children to enable them to be professionally active. Similar allowances do not exist 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 higher expenditure on residential institutions, preventive measures, etc., in Denmark than in the other countries is due to the number of children and young people placed outside of their own homes being relatively high.



The expenditure on child allowances is highest in Norway and lowest in Iceland. Expenditure on other cash benefits mainly consists of the public authorities' advance payment of maintenance allowances for children, where Sweden spends the most.

### *Development in the social expenditure on families and children from 1999 to 2000*

In Denmark, the expenditure on cash benefits to families and children basically remained the same in 2000 as it was in 1999. The expenditure on services increased by 1.5 per cent, mainly including expenditure on preventive measures for children and young people, and partly also on residential institutions, family care, etc., for children and young people who had been placed outside of their homes. There was a limited increase in the expenditure on day facilities as a result of an increase in the number of enrolled children of almost 9 000, including children in the after-school-club schemes. The expenditure on after-school-club schemes, which is not included in the Nordic statistics on expenditure, increased from almost DKK 2.6 billion in 1999 to a little over DKK 2.7 billion in 2000.

In Finland, the expenditure on families and children decreased by 3 per cent. The decrease is mainly due to the number of infants decreasing, thus bringing down the expenditure on child allowances and allowances for child minding in the homes. Pre-school expenditure, which has not been included in the social expenditure, also contributed to reducing the expenditure on child minding. On the other hand, the expenditure on child and youth welfare increased.

In Iceland, the social expenditure on families and children increased by 1.2 per cent from 1999 to 2000, measured in fixed prices. There was, however, a decrease in the expenditure on cash benefits of 6.9 per cent, which was mainly due to salary and wage increases resulting in more families exceeding the marginal limit in connection with the means testing of the child allowance. The expenditure on social services increased by 9.6 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 largely remained unchanged from 1999 to 2000. The expenditure on maternity benefits increased by 2 per cent from 1999 to 2000, while the expenditure on women who had not qualified for maternity benefits dropped by about 6 per cent as a result of fewer women falling into that category. The average income basis for women, who received maternity benefits, increased by about 6 per cent from 1999 to 2000.

FAMILIES AND CHILDREN

**Table 4.14 Expenditure on and financing of cash benefits and services for families and children, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Cash benefits, million</i>					
A. Daily cash benefit in the event of childbirth and adoption	4 873	504	1 820	7 403	12 173
B. Birth grants	-	9	769	463	21
C. Parental leave benefits	1 674	357	-	3 702	3 132
D. Family or child allowances	12 595	1 387	3 921	12 510	18 948
E. Supplements	-	-	-	-	-
F. Other	149	91	536	3 397	2 632
a. Of which advance on maintenance allowance to children	149	91	536	521	2 632
Cash benefits, total	19 290	2 348	7 046	27 475	36 906
<i>Services, million</i>					
A. Child day care	20 813	1 270	5 713	10 377	27 670
B. Accommodation	5 649	156	1 269	1 697	6 116
C. Home help	14	29	120	-	-
D. Other services, total	1 890	206	919	5 611	3 133
services, total	28 367	1 660	8 021	17 685	38 152
Total expenditure, million	47 657	4 007	15 067	45 160	75 058
Expenditure as percentage of GDP	3.7	3.1	2.3	3.2	3.6
<i>Financed by (per cent)</i>					
- Public authorities	90.6	90.5	86.7	81.6	75.7
- Employers	0.4	4.7	13.3	10.6	23.6
- The insured (contributions and special taxes)	9.0	4.8	0.0	7.8	0.6
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million	534	-123	181	499	3 420
- Per cent	1.1	-2.9	1.2	1.1	4.8

**Table 4.15 Expenditure on cash benefits and services for families and children, PPP 2000**

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	400	379	265	580	376
Per child 0-17 years of age	1 850	1 720	954	2 464	1 723
Services, total per capita	588	268	301	373	389
Per child 0-17 years of age	2 720	1 216	1 087	1 586	1 781
Families and children, total per capita	987	647	566	953	766
Total per child 0-17 years of age	4 570	2 936	2 041	4 050	3 504

In Sweden, the expenditure on families and children, calculated as a percentage of the GDP, remained almost unchanged from 1997 to 2000. In 2000, the expenditure on families and children amounted to 3.6 per cent of the GDP. In relation to the total amount of social expenditure, the expenditure on families and children increased from 10.8 per cent in 1999 to 11.1 per cent in 2000. The reason for the relatively high expenditure was the increase in the child allowance and the fact that the expenditure on social services for children and young people (both in day-care and residential institutions) continues to increase.

### *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 and Sweden, the local authorities fix user charges. In Norway, the kindergarten owners, who are either the local authorities or private individuals, fix user charges. In Sweden, parents normally pay a charge based both on their incomes and on 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.

## FAMILIES AND CHILDREN

In none of the countries may the charges exceed the actual costs of a place in an institution.

In Denmark, user charges amounted to approximately 19 per cent of the running costs in 2000 for day care and day-care institutions. 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 per cent of the total running costs, and user charges for after-school-club schemes amounted to 50 per cent of the total running costs. In Norway, user charges payable for private kindergartens amounted to 47 per cent and for the municipal kindergartens 30 per cent of the total running costs. Also the after-school-club schemes are mostly based on user charges adjusted by the local authorities. It is, however, impossible to calculate how large a share parents pay themselves. In Sweden, user charges amounted on average to about 19 per cent of the total running costs, 16 per cent in pre-schools and 25 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 direct 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, 1999**

Denmark	11.2	Austria	5.4	Italy	2.2
Finland	11.3	Belgium	12.1	Luxembourg	2.5
Iceland	1.8	France	7.4	The Netherlands	6.2
Norway	2.5	Germany	8.8	Portugal	3.7
Sweden	8.1	Greece	5.7	Spain	12.9
		Ireland	11.1	United Kingdom	3.2

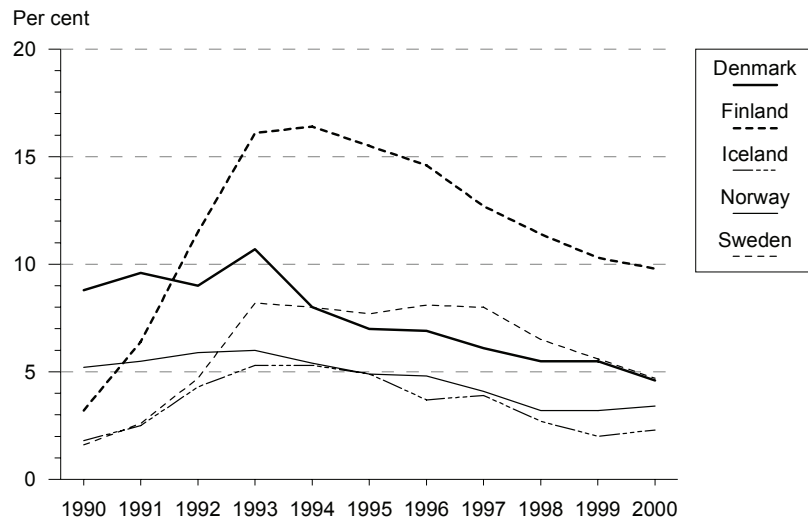
Note: Cf. Table 4.1.

Generally, the Nordic countries have a high participation rate, but there are significant differences between the countries, cf. Table 5.2.

The unemployment rate was very high in some of the Nordic countries during the 1990s, but declined markedly during recent years in all the countries in relation to the first half of the 1990s. In all the countries, the unemployment rate for the 16-24 year-olds is considerable higher, however, than it is for the remaining part of the population, cf. Table 5.3.

## UNEMPLOYMENT

Figure 5.1 Development in the unemployment rate, 1990-2000



UNEMPLOYMENT

**Table 5.2 The population aged 16-64 years, broken down by activity, 2000**

	Denmark	Finland <sup>1)</sup>	Iceland	Norway	Sweden
<i>Men</i>					
Men aged 16-64 years (1 000)	1 764	1 746	88	1 459	2 846
<i>Of whom (per cent):</i>					
Employed, total	81	68	90	82	76
– Full-time	74	63	81	74	69
– Part-time	7	5	9	8	7
Unemployed	3	8	2	3	4
Outside of the labour force	15	24	8	15	20
Total	100	100	100	100	100
<i>Women</i>					
Women aged 16-64 years (1 000)	1 737	1 709	85	1 411	2 757
<i>Of whom (per cent):</i>					
Employed, total	72	64	83	74	72
– Full-time	48	53	47	42	43
– Part-time	24	11	36	32	29
Unemployed	4	8	2	3	3
Outside of the labour force	24	29	15	24	25
Total	100	100	100	100	100
<i>Men and women</i>					
The population aged 16-64 years (1 000)	3 502	3 455	173	2 870	5 602
<i>Of whom (per cent):</i>					
Employed, total	77	66	87	78	74
– Full-time	61	58	64	59	56
– Part-time	16	8	22	19	18
Unemployed	4	8	2	3	4
Outside of the labour force	20	26	11	19	22
Total	100	100	100	100	100

1 Population aged 15-64 years.

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**Table 5.3 Development in the unemployment rate by sex, 1990-2000**

	Total number of unemployed people	Unemployed people as percentages of the labour force					
					16-24 year-olds		
		Total	Men	Women	Total	Men	Women
<i>Denmark<sup>1)</sup></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
1999	158 000	5.5	4.7	6.5	9.2	8.4	10.0
2000	131 000	4.6	4.0	5.2	6.5	6.5	6.5
<i>Finland<sup>2)</sup></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
1999	261 000	10.3	9.8	10.7	21.4	20.8	22.1
2000	253 000	9.8	9.1	10.6	21.4	21.1	21.6
<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
1999	3 100	2.0	1.5	2.6	4.4	4.4	4.4
2000	3 700	2.3	1.8	2.9	4.7	5.7	3.6
<i>Norway<sup>3)</sup></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
1999	75 000	3.2	3.4	3.0	9.5	9.6	9.4
2000	81 000	3.4	3.6	3.2	10.2	9.9	10.6
<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
1999	240 600	5.6	5.9	5.2	9.3	10.3	9.3
2000	203 100	4.7	5.0	4.2	8.1	8.6	7.4

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.



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**Table 5.4 Number of people (1 000) who received cash benefits for at least one day in connection with unemployment, 1990-2000**

	Denmark	Finland	Iceland <sup>1)</sup>	Norway <sup>1)</sup>	Sweden
<i>1990</i>					
Insured	621	171	11	303	262
Non-insured	116	126	..	-	36
Total	737	289	11	303	298
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>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
<i>2000</i>					
Insured	490	340	7	165	622
Non-insured	70	287	..	..	55
Total	560	603	7	165	677
Total in per cent of the labour force	20	23	4	7	16

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

In Table 5.3, the number of unemployed people is shown as an average at a number of given census times, while Table 5.4 shows the number of people affected by unemployment for at least one day during the respective years. A comparison of the figures in the two tables thus indicates that relatively many unemployed people find employment again within less than a year, but the length of the unemployment periods also varies from one country to another.

## Cash Benefits in the Event of Unemployment

*– The unemployed 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, they amount to about 10 per cent.

With the exception of Iceland, the unemployment insurance schemes are financed by contributions from employers, employees and Government. In addition, membership contributions are payable to the unemployment insurance funds in Denmark, Finland and Sweden.

In Denmark, the unemployment benefit scheme is chiefly financed by the labour-market contribution payable by all employed people. In Iceland, the law was amended in 1996 to the effect that the unemployment benefit is now financed completely by employer contributions.

### *Benefits in Case of Unemployment*

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 unemployed people are, however, entitled to cash benefits that are 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 daily cash benefit amount. People who have received income-related daily cash benefit or the basic amount for the maximum period of two years, and who are still unem-

ployed, are entitled to a so-called labour-market assistance. This also applies to people entering the labour market for the first time. In Finland, a pension is payable to people in their sixties who have been unemployed. This benefit is calculated in the same way as is invalidity pension. In 2000, 54 291 people received an average unemployment pension of EUR 982 per month. In Denmark, it is also possible to retire early from the labour market, cf. Chapter 7, but this is not depending on whether the person in question has been or is expected to become unemployed.

### *Entitlement to Daily Cash Benefits*

Entitlement to benefits from an unemployment insurance fund varies 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 activation period have reached the age of 55 years and who, by continuing as members, will 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. 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. Re-gaining 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.

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In Iceland, one must have worked for at least 425 daytime hours during the past 12 months to be entitled to unemployment benefit. The 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 the 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 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 a 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 at least NOK 61 362 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 49 090. The maximum benefit period varies according to the amount of the previous income. A previous income of at least NOK 98 180 results in a benefit period of 156 weeks, whereas an earned income of less than NOK 98 180 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).

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.

**Table 5.5 Rules applying to payment of cash benefit in the event of unemployment as per December 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Insured individuals</i>					
Age limit for entitlement to unemployment benefit	19-66 years <sup>1)</sup>	17-64 years	16-69 years	16-66 years	16-64 years <sup>5)</sup>
Number of qualifying days	–	7	–	3	5
Maximum number of days of unemployment benefit	1 105 within 6¼ years (5 benefit days per week for 4¼ years) <sup>2)</sup>	500 within 4 years <sup>4)</sup> (5 benefit days per week)	260 days per year for 5 years	780 (156 weeks of 5 working days)	300/450 <sup>6)</sup>
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	By complying with the requirement of 10 weeks' full-time work within the past 12 months.	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 <sup>3)</sup>	17-64 years	.	.	20-64 years
Maximum benefit period	.	.	.	.	300/450 <sup>6)</sup>

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 or more may in certain cases be entitled to cash assistance.

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

5 Individuals under the age of 16 years are also entitled to unemployment benefit if they comply with the work requirement.

6 450 days for recipients over 57 years.

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**Table 5.6 Amount of cash benefit in the event of unemployment as per December 2000**

	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 <sup>2)</sup>	Income-related benefit: on average 58 per cent of previous income from work. Basic amount: EUR 102,59 + child supplement: EUR 20,18-38,68 per week	Fixed amount + child supplement <sup>5)</sup>	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 <sup>1)</sup>	DKK 3 497	.	.	NOK 5 664	SEK 3 625
Maximum income per week for full compensation in PPP-Euro <sup>1)</sup>	387	.	.	537	328
Min. amount per week in national currency	DKK 2 335	EUR 102,59	ISK 3 706	NOK 589	SEK 1 200
Min. amount per week in PPP-Euro	258	86	39	56	109
Max. amount per week in national currency	DKK 2 850	.	ISK 14 825	NOK 3 534	SEK 2 900
Max. amount per week in PPP-Euro	315	.	157	345	262
<i>Non-insured individuals</i>					
Amount of benefit per week	Young people under 25 years: DKK 536/1 097 <sup>3)</sup> ; others: DKK 1 701/2 227+ special assistance <sup>4)</sup>	EUR 102,59 + child supplement: EUR 8,07-15,47	.	.	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 570 per day for the first and the second day 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 under the age of 18 years.

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, while Finland has seven and Sweden five qualifying days.

### *Compensation Level in Case of Unemployment*

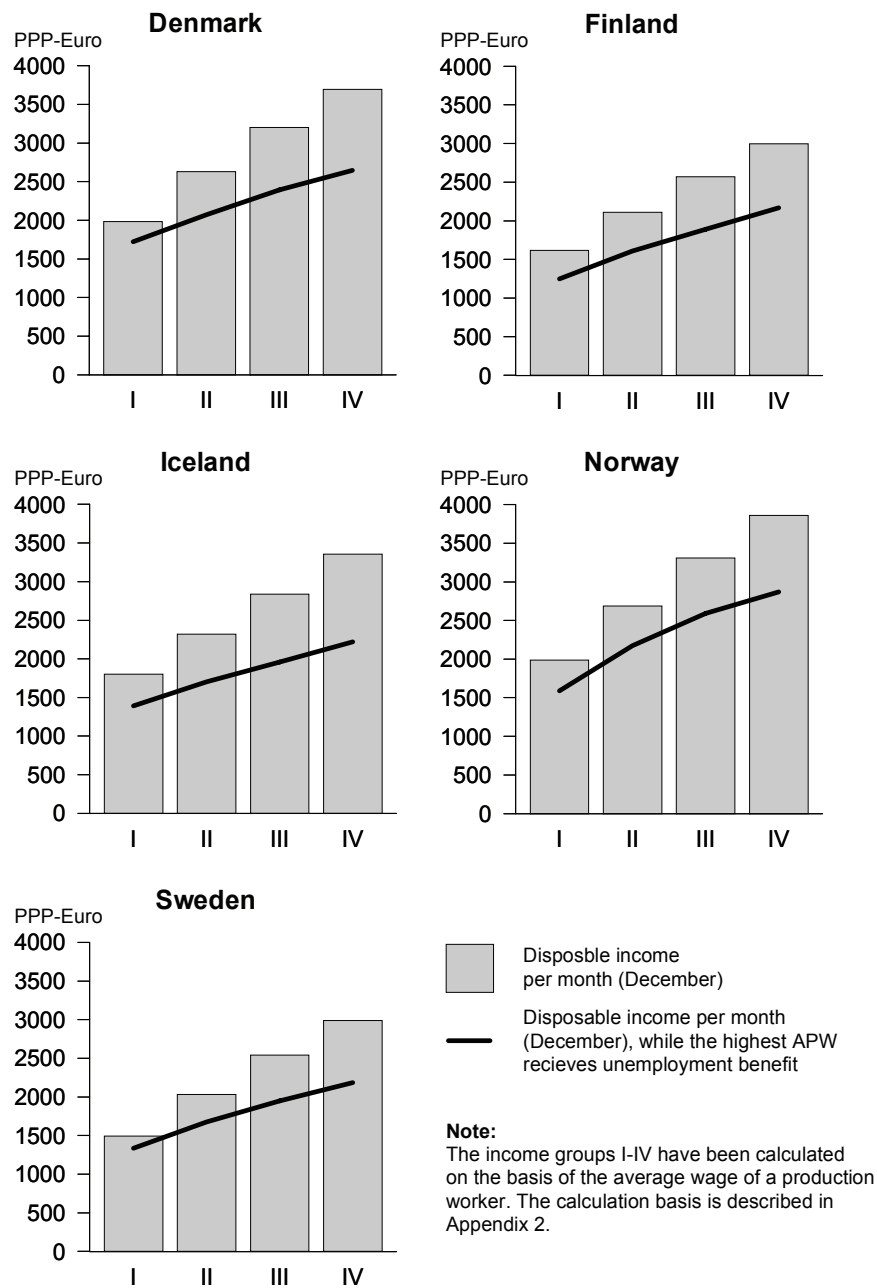
Figure 5.2 shows the disposable income at four different income levels for a childless couple, where both are employed, and where the one earning the most starts receiving unemployment benefit, respectively. Figures 5.3 and 5.4 show the disposable income in the event of unemployment in per cent of the 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 can be seen, 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. It is highest in Denmark and lowest in Finland and Norway. In Iceland, a fixed amount is payable, irrespective of previous income. Secondly, the compensation level depends on the maximum amounts. It 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 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.

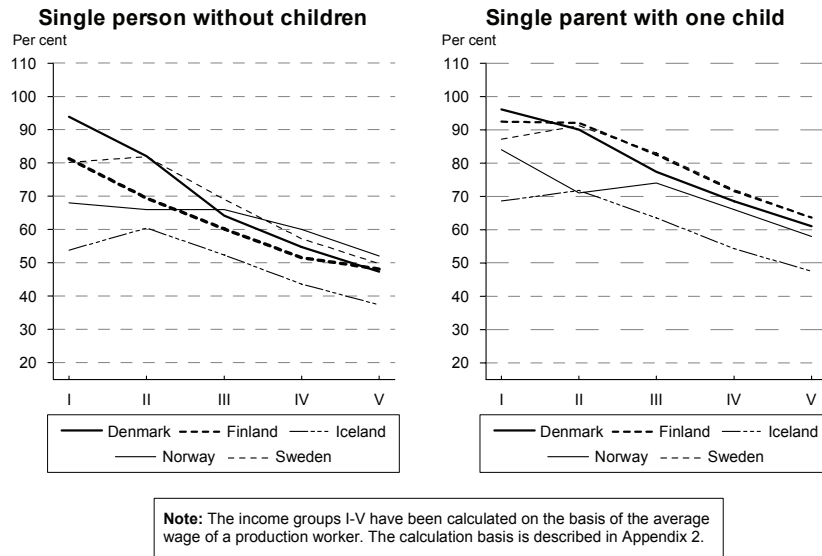
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Figure 5.2 Disposable income for an insured childless couple, 2000

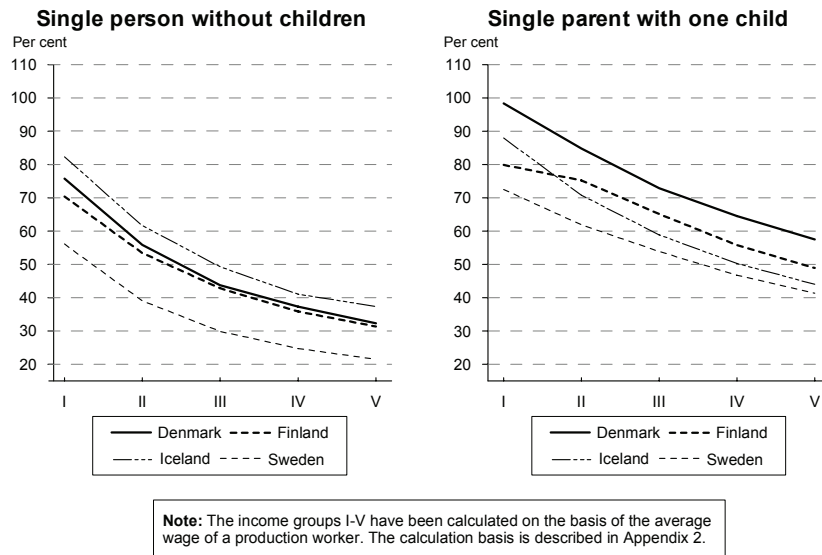




**Figure 5.3 Disposable income while receiving unemployment benefit as percentage of disposable income while being employed, 2000**



**Figure 5.4 Disposable income for non-insured individuals as percentage of disposable income from work, 2000**



## Cash Benefits during 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. In Norway and Sweden, 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 daily cash benefit. Other unemployed recipients of daily cash benefits under the age of 25 have a right and an obligation to accept activation after six months of unemployment equalling the activation period for unemployed recipients of daily cash benefit over 25 years.

As regards unemployed recipients of daily cash benefits over 25 years, the entitlement and obligation to accept activation will be gradually advanced from 1999 to 2001 from after 2 years of unemployment to 1 year 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 activation offers in the shape of education, job training, etc. and must be activated for at least 75 per cent of the three-year period. 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 acti-

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vation or training of at least 30 hours per week for 18 months; however only for six months for people with an education/training qualifying them to work. Recipients of cash assistance of 30 years or more must be offered activation no later than 12 months after having been granted cash assistance.

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 getting into the labour market are improved. Besides, 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 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 unemployed people subsidies to various courses 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 relevant measure aimed at enabling that person to take on a proper job.

In 2000, an activation guarantee was introduced for those who are or who are at risk of becoming long-time unemployed. The aim is to improve considerably unemployed people's possibilities of getting proper work in the labour market. Within the guarantee, individual action plans are drawn up specifying which measures the employment service can offer as well as what

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is expected of the participants.

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, adaptation of work places, etc.

The cyclically dependent programmes and measures that are offered 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, in-service training 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 an activation programme, the so-called youth guarantee. The programme must be individually adapted and include training or in-service training, or a combination of both.

Moreover, there is recruitment support to employers aimed at stimulating 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.

There are measures for people with reduced working capacity, 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, 1995-2000**

	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
1999, total	254 668	36 687	100 770	11 104	3.6	2.6
2000, total	221 534	34 828	87 239	10 507	3.2	2.6
Of whom:						
- Subsidized employment	93 077	20 897	36 086	6 143	1.3	1.5
- Education and training	122 650	8 498	43 159	2 367	1.5	0.6
- Other	37 865	12 307	7 994	1 997	0.3	0.5
<i>Finland</i>						
1995, total	285 575	82 217	103 667	25 973	4.2	9.9
1999, total	258 549	75 270	100 282	23 393	3.9	7.2
2000, total	226 077	62 748	83 660	18 873	3.2	5.6
Of whom:						
- Subsidized employment	114 321	19 159	43 006	6 851	1.7	2.0
- Education and training	69 682	10 967	30 902	4 465	1.2	1.3
- Other	41 894	32 622	9 752	7 557	0.4	2.3
<i>Iceland</i>						
1995, total	..	..	..	..	..	..
1999, total	2 529	588	..	..	1.6	2.0
2000, total	3 811	764	..	..	2.4	2.6
Of whom:						
- Subsidized employment	-	-	-	-	-	-
- Education and training	1 101	192	..	..	0.7	0.7
- Other	2 710	572	..	..	1.7	1.9
<i>Norway</i>						
1995, total	..	..	42 145	16 482	1.9	5.6
1999, total	..	..	8 384	2 797	0.4	0.9
2000, total	..	..	11 439	3 520	0.5	1.1
Of whom:						
- Subsidized employment	..	..	2 069	..	0.1	..
- Education and training	..	..	6 383	..	0.3	..
- Other	..	..	2 988	..	0.1	..
<i>Sweden</i>						
1995, total	781 000	..	275 100	..	6.1	..
1999, total	564 986	..	199 160	..	4.6	..
2000, total	470 970	..	166 159	..	3.8	..
Of whom:						
- Subsidized employment	134 462	..	83 163	..	1.9	..
- Education and training	308 599	..	78 002	..	1.8	..
- Other	27 909	..	4 994	..	0.1	..

## 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 in all the countries.

In all five countries, job provision is free of charge for the 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.

The activities run by the employment service include information on occupation and education as well as various activating measures, such as job seeking.

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, 1990-2000**

	Denmark		Finland		Norway <sup>1)</sup>		Sweden <sup>2)</sup>	
	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
1999	101	4	265	10	507	22	470	11
2000	97	3	302	12	591	25	522	12

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. Those costs have not been included as social expenditure in this report. Sweden, being the country that has an unemployment rate equivalent to that in Denmark, 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 to 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, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Cash benefits, million</i>					
A. Unemployment benefit	17 510	2 201	1 306	6 173	29 157
B. Partial unemployment benefit	-	51	-	219	-
C. Pension for labour market reasons	-	621	-	-	1 290
D. Cash benefits payable during vocational training	19 385	148	40	-	5 112
E. Compensating benefits	-	19	-	-	974
F. Other	-	-	-	-	29 157
Cash benefits, total	36 895	3 041	1 346	6 392	36 533
<i>Services, million</i>					
A. Mobility and resettlement	-	2	-	-	225
B. Vocational training	-	180	-	1 136	3 581
C. Other	1 356	122	383	1 876	2 767
a. Of which employment services	1 086	122	383	1 870	2 725
Services, total	1 356	304	383	3 013	6 573
Total expenditure, million	38 251	3 345	1 729	9 405	43 106
Expenditure as percentage of GDP	3.0	2.5	0.3	0.7	2.1
<i>Financed by (per cent)</i>					
- Public authorities	34.5	50.8	6.9	53.7	0.1
- Employers	0.1	34.3	93.1	26.6	94.5
- The insured (contributions and special taxes)	65.3	14.9	0.0	19.7	5.4
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million	-1 803	-383	-540	847	-9 694
- Per cent	-4.5	-10.3	-23.8	9.9	-18.4



**Table 5.10 Expenditure on cash benefits and services in connection with unemployment in PPP 2000**

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	764	491	51	135	373
- Per capita in the working age	1 165	735	82	211	590
Services, total per capita	28	49	14	64	67
- Per capita in the working age	43	74	23	100	106
Unemployment, total per capita	792	540	65	199	440
- Per capita in the working age	1 208	809	147	311	696

### *The Development in the Expenditure on Unemployment from 1999 to 2000*

In Denmark, the expenditure on unemployment benefits continued falling as a result of the decline in the unemployment rate. The expenditure on activation of daily cash benefit recipients also declined as a result of a decrease in the number of activated people in 2000, which was due to problems in connection with the introduction of a new computer system in the employment service. On the other hand, the expenditure on activated cash benefit recipients in the municipality increased as a result of an increase in the number of activated people.

In Finland, the expenditure on unemployment decreased by 10 per cent due to a decrease in the unemployment rate; consequently the number of recipients of the various unemployment benefits decreased. In return, the number of unemployment pensioners increased by 2 000 people, and the expenditure increased by 6 per cent.

In Iceland, the expenditure on unemployment declined by 24 per cent from 1999 to 2000. This was mainly due to a drop in the cash benefits of 27.1 per cent and in the expenditure on services of 8.8 per cent.

In Norway, the expenditure on unemployment increased from 1999 to 2000 after years of decrease. The increase was due to both an increased number of recipients of daily cash benefits and an increased number of people participating in labour-market measures.

In Sweden, the unemployment rate has been halved since 1994, which also made itself felt in the expenditure on unemployment; the expenditure continued dropping in 2000. The expenditure on cash benefits decreased by almost 18 per cent or SEK 7 924 million in fixed prices from 1999 to 2000; the total expenditure decreased by SEK 9 694 million in fixed prices. In 2000, the expenditure on unemployment equalled 2.1 per cent of GNP. The proportion of the expenditure of the total social expenditure decreased from 8.0 per cent in 1999 to 6.4 per cent in 2000.

## 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 Ireland.

**Table 6.1 Expenditure in connection with illness as percentages of the total social expenditure in the EU, Iceland and Norway, 1999**

Denmark	19.6	Austria	26.6	Italy	23.7
Finland	23.0	Belgium	24.5	Luxembourg	25.1
Iceland	39.8	France	28.2	The Netherlands	28.9
Norway	32.8	Germany	28.2	Portugal	33.5
Sweden	25.3	Greece	24.6	Spain	29.1
		Ireland	40.3	United Kingdom	24.8

Note: See Table 4.1.

## Paid Absence in Connection with Illness

– *Everyone in Gainful Employment is in Principle Ensured Daily Cash Benefits or Wages in Case of Illness*

The structures of the wage and daily-cash benefit schemes in case of illness vary considerably from one country to another. In principle, everyone in gainful employment is entitled to compensation in case of loss of income. The rules governing such compensation depend on one's position in the labour market.

Employees are usually better covered than are self-employed people, and there are special rules for the unemployed.

**Table 6.2 Rules governing payment of cash assistance\* to employees in connection with illness as per December 2000**

	Denmark	Finland	Iceland	Norway	Sweden
Maximum period of sickness benefit/sick pay	52 weeks <sup>1)</sup> within 18 months	52 weeks within two years	52 weeks within two years	52 weeks within three years	No time limit
Qualifying period?	No	No <sup>2)</sup>	Yes <sup>3)</sup>	No	Yes
Length of qualifying period	-	-	-	-	1 day
Employer period?	Yes	Yes <sup>2)</sup>	Yes	Yes	Yes
Duration of employer period	2 weeks for private employers	10 working days	1 month <sup>4)</sup>	16 days	2 weeks <sup>5)</sup>
Wages/Salaries payable during illness?	Yes	Yes	Yes	Yes	Yes
Statutory payment of wages/salaries during illness?	Yes	Yes <sup>2)</sup>	Yes	Yes	No
Payment of wages/salaries during illness according to agreement?	Yes	Yes	Yes	Yes	Yes

\* By cash assistance 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 an application for anticipatory pension has been submitted for consideration. In addition, a benefit period may be prolonged by 2×26 weeks in case of serious illness or industrial injury.
- 2 Sickness benefits 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 In the public sickness insurance.
- 4 According to legislation, wages/salaries are payable during illness depending on the length of the employment period. After 1 year of employment, wages/salaries shall be payable for one month, increasing to three months after five years of employment. Most collective agreements contain agreements on pay during illness exceeding those three months.
- 5 During the employer period, there is a qualifying period of one day. This also applies to people who are not employed.

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**Table 6.3 Amount of sickness benefits payable to employees in connection with illness as per December 2000**

	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 <sup>1)</sup>	DKK 3 145	.	NOK 5 664	SEK 5 279
Maximum income per week for full compensation in PPP-Euro <sup>1)</sup>	348	.	537	478
Min. amount per week in national currency	.	. <sup>2)</sup>	NOK 472	SEK 169
Min. amount per week in PPP-Euro	.	.	45	43
Max. Amount per week in national currency	DKK 2 846	.	NOK 5 664	SEK 4 214
Max. amount per week in PPP-Euro	315	.	537	381
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.

2 People, who have a small or no income, may receive income-tested daily cash benefit for periods of incapacity for work exceeding 60 days.

### *Statutory Wages/Salaries or Employer Period at the Beginning of the Period of Absence*

At the beginning of a period of illness, employers in all the Nordic countries have a statutory obligation to pay compensation either by way of a statutory sick pay or of sickness benefit during the employer period.

In Denmark, sickness benefits are payable by the employer during the first two weeks, if an employee has been working for that employer for the past eight weeks prior to the absence due to illness, and during that period has been working for at least 74 hours.

In accordance with the *Act on Employment Contracts*, employers in Finland pay in full for the first day of illness and for the subsequent nine working days.

In Iceland, all employees have a statutory right to sick pay 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.

In Norway, an employee is entitled to sickness benefits from his employer if that employer has employed him for at least two weeks. The employer period is 16 days.

In Sweden, a statutory sick pay is payable for the first 14 days of a period of illness, with the exception of the first day of illness. The sick pay corresponds to the sickness benefit amount.

### *Sick Pay According to Collective Agreements and the Like*

As a supplement to the statutory employer or sick-pay period, wages/salaries are payable during illness according to collective agreements or to special rules governing the public sector. During that period, daily cash benefits are normally payable to employers.

In Denmark, public-sector employees will be paid in full during the entire period of illness. Officials in the private sector will typically be paid in full 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.

In Finland, wages/salaries shall be paid in full according to collective agreements for a period from one to three months varying from one industry to another.

In Iceland, employees are ensured pay during illness through collective agreements for a period, depending on their seniority, which is longer than the statutory minimum. Employees working for Central and Local Government are covered by the most favourable rules in that they may be paid in full for an entire year, if they have been employed for more than 15 years. 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 the union in question. From those schemes, daily cash benefits are payable after the period in which a recipient is paid by his employer, usually for 120–150 days. Due to these schemes, daily cash benefits from the public sickness insurance scheme are of little importance.

According to agreement, all public employees in Norway are paid in full during illness by way of a supplement to the sickness benefit, so that com-

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pensation is paid for the difference between the maximum amount of sickness benefit and the normal wages. Similar rules apply in the private labour market in a number of cases.

In Sweden, all employees in the public sector are paid according to collective agreements as a supplement to the sickness benefit. The sickness benefit corresponds to 80 per cent of the income from work up to the income ceiling, and employers pay an additional 10 per cent, so that all employees in that category will receive 90 per cent of their wages/salaries during the first 15-90 days. Those earning more than the income ceiling will be compensated at an amount that corresponds to 90 per cent of their earnings. In cases where the sickness period exceeds 90 days, public employees shall be compensated by their employers at 80 per cent of their wages/salaries, although the employee in question normally may earn more than the ceiling amount. Also officials in the private sector are ensured compensation from their employers through collective agreements. It applies to this category that an employer pays a compensation that equals 65 per cent of the part of the earnings that exceeds the income-ceiling amount of the sickness insurance scheme.

### *Sickness Benefits*

After the statutory employer period sickness benefits shall be payable by either the public authorities or by the social insurance scheme. People who are not entitled to wages/salaries or sickness benefits during the employer period shall be compensated according to the general rules governing sickness benefits from the beginning of the period of illness.

In Denmark, employees are entitled to sickness benefits from the local authorities, provided they have been active in the labour market for the past 13 weeks prior to their absence and during that period have been employed for at least 120 hours. People who are entitled to unemployment benefits, 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 benefits from the local authorities. As to self-employed people, it is a condition that they have been working for at least six months during the past 12 months, of which at least one month's work must have been carried out immediately prior to the illness. The compensation is 100 per cent of the income, but a maximum of DKK 2 846 per week.

In Finland, sickness benefits shall be paid both to those in work and to those who work for themselves (e.g. work in the home or studies). A precondition is that the ill person has not been voluntary unemployed for three

months prior to falling ill. No income-related sickness benefits shall be payable, if the annual income from work amounts to less than EUR 891. Up to an annual income of EUR 23 042, the compensation rate is 70 per cent, after which compensation is gradually reduced. People with low or no incomes may be granted means-tested sickness benefits after a qualifying period of 60 days.

As mentioned above, the sickness benefit schemes are of little significance in Iceland.

In Norway, a condition for being awarded sickness benefits from the National Social Security Fund is that the ill person has been in work for at least two weeks immediately prior to falling ill. The income basis for sickness benefits must amount to at least 50 per cent of the basic amount, corresponding to an annual income of NOK 24 546. This income limit does not apply to sickness benefits payable during the employer period. The maximum amount of sickness benefits is NOK 294 540 per year.

In Sweden, one condition for being awarded sickness benefits is that the recipient earns an income of at least 24 per cent of the basic amount, which in 2000 was SEK 36 600. The compensation is 80 per cent, but only for an earned income up to SEK 274 500.

### *Qualifying Periods*

The rules governing qualifying periods also vary from one country to another. In Denmark and Norway, there are no qualifying periods for employees if a paid employer period exists. As to self-employed people and people who work freelance, there is a qualifying period of two weeks, which may, however, be reduced by a voluntary insurance. In Denmark, voluntary insurances may be taken out in order for a self-employed person to be entitled to sickness benefit after the first or the third day of absence.

In the Finnish sickness insurance scheme, there is a qualifying period consisting of the day on which a person falls ill and the following nine working days. This period equals the statutory period with sick pay for employees.

In Iceland, the public insurance contains a qualifying period of two weeks.

In Sweden, there is a minimum of one qualifying day, both in connection with sick pay and sickness benefits. There may, however, be no more than 10 qualifying days in a period of 12 months. Self-employed people have a qualifying period of 3 or 30 days, depending on the maximum amount of the insurance they have taken out.

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### *Miscellaneous*

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

In all the countries, sickness benefits are taxable income.

In Denmark, sickness benefits are paid and managed by the local authorities. Central Government reimburses the local authorities their expenditure on sickness benefits 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 benefits in full.

In Finland, sickness benefits are payable by the Social Insurance Institution; in Iceland, by the Social Insurance Scheme; in Norway, by the *National Social Insurance Scheme* and in Sweden, by the insurance funds.



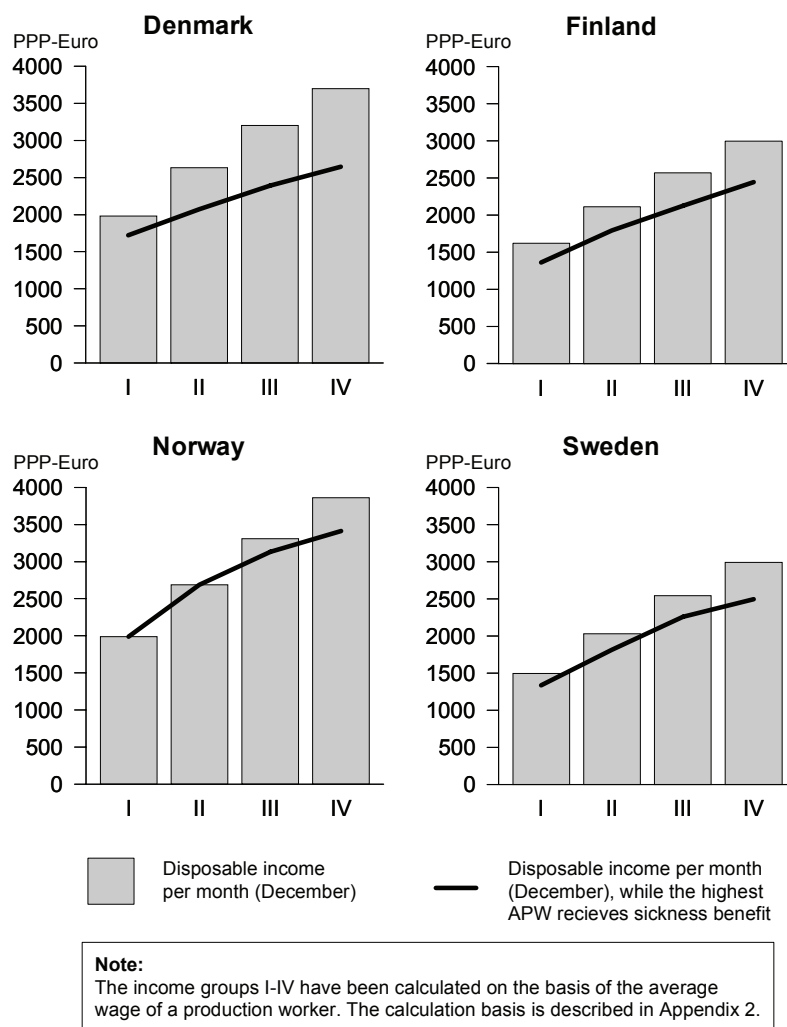
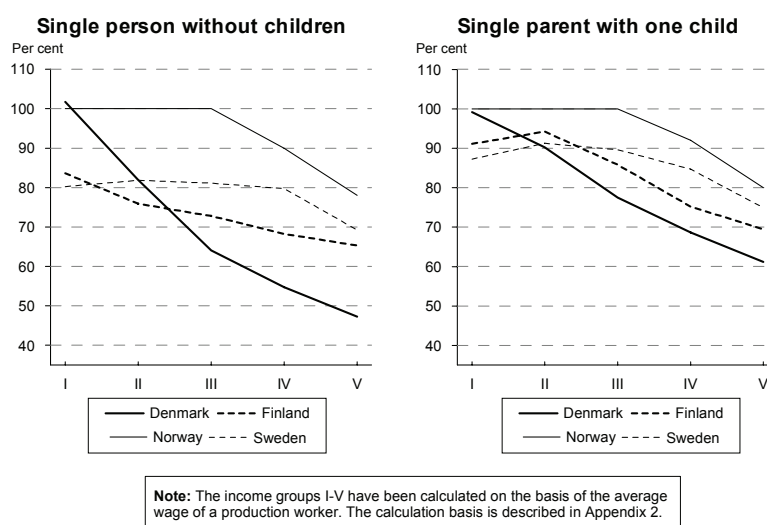
**Figure 6.1 Disposable income for a childless couple, 2000**

Figure 6.1 shows the disposable income at four different income levels for a childless couple, where both are employed, and 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 benefits 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 benefits 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 – to 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 percentages of disposable income from work, 2000**



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.

### *Length of Absence Periods*

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. Norway has the highest degree of absence, which is due to increased employment and a decrease in the unemployment rate. In Sweden, absence due to illness has increased since 1995. From 1999 to 2000, there has been an increase in the absence due to illness in all the countries.

**Table 6.4 Employees' calculated absence due to illness for at least one week as percentages of all employees, 1990-2000<sup>1)</sup>**

	Denmark <sup>2)</sup>	Finland	Iceland	Norway	Sweden
<i>1990</i>					
Men	1.5	2.2	1.1 <sup>3)</sup>	2.7	3.7
Women	2.2	2.6	1.9 <sup>3)</sup>	3.5	5.4
Total	1.8	2.4	1.5 <sup>3)</sup>	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>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
<i>2000</i>					
Men	1.4	2.2	1.1	3.4	2.6
Women	2.0	2.5	1.5	4.7	4.9
Total	1.7	2.4	1.3	4.0	3.7

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), 2000**

	Denmark	Finland	Norway	Sweden
<i>Men</i>				
Duration (days)				
15-21	22.6	27.3	21.7	19.1
22-29	15.1	17.1	12.4	16.8
30-59	25.5	26.8	25.0	23.3
60-89	10.6	9.8	12.1	9.9
90-119	6.3	4.7	6.6	5.6
120-149	3.7	2.7	4.3	3.5
150-179	2.5	1.9	3.0	2.5
180-359	7.4	8.1	10.1	7.9
360+	6.3	1.7	4.8	11.4
Total	100.0	100.0	100.0	100.0
<i>Women</i>				
Duration (days)				
15-21	21.5	29.7	20.0	18.5
22-29	13.8	18.1	12.0	16.2
30-59	25.4	29.5	25.9	24.1
60-89	10.8	8.7	12.9	10.6
90-119	5.8	3.7	7.3	5.9
120-149	3.4	2.0	4.7	3.8
150-179	2.5	1.4	3.3	2.5
180-359	7.8	5.8	9.7	7.4
360+	9.0	1.0	4.2	11.0
Total	100.0	100.0	100.0	100.0
<i>Men and women</i>				
Duration (days)				
15-21	22.0	28.7	20.7	18.7
22-29	14.5	17.7	12.2	16.4
30-59	25.5	28.3	25.5	23.8
60-89	10.7	9.2	12.5	10.3
90-119	6.0	4.2	7.0	5.8
120-149	3.5	2.3	4.5	3.6
150-179	2.5	1.6	3.2	2.5
180-359	7.6	6.8	9.9	7.6
360+	7.7	1.3	4.5	11.2
Total	100.0	100.0	100.0	100.0

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 to the period in which 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 qualify for a rehabilitation benefit.

Men and women's absence due to illness shows a rather uneven pattern in the various countries. In general, men have the highest absence rate as to the long periods of absence, with the exception of Denmark, where women have the longest periods of absence of more than 360 days.

## 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,

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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 Concern*

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 improve treatment of psychiatric patients in their own environments.

**Table 6.6 Discharges and average length of hospitalization in somatic wards, 1990-2000**

	Denmark	Finland	Iceland <sup>1)</sup>	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
1999	191	205	..	155	157
2000	192	202	..	154	153
<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
1999	5.6	4.5	..	6.0	5.5
2000	5.4	4.3	..	6.0	5.4

Source: *Health Statistics in the Nordic Countries* concerning the years 1990, 1995, 1999 and 2000.

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 agreements 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 20 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, the health centres perform these tasks.

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 the least and Norway the most.

In respect of expenditure on paid absence due to illness, Norway spends more than 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 affects the absence due to illness.

As regards expenditure on services (medical treatment), measured as PPP per capita this is 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 the 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 1999 to 2000*

In Denmark, the expenditure on sickness benefits defrayed by the local authorities increased from 1999 to 2000. The increase was mainly a result of public employers being given equal status with private employers in relation to the employer period as from 2000. Consequently, as from 2000 the expenditure on sickness benefits includes also payments to public employees. In return, the calculated estimated expenditure on sickness benefits payable during the employer period has decreased. The expenditure on services in the health sector has continued to increase, and in particular the expenditure on the hospital sector and on home nursing.

In Finland, the expenditure on treatment of illness increased by 2.5 per cent. The expenditure on reimbursement of medicine increased the most, by 11 per cent. The expenditure on the primary health sector also increased, while the expenditure on specialist treatment remained almost the same as in 1999. The improved employment situation resulted in an increase in the expenditure on sickness benefits.

In Iceland, the social expenditure on illness increased by 3.5 per cent in terms of 2000 prices. The increase in the expenditure on cash benefits was 9.9 per cent, while it was 2.0 per cent on services. This increase is first and foremost explained by a pay increase and an increase in the employment rate.

In Norway, the expenditure on cash benefits in connection with illness continued to increase from 1999 to 2000. This increase was due to both an increase in the absence due to illness and in the income basis for calculation of sickness benefits. The number of days, in which the National Sickness Insurance Fund paid sickness benefits per employed person were 12.5 days in 2000 as against 11.2 days in 1999. The expenditure on services increased somewhat less, or by about 7 per cent from 1999 to 2000.

In Sweden, the expenditure on sickness increased from 8 per cent of the GDP in 1999 to 8.4 per cent in 2000 due to a steep growth in the expenditure on sickness benefits, as the absence due to illness continued to increase during 2000. The expenditure on cash benefits increased by about 21 per cent or SEK 8 602 million in terms of 2000 prices from 1999 to 2000. Measured as a proportion of the total social expenditure, the expenditure on illness increased from 24.4 per cent in 1999 to 26.1 per cent in 2000.

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**Table 6.7 Expenditure on and financing of cash benefits and services in connection with illness, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Cash benefits, million</i>					
A. Paid sick leave	11 578	1 525	9 940	40 482	48 222
Of which:					
a. General sickness benefit	7 978	494	619	21 775	30 775
b. Daily cash benefits in employer period	3 600	891	9 100	18 707	12 000
c. Special insurance in the event of industrial injury or occupational disease	-	112	221	-	5 447
B. Other	458	-	-	-	57
Cash benefits, total	12 036	1 525	9 940	40 482	48 279
<i>Services, million</i>					
Services, total	59 825	6 112	40 706	80 572	128 714
Total expenditure, million	71 861	7 637	50 646	121 054	176 993
Expenditure as percentage of GDP	5.5	5.8	7.6	8.5	8.4
<i>Financed by (per cent)</i>					
- Public authorities	90.0	66.5	80.1	62.6	68.3
- Employers	5.3	23.8	19.9	28.1	31.1
- Insured (contributions and special taxes)	4.7	9.7	0.0	9.3	0.5
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million	948	195	1 707	10 570	15 573
- Per cent	1.3	2.6	3.5	9.6	9.6

**Table 6.8 Expenditure on cash benefits and services in connection with illness in PPP 2000**

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	249	246	373	854	492
Cash benefits per person aged 16-64 years	380	369	607	1.337	780
Services, total per capita	1 239	986	1 529	1 701	1 313
Illness, total per capita	1 489	1 233	1 902	2 555	1 805

### *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, with the exception of medicine.

#### *Maximum User Charges*

In Denmark, a new subsidy system based on need was introduced on 1 March 2000. The subsidy granted depends on an individual's consumption of subsidized medicine. Subsidies to a consumption of medicine of less than DKK 500 per year shall no longer be granted, after which the subsidy shall gradually be increased to 85 per cent of expenses exceeding DKK 2 800 per year. User charges must not exceed DKK 3 600 per year.

In Finland, the sickness insurance fund covers the amount of the total amount of user charges payable for medicine exceeding EUR 558 per year, as well as costs for transport in connection with treatment exceeding EUR 151 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 who receive 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 1 370 in 2000. Other expenses are covered by the State. The Social Security Scheme financed about 55 per cent of the total expenditure on pharmaceutical products in 2000.

In Sweden, there is a maximum user charge per year for general medical treatment, physiotherapy, etc., 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

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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 minor amount for medical treatment. In the other Nordic countries, patients pay an amount for treatment themselves. In Finland, the amount will not exceed EUR 20 per year or EUR 10 for the first three treatments in an outpatient clinic in the primary health sector. For temporary home nursing, EUR 10 is payable per visit by a doctor and EUR 6 per visit by a nurse. For continuous care in the home, an amount is payable, which depends both on the extent of the care and on a patient's financial situation. In Iceland, payment for medical treatment varies. For a visit to a specialist, user charges normally vary from ISK 2 170 to 5 000, and for children and pensioners from ISK 850 to 5 000. For visits to a general practitioner, ISK 700 is normally payable, and children and pensioners pay ISK 300. 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 110, whereas charges are NOK 185 for treatment by a specialist. For treatment outside of the daytime hours, user payment is NOK 160. No user charges are payable for home nursing. In Sweden, user charges vary from one county to another from SEK 50 to SEK 250. For medical treatment and for visits to a physiotherapist, psychologist, chiropractor, etc., user charges are between SEK 50 to SEK 150. Usually, user charges are highest in connection with visits to a specialist (from SEK 180 to SEK 250), but visits to general practitioners cost between SEK 100 and SEK 150.

### *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 pays all costs for treatment themselves, or is reimbursed a small part of these costs. In Denmark, patients' payments amounted in 2000 to about 62 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 subsidy of about 50 per cent for dental treatment and subsidies of 75 per cent for examinations and preventive treat-

ment. In Iceland, people over 67 years, as well as disabled people, are re-funded 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 46 per cent. The National Health Insurance Service (the counties) financed about 50 per cent and the municipalities financed the remaining 4 per cent of the expenses. In Finland, user charges amounted to about 59 per cent of the expenses for medicine with basis reimbursement. For especially 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 reimbursed medication were in 2000 36 per cent of the subscription amount up to NOK 340 for a three months period. Patients' actual user payment for pharmaceuticals was 13 per cent in 2000. In Sweden, user charges for subsidized medicine amounted to 23.6 per cent of the total expenses for pharmaceuticals.

### *Hospitalization*

In Denmark, Iceland and Norway, hospitalization is free of charge. In Finland, a maximum of EUR 23 per day is payable for short-term hospitalization and EUR 12 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 the ESSPROS, the descriptions of the elderly and the disabled 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 percentages of the total social expenditure in the EU, Iceland and Norway, 1999**

Denmark	50.1	Austria	56.0	Italy	70.4
Finland	49.3	Belgium	52.1	Luxembourg	55.6
Iceland	43.2	France	50.1	The Netherlands	53.3
Norway	48.0	Germany	49.9	Portugal	55.8
Sweden	51.3	Greece	57.0	Spain	54.0
		Ireland	30.1	United Kingdom	56.1

Note: See Table 4.1.

A significant question in relation to the expenditure on the elderly and the disabled is the length of time in which 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 2000, 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 1990-2000.

As it appears from Figure 7.1, men have a higher employment rate in general 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 work with public income-substituting benefits.

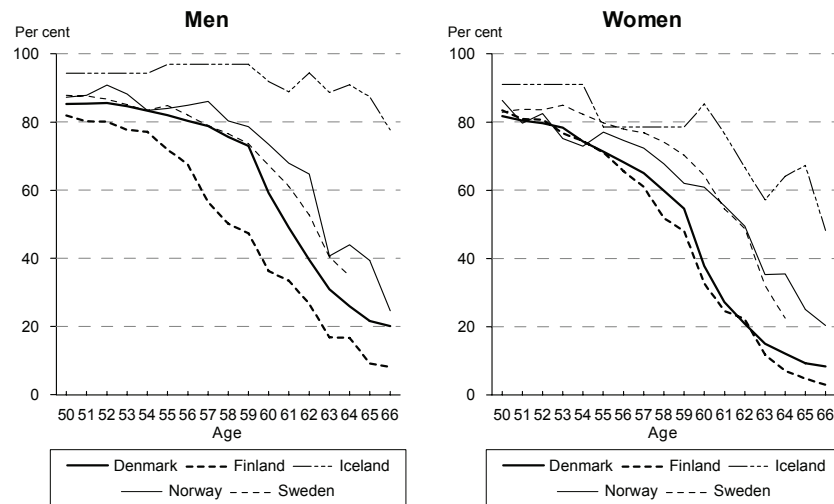
Early retirement from the labour market is most common in Denmark and Finland. Those two countries have the most comprehensive public retirement schemes, and the unemployment rate has been relatively high for a long period of time. Early retirement is least common in Norway and especially Iceland, where 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 of employment found in Iceland, and the lowest in Finland, followed by Denmark.

## OLD AGE, DISABILITY AND SURVIVORS

The development during that same period also differs 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, been generally declining until 1998, but is again increasing. As regards women, recent years have seen an increase in the employment rate for the 60 year-olds in Denmark, Finland and Sweden, while the employment rate for the 64 year-olds shows a somewhat uneven pattern.

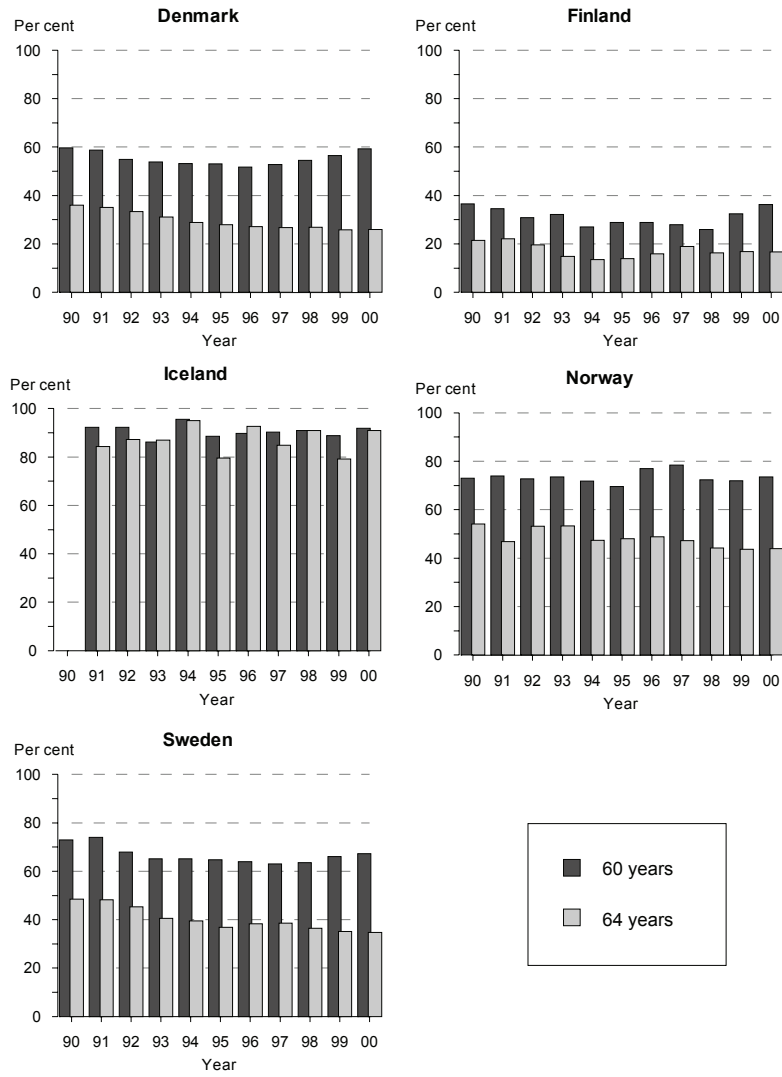
**Figure 7.1 People in gainful employment as percentages of the population, broken down by age and sex, 2000**





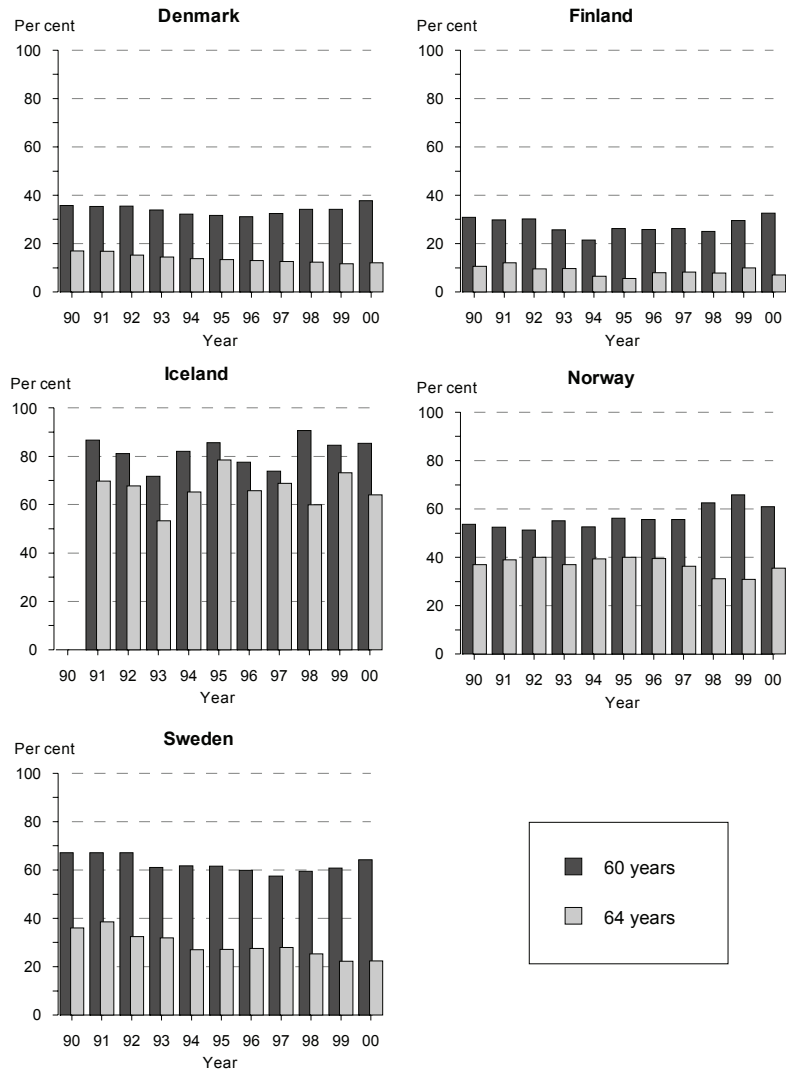
OLD AGE, DISABILITY AND SURVIVORS

**Figure 7.2 Proportion of employed men between 60 and 64 years. Per cent, 1990-2000**



OLD AGE, DISABILITY AND SURVIVORS

**Figure 7.3 Proportion of employed women between 60 and 64 years. Per cent, 1990-2000**



## Pensioners' Income

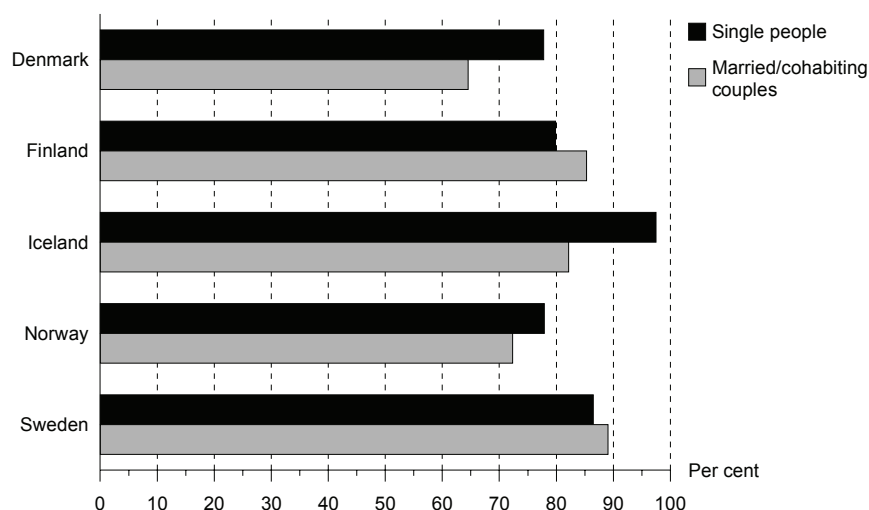
Figure 7.4 shows the disposable income for families, where the key person, i.e. the person earning the most, is over 65/67 years, as a percentage of the disposable income for single people and couples under 65/67 years. As in the other chapters, equivalent incomes have been used. The disposable income is the factor income plus social cash benefits less tax. A different family definition is used in Iceland, as any children under 15 living at home count as independent families in the statistics, and the result in Figure 7.1 will consequently be 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, based on a national register. 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 Denmark and Norway. As to 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 percentages of the disposable incomes for single people and couples under 65/67 years, 1999**



## 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 various pension types are in this publication divided as follows: Pensions where the 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 the intermediate amounts of anticipatory pension are regarded as anticipatory pensions, whereas the ordinary and the increased ordinary 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 ordinary anticipatory pension (special old-age pension). In all the countries, a pension is payable to children, in Denmark by way of a special child allowance, however.

## Pension Structures and Income-Adjustment

It is a common feature in the pension systems of 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 by way 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. Although this basic 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.

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.

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.

The supplementary pension schemes are, however, rather insignificant in Finland.

## OLD AGE, DISABILITY AND SURVIVORS

**Table 7.2 Pension recipients by type of pension, 2000<sup>1)</sup>**

	Denmark	Finland	Iceland <sup>2)</sup>	Norway <sup>2)</sup>	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 uniform. 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.

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 the 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.

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

OLD AGE, DISABILITY AND SURVIVORS

**Table 7.3 Supplements to the basic pension/guaranteed minimum pension, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Child supplement</i>	Ordinary and special child allowance	No <sup>3)</sup>	Yes	Yes	No <sup>7)</sup>
– Income-adjusted?	No/Yes <sup>1)</sup>	–	No	Yes	–
– Taxable?	No	–	No	Yes	–
<i>Supplements to people receiving only the basic pension/guaranteed minimum pension</i>	Yes	<sup>4)</sup>	Yes	Yes	Yes <sup>8)</sup>
– Income-adjusted?	Yes	<sup>4)</sup>	Yes	Yes	Yes <sup>9)</sup>
– Taxable?	Yes	<sup>4)</sup>	Yes	Yes	Yes
<i>Housing benefit</i>	Yes <sup>2)</sup>	Yes	No <sup>6)</sup>	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 <sup>5)</sup>	No	No	No <sup>7)</sup>
<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 The ordinary child allowance is not income-adjusted as is the special child allowance.

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

3 From 1996 to 2001, no new child supplement was awarded, but it will be reintroduced in 2002.

4 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 basic pension is taxable.

5 The spouse supplement has not been awarded since 1996, and was totally phased out in 2001.

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

7 Since 1990, no new child supplement has been granted, and it 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.

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

9 Only in respect of the employment pension.

## OLD AGE, DISABILITY AND SURVIVORS

other countries depends on the pension creditable period, and the amount of income from work. As mentioned above, the statutory retirement pension in Finland depends on the amount of the employment pension and the supplementary pensions. The basic pension is not payable if the employment pension exceeds about EUR 900 per month (for married people EUR 800 per month).

Income-substituting benefits, other than pensions, usually entitles recipients to pensions in all the countries in relation to the employment pensions.

In Denmark, the basic amount of the statutory retirement pension is income adjusted on the basis of a recipient's own income. The basic amount of the anticipatory pension is income adjusted in relation to a household's income. That also applies to the pension supplements and the personal supplements to both old-age and anticipatory pensioners as well as to the special child allowance and housing benefits to pensioners. The remaining benefits payable to pensioners are not means-tested.

In Finland, the statutory retirement pension is completely dependent on the employment pension. The full amount of the statutory retirement pension guarantees a minimum amount to people who receive only a small or no employment pension. The basic pension shall be payable if the employment pension does not exceed EUR 870 per month. Other incomes (other than pensions) do not affect the amount of the statutory retirement pension. The rent subsidies payable to pensioners depend largely on a pensioner's and any spouse's incomes. The value of the pensioner's and any spouse's accommodation is, however, not taken into account, if they are owners of the house they live in.

There are no income-adjusted supplements in general to people who receive basic pensions (cf. Table 7.3), but such a supplement is, however, payable to front veterans who receive a small employment pension or none at all. The extra front supplement is influenced by the same pension incomes, as is the basic pension (all front veterans who participated in the war 1939-1944 or in 1918 are entitled to the front supplement). In 2000, there were 149 055 recipients of the front supplement of whom 80 242 received an extra front supplement.

In Iceland, the basic amount payable to old-age and anticipatory pensioners is adjusted both in relation to their own income from work and to half of the incomes from capital in their households. Similar rules apply to the pension supplement that is also adjusted in relation to one's own employment pension as well as to any spouse's incomes. The pension supplement may be stopped, if an income exceeds a certain level.

In Norway old-age pension is means tested in relation to income from work for pensioners aged 67-70 years. Means testing ceases when the pensioner reaches the age of 70 years.



## OLD AGE, DISABILITY AND SURVIVORS

The early retirement pension is also means tested in relation to incomes from work over a certain level.

For all pensioners the basic pension is fixed according to marital status and the income from work and from capital of any spouse.

Married and cohabiting couples are treated equally according to a set of rules.

In Sweden, the housing supplement to pensioners is income-adjusted. The supplement to people having a low Labour Market Supplementary Pension (ATP) will only be income-adjusted in relation to the ATP.

## 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 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.

OLD AGE, DISABILITY AND SURVIVORS

## Number of Pension Recipients

**Table 7.4 Pension recipients by age, in thousands and as percentages of the age group as at December 2000**

	Denmark		Finland		Iceland		Norway		Sweden	
	1 000	As per-centage of each age group	1 000	As per-centage of each age group	1 000	As per-centage of each age group	1 000	As per-centage of each age group	1 000	As per-centage of each age group
<i>Men</i>										
16-39 years	17	1.9	16	2.0	1	2.5	15	2.2	29	2.0
40-49 »	24	6.4	24	6.2	1	4.8	21	6.9	36	6.1
50-54 »	19	9.7	27	12.7	0	5.9	18	11.9	31	9.6
55-59 »	29	15.9	38	24.6	1	8.2	22	17.7	43	14.4
60-64 »	72	54.5	94	74.6	1	11.5	40	42.0	78	35.5
65-66 »	33	74.5	43	104.1	1	40.7	21	58.7	78	104.5
67+ »	290	101.3	268	104.4	13	97.5	258	103.0	599	104.2
Total	484	23.0	511	25.3	17	16.2	395	24.0	894	25.5
<i>Women</i>										
16-39 years	15	1.7	12	1.5	2	3.1	17	2.3	47	3.5
40-49 »	27	7.4	19	4.9	1	7.1	30	9.4	61	10.6
50-54 »	25	13.1	22	10.3	1	9.3	28	17.5	53	16.6
55-59 »	45	25.2	34	21.5	1	13.2	32	25.7	71	24.5
60-64 »	95	70.0	104	76.7	1	19.9	46	49.2	96	43.2
65-66 »	40	83.0	50	104.6	1	47.0	22	67.5	81	102.7
67+ »	416	100.9	447	104.4	16	100.4	372	102.5	821	102.4
Total	663	30.3	688	31.7	23	21.0	546	29.8	1 231	33.8
<i>Men and women</i>										
16-39 years	33	1.8	28	1.7	3	2.8	32	2.2	75	2.7
40-49 »	51	6.9	43	5.6	2	5.9	51	8.2	97	8.3
50-54 »	45	11.4	49	11.5	1	7.6	45	14.8	84	13.1
55-59 »	73	20.5	72	23.0	1	10.7	54	21.7	115	19.4
60-64 »	167	62.4	198	75.7	2	15.8	86	45.6	174	39.4
65-66 »	73	78.9	93	104.5	2	44.0	41	62.9	159	103.5
67+ »	706	101.1	715	104.4	29	99.1	630	102.7	1 420	103.1
Total	1 148	26.7	1 199	28.7	40	18.6	939	26.9	2 124	29.7

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 (156 085 people) aged 60-66 years, as well as recipients of transition benefit (23 038 people) aged 53-59 years. As the widow's pension has been abolished in Denmark, and widows may instead apply for the ordinary an-

## OLD AGE, DISABILITY AND SURVIVORS

ticipatory pension, the number of pension recipients in Denmark is overestimated in relation to the other Nordic countries.

One reason for the high rates of pension in Finland 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, 24 533 people in 2000 aged 56-64 years who received partial retirement pension. Were they to be included in the calculations, 79.4 per cent of the 60-64 year-olds and 27.8 per cent of the 55-59 year-olds would be pensioners.

In Sweden, there were in 2000 13 200 persons aged 61-64 years that received partial retirement pensions. Were they to be included in the calculations, 42.4 per cent of the 60-64 year-olds in this group would be pensioners, corresponding to a total of 187 400 persons.

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

The age and sex composition of the pension recipients differs somewhat from country to country. With the exception of Finland, there are generally speaking most pension recipients over 55 years among women. The different pattern in Finland is mainly caused by the lower participation rate among women from the older age groups.

## 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 raised 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 by way of a basic or a 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/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 to all pension recipients is adjusted to any income from work they might have. The ordinary pension supplement is adjusted to a pensioner's own and any spouse's total incomes apart from the basic pension.

In Finland, a pension reform was implemented in 1996 to the effect that entitlement to basic pension was evaluated in relation 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 Iceland, the basic amount is adjusted according to special rules to any other taxable income, such as one's own and any spouse's incomes.

In Norway, the guaranteed minimum pension consists of a basic pension plus a special supplement. The special supplement is payable to people who do not qualify for employment pension or who receive a very low employment pension. In Denmark and Iceland, on the other hand, a supplement to the basic amount is payable. The amount of the supplement depends on a pensioner's other income.

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 any other income will be replaced by a guaranteed minimum pension payable to those who either do not qualify for or who receive a very low employment pension. The guaranteed minimum pension will be payable as from 2003.

OLD AGE, DISABILITY AND SURVIVORS

**Table 7.5 Monthly minimum amount of pension, 2000**

	Denmark DKK	Finland <sup>1)</sup> EUR	Iceland <sup>2)</sup> ISK	Norway NOK	Sweden SEK
<i>Single people</i>					
Minimum amount of pension per month					
KR/EUR					
- Basic amount	4 130	.	17 594	4 091	2 928
- Supplement	4 095	.	46 588	3 245	1 735
Minimum amount of pension per month, total					
- Before tax in					
KR/EUR	8 225	446.54	64 182	7 366	4 663
- Before tax in					
PPP-Euro	910	373	678	698	422
- After tax in					
KR/EUR	6 097	446.54	64 182	7 336	4 663
- After tax in					
PPP-Euro	674	373	678	698	422
<i>Married couples (both pensioners)</i>					
Minimum amount of pension per month					
KR/EUR					
- Basic amount	8 260	.	31 670	6 136	4 788
- Supplement	3 756	.	63 036	6 491	3 470
Minimum amount of pension per month, total					
- Before tax					
KR/EUR	12 016	783.08	94 706	12 672	8 258
- Before tax in					
PPP-Euro	1 329	654	1 000	1 201	747
- After tax in					
KR/EUR	9 494	783.08	94 706	12 672	8 258
- After tax in					
PPP-Euro	1 050	654	1 000	1 201	747

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 15 070, which is only payable to people who live alone.

### *Employment Pension to the Elderly*

The significance of the employment pension in respect of the total payment of pensions 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 *National Social Insurance 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 that depends on their own contributions.

As it appears from Table 7.6, there are large differences between the countries and between the sexes as to how many people receive only basic pension. In Denmark, it is a little less than 17 per cent men, but almost 47 per cent women. In Sweden, it is less than 4 per cent men, but about 22 per cent women.

## OLD AGE, DISABILITY AND SURVIVORS

**Table 7.6 Pensioners receiving old-age pension by way of basic pension/guaranteed minimum pension and employment pension at the end of the years 1990-2000**

	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 <sup>1)</sup>	Only basic/minimum pension	Both basic/minimum and employment pension <sup>1)</sup>
<i>Denmark</i>							
1990	706	24.3	75.7	24.9	75.1	54.3	45.7
1995	709	24.0	76.0	27.3	72.7	59.3	40.7
1999	710	20.7	79.3	18.5	81.5	49.3	50.7
2000	706	20.0	80.0	16.8	83.2	46.9	53.1
<i>Finland<sup>2)</sup></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
1999	858	15.3	84.7	5.0	95.0	16.6	83.4
2000	870	15.7	84.3	4.9	95.1	15.8	84.2
<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
1999	28	31.3	68.7	6.9	93.1	11.7	88.3
2000	28	31.2	68.8	4.9	95.1	8.8	91.2
<i>Norway</i>							
1990	613	18.5	81.5	22.3	77.7	67.0	33.0
1995	625	15.4	84.6	15.6	84.4	58.7	41.3
1999	631	14.9	85.1	15.0	85.0	59.1	40.9
2000	629	13.8	86.2	12.7	87.3	55.1	44.9
<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
1999	1 600	10.1	89.9	3.5	96.5	23.7	76.3
2000	1 604	10.7	89.3	3.5	96.5	22.2	77.8

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.



### *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.

## Pension Amounts

**Table 7.7 Average payment of statutory old-age pensions per month, 2000**

	KR/EUR			PPP-Euro		
	Men	Women	Total	Men	Women	Total
Denmark <sup>1)</sup>	6 590	7 173	6 940	729	793	768
Finland <sup>2)</sup>	1 143	695	870	955	581	727
Iceland <sup>3)</sup>	..	..	90 914	..	..	960
Norway <sup>2)</sup>	10 381	7 724	8 814	984	732	835
Sweden <sup>2)</sup>	10 338	6 603	8 219	936	598	744

1 Average payment of statutory old-age pension in January 2000 and calculated payment of own pension by way ATP in 2000 pr. recipient of statutory old-age pension.

2 Average payment of pension in December.

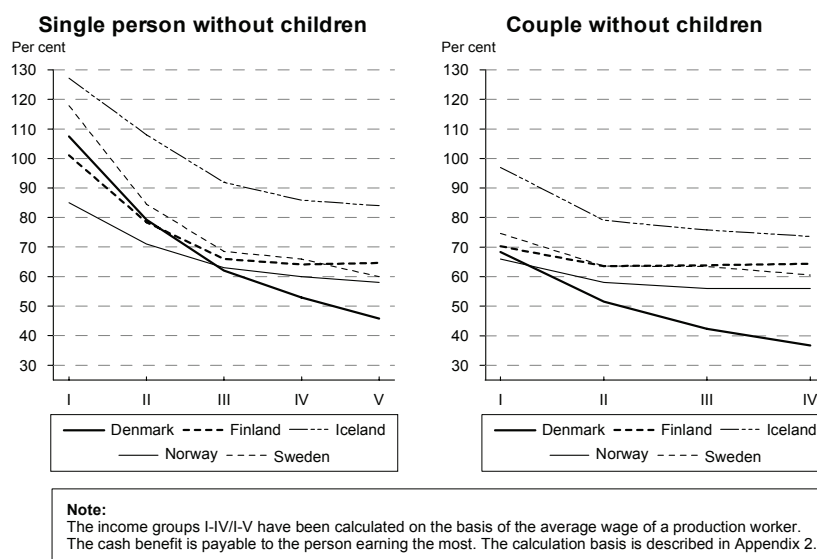
3 Expenditure on both basic and employment pensions, divided by the number of recipients of basic pension have been included. About 96 per cent of those receiving a basic pension also receive an employment pension.

As can be seen there are large differences in the benefits payable to men and women. While men receive the highest amount in Finland, Norway and Sweden due to a large accumulation of ATP, men in Denmark receive least, which is a result of more men receiving supplementary pensions, which has a bearing on the basic pension.

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.

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**Figure 7.5 Disposable incomes when receiving old-age pension (including employment pension) as percentages of disposable income from work, 2000**



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 housing benefits payable to pensioners in those countries. In Finland, Norway and Sweden, an important factor is that especially favourable tax rules apply to pensioners. 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.

## 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 ordinary 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 has 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.

## OLD AGE, DISABILITY AND SURVIVORS

**Table 7.8 Average monthly amounts of the special old-age/partial retirement pensions as per December 2000**

	KR/EUR	PPP-Euro
<i>Denmark</i>		
Basic ordinary anticipatory pension <sup>1)</sup>	7 502	830
Voluntary early retirement pay <sup>2)</sup>	9 849	1 094
Partial retirement pension <sup>3)</sup>	5 844	646
Transition allowance <sup>2)</sup>	9 693	1 072
<i>Finland<sup>3)</sup></i>		
Partial retirement pension	519	434
Special pensions to farmers	671	561
<i>Norway<sup>4)</sup></i>		
Pension fixed by collective agreement	10 400	986
Special pension to sailors	2 888	274
Special pension to fishermen	4 450	422
Special pension to woodsmen	2 611	247
<i>Sweden<sup>3)</sup></i>		
Partial retirement pension	1 800	163

1 Average pension paid out in January 2000.

2 Average benefit amount paid out in 2000.

3 Average pension paid out in December 2000.

4 Average monthly amount, December 2000 (average annual amount in 2000 divided by 12).

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 in the scheme 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.

OLD AGE, DISABILITY AND SURVIVORS

**Table 7.9 Pensioners receiving special old-age/partial retirement pensions, by sex and age, 2000**

	Total	-49		50-59		60-64		65-	
		M	W	M	W	M	W	M	W
<i>Denmark</i>									
Basic ordinary anticipatory pension	95 208	10 482	13 165	11 547	22 394	6 355	18 509	2 736	10 020
Voluntary early retirement pay <sup>1)</sup>	179 843	.	.	7 166	15 872	49 466	58 986	24 775	23 578
Partial retirement pension	3 328	.	.	.	.	1 697	420	973	238
<i>Finland</i>									
Partial retirement pension	24 533	.	.	6 629	8 220	4 538	5 146	.	.
Special pension to farmers	40 845	.	.	2 197	3 534	4 761	6 380	11 035	12 938
<i>Norway</i>									
Pension fixed by collective agreement	31 576	.	.	.	.	10 833	7 902	7 366	5 475
Special pension to sailors <sup>2)</sup>	18 918	.	.	..	..	..	..	..	..
Special pension to fishermen	1 684	.	.	..	..	..	..	..	..
Special pension to woodsmen	72	.	.	..	..	..	..	..	..
<i>Sweden<sup>3)</sup></i>									
Partial retirement pension	13 200	.	.	.	.	..	..	.	.

1 Including 23 038 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 2000. 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 in their own homes 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 percentages of the total number of elderly, December 2000**

	Denmark <sup>1)</sup>	Finland	Iceland <sup>2)</sup>	Norway <sup>1)</sup>	Sweden <sup>3)</sup>
<i>People of the ages</i>					
65-74 years	8 917	8 829	430	8 847	10 870
75-79 years	10 890	9 711	502	12 715	16 718
80+ years	43 240	34 564	2 149	51 068	93 717
Total, 65/67+ years	63 047	53 104	3 082	72 630	131 086
<i>As percentage of the respective age groups</i>					
65-74 years	2.8	2.0	2.3	3.4	1.5
75-79 years	6.6	5.9	7.4	8.3	4.9
80+ years	20.2	19.5	27.5	25.9	20.7
Total, 65/67+ years	9.0	6.8	9.4	11.8	8.6

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

2 Only residents in homes for the long-term ill, 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 October 2000. 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, 2000**

	Denmark <sup>1)</sup>	Finland <sup>2)</sup>	Iceland	Norway <sup>3)</sup>	Sweden <sup>4)</sup>
<i>Recipients of home help</i>					
65-74 years	} 65 134	15 938	..	13 999	17 476
75-79 years		39 930	..	20 366	21 778
80+ years	106 609	27 280	..	62 136	86 070
Total 65+ years	171 743	83 148	6 155	96 501	125 324
<i>Recipients of home help as percentage of the age group</i>					
65-74 years	} 13.4	3.6	..	5.3	2.4
75-79 years		15.2	..	13.3	6.4
80+ years	49.9	34.8	..	31.6	19.0
Total 65+ years	24.6	10.7	18.9	15.7	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 October 2000 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 had been granted home help per October. Besides, the Finnish statistics comprise households, whereas they for the other countries comprise individuals.

## Support Schemes and Leisure Activities

In the Nordic countries, pensioners are offered various kinds of support schemes 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.

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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 disabilities 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 58-64 years.

### *Anticipatory Pension Basis*

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 apply to old-age pensioners. Besides, anticipatory pensioners who have been granted the intermediate amount of anticipatory pension also receive a disability allowance, and anticipatory pensioners who have been granted the highest amount of anticipatory pension also receive an unemployment amount in addition to the disability allowance.



The disability allowance and the unemployability amount are not earnings-related, and besides, the disability allowance is exempt from tax. In Denmark, anticipatory pensioners do not receive employment pension. As mentioned earlier, the ordinary 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 by way 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 it is for old-age pensioners.

### *Circumstances Influencing the Number of Anticipatory 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, a 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

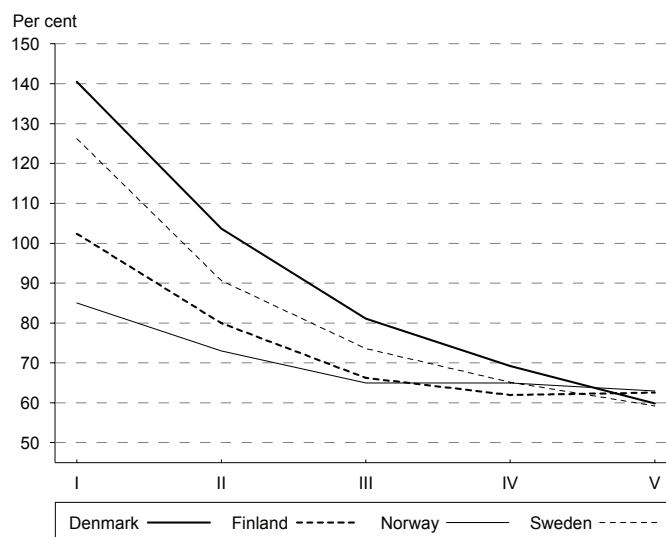
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all the countries. In addition, a number of special supplements may be payable in Denmark, as well as an employment pension in the other countries, as mentioned above.

### *Compensation Levels*

Figure 7.6 shows the compensation level for a single 50 year-old disability/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 disability allowance 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, 2000**



**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.

**Table 7.12 Average monthly amount of statutory disability/anticipatory pension, 2000**

	KR/EUR			PPP-Euro		
	Men	Women	Total	Men	Women	Total
Denmark <sup>1)</sup>	9 891	9 561	9 724	1 094	1 058	1 076
Finland <sup>2)</sup>	981	773	884	820	646	739
Iceland <sup>3)</sup>	..	..	81 910	..	..	865
Norway	10 685	7 789	9 023	1 013	738	855
Sweden <sup>2)</sup>	8 796	7 221	7 903	796	653	715

1 Average amount of highest and intermediate anticipatory pensions paid out in January 2000.

2 Average pension amount as per December.

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

In all the countries, men receive a higher benefit on average than do women. In Finland, Norway and Sweden, this is a result of higher accumulation of the ATP.

### *Number of Anticipatory Pension Recipients*

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 working capacities 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, with the exception of 1999, been small, but increased again in 2000. 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 had increased again, but from 1999 to 2000, there was a drop in the number of anticipatory pensioners, the main reason being that less people applied for anticipatory pension at the same time as an increased number had their applications turned down. This is mainly a result of demography and amendment of rules in

## OLD AGE, DISABILITY AND SURVIVORS

**Table 7.13 Recipients of disability/anticipatory pension and new accession of disability/anticipatory pensioners, by sex, 1990-2000**

	Denmark <sup>1)</sup>		Finland		Iceland <sup>2)</sup>		Norway <sup>3)</sup>		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 of qualifying age	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 of qualifying age	0.3	0.3	..	..	0.6	0.9	0.8	1.0	0.7	0.8
<i>1999</i>										
Recipients	81 903	83 721	149 944	132 095	3 934	5 564	115 347	154 493	186 461	238 489
New accession	3 672	3 274	..	..	371	659	14 822	18 729	17 587	21 919
New accession as percentage of population of qualifying age	0.2	0.2	..	..	0.4	0.8	1.1	1.5	0.7	0.9
<i>2000</i>										
Recipients	81 426	83 367	147 022	129 247	4 172	6 108	119 160	160 413	189 727	248 216
New accession	4 332	4 237	13 004	11 691	378	801	13 529	16 150	21 303	27 934
New accession as percentage of population of qualifying age	0.2	0.2	0.8	0.7	0.4	0.9	1.0	1.3	0.8	1.1

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. For 1999, 15-18 per cent of the included anticipatory pensioners are not proper ordinary anticipatory pensioners.

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

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.

OLD AGE, DISABILITY AND SURVIVORS

**Table 7.14 Pensioners receiving disability/anticipatory pension by way of basic pension/guaranteed minimum pension and/or employment pension, total 1990-2000**

	1990	1995	1999	2000
<i>Denmark</i>				
18-19 years	407	485	564	570
20-29 »	6 959	8 317	7 501	7 598
30-39 »	15 943	18 305	18 267	18 364
40-49 »	31 198	34 919	33 107	33 757
50-59 »	52 990	57 198	59 743	60 933
60-64 »	35 688	34 504	33 352	33 366
Total 18-64 »	143 185	153 728	152 534	154 588
65-66 »	12 953	12 918	12 259	12 263
<i>Finland<sup>1)</sup></i>				
16-19 years	1 980	1 978	1 906	1 569
20-29 »	10 477	9 031	8 216	8 240
30-39 »	23 286	20 379	18 564	18 451
40-49 »	43 970	49 498	44 440	43 096
50-59 »	119 384	113 830	105 150	108 344
60-64 »	101 835	114 787	103 763	96 569
Total 16-64 »	300 932	309 503	282 039	276 269
65-66 »	.	.	.	.
<i>Iceland<sup>2)</sup></i>				
16-19 years	221	322	205	193
20-29 »	837	1 048	889	971
30-39 »	1 137	1 825	1 660	1 719
40-49 »	1 275	1 973	2 126	2 362
50-59 »	1 801	2 234	2 352	2 600
60-64 »	1 481	1 712	1 471	1 533
Total 16-64 »	6 752	9 114	8 703	9 378
65-66 »	695	905	795	902
<i>Norway</i>				
16-19 years	668	778	562	544
20-29 »	6 336	6 625	7 749	7 687
30-39 »	18 314	19 106	23 289	24 011
40-49 »	38 442	44 153	50 043	51 285
50-59 »	69 141	73 415	94 364	99 405
60-64 »	65 803	59 700	64 261	67 054
Total 16-64 »	198 704	203 777	240 268	249 986
65-66 » <sup>3)</sup>	35 657	32 524	29 572	28 526
<i>Sweden</i>				
16-19 years	3 232	3 138	3 567	3 910
20-29 »	10 486	12 181	13 118	13 924
30-39 »	25 629	31 645	32 668	34 463
40-49 »	59 984	78 902	75 830	78 134
50-59 »	120 184	156 598	167 218	174 686
60-64 »	141 839	137 394	132 549	132 826
Total 16-64 »	361 354	419 858	424 950	437 943
65-66 »	.	.	.	.

1 Including individual disability pensions.

2 For 1999, 15-18 per cent of the included disability pensioners are not proper ordinary disability pensioners.

3 To this should be added 1 061 67 year-olds in 2000, as the old-age pension is received as from the month following the month in which an applicant turns 67 years.

## OLD AGE, DISABILITY AND SURVIVORS

**Table 7.15 Pensioners receiving disability/anticipatory pension by way of basic pension/guaranteed minimum pension and/or employment pension as percentages of the respective age groups, 1990-2000**

	1990	1995	1999	2000
<i>Denmark</i>				
18-19 years	0.1	0.2	0.2	0.2
20-29 »	0.9	1.1	1.0	1.1
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	8.1	8.1
60-64 »	14.6	14.4	12.8	12.5
Total 18-64 »	4.1	4.3	4.3	4.3
65-66 »	13.3	14.3	13.5	13.2
<i>Finland<sup>1)</sup></i>				
16-19 years	0.8	0.8	0.7	0.6
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	5.6	5.5
50-59 »	22.6	19.4	14.8	14.7
60-64 »	39.4	47.6	39.4	36.9
Total 16-64 »	9.1	9.2	8.3	8.1
65-66 »	.	.	.	.
<i>Iceland<sup>2)</sup></i>				
16-19 years	1.3	1.9	1.2	1.1
20-29 »	2.0	2.6	2.1	2.3
30-39 »	2.8	4.3	4.0	4.1
40-49 »	4.3	5.6	5.4	5.9
50-59 »	8.7	9.7	8.5	8.9
60-64 »	14.4	17.0	15.2	15.8
Total 16-64 »	4.2	5.4	4.8	5.2
65-66 »	13.0	21.8	20.9	23.7
<i>Norway</i>				
16-19 years	0.3	0.4	0.5	1.0
20-29 »	1.0	1.0	1.3	1.0
30-39 »	2.9	2.9	3.4	4.0
40-49 »	6.7	7.1	8.0	8.0
50-59 »	18.0	16.3	17.5	18.0
60-64 »	33.6	33.9	35.3	36.0
Total 16-64 »	7.4	7.4	8.8	9.0
65-66 »	43.8	42.8	43.2	43.0
<i>Sweden</i>				
16-19 years	0.7	0.8	0.9	1.0
20-29 »	0.9	1.0	1.2	1.3
30-39 »	2.2	2.6	2.6	2.7
40-49 »	4.8	6.4	6.5	6.7
50-59 »	13.7	14.7	13.9	14.2
60-64 »	33.5	34.2	30.8	30.0
Total 16-64 »	6.7	7.6	7.7	7.8
65-66 »	.	.	.	.

1 Including individual disability pensions.

2 For 1999, 15-18 per cent of the included disability pensioners are not proper ordinary 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 by way 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 weak groups in the labour market, an enhancement of the work-related rehabilitation took place in 1999.

In Finland, about 80 per cent of people in rehabilitation programmes 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 at 66 per cent of the pensionable income that the applicant earned the year before the reduction of his working capacity, or his average income during the past three years. The minimum benefit must at least equal 1.6 times the basic amount from the Social Security Service, corresponding to NOK 78 544. The rehabilitation proper may be carried through in a co-operation between i.a. the

## OLD AGE, DISABILITY AND SURVIVORS

health, labour-market, and social-security sectors to the effect that these sectors must provide an overall offer to each person concerned.

In Sweden, a number of compensations and benefits are payable in connection with rehabilitation. A training benefit by way 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 participates 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 2000**

	Denmark <sup>1)</sup>	Finland <sup>2)</sup>	Iceland	Norway <sup>3)</sup>	Sweden <sup>4)</sup>
<i>People receiving rehabilitation benefit during the year</i>					
Men	12 508	20 000	350	50 222	16 390
Women	22 305	33 470	437	61 585	29 836
Total	35 080	53 470	787	111 807	46 226
<i>People receiving rehabilitation benefit as at December 2000</i>					
Men	7 393	3 955	152	31 001	4 998
Women	14 326	5 337	206	39 386	9 271
Total	21 790	9 292	358	70 386	14 269

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. Total during the year includes 267 not stated, and total per December includes 71 not stated in respect of sex.

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 a temporary loss of working capacities. 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 by way 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.

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

In Sweden, compensation is granted by way 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 taking 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 their homes by having the extra expenses incurred by the child's disability covered.

Adults who have reduced capabilities and 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 available for people with reduced capabilities, 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 2000**

	Denmark <sup>1)</sup>	Finland	Iceland	Norway <sup>2)</sup>	Sweden <sup>3)</sup>
Under 65 years, total	17 243	17 694	872	15 050	21 063
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 Average of the calculation as at 1 January and 1 October 2000. 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.

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### *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.

**Table 7.18 People under 65 years receiving home help, 2000**

	Denmark <sup>1)</sup>	Finland <sup>2)</sup>	Iceland	Norway <sup>3)</sup>	Sweden <sup>4)</sup>
Recipients of home help under 65 years, total	29 515	35 450	3 463	25 521	14 761
Recipients of home help as percentage of the age groups under 65 years	0.6	0.8	1.4	0.7	0.2

1 Households under 67 years.

2 Households. Out of the 35 450 6 383 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 at 1 November 2000.

### *Personal Assistance*

In all the Nordic countries, people with severe disabilities qualify for financial support towards payment of personal assistance and help to cope with daily life.

In Denmark, persons under 67 years who suffer from a considerably and permanently reduced physical or mental capacity and who need personal help and support to carry out the necessary practical chores in their homes for more than 20 hours per week, may choose to have a supplement towards payment of the employment of assistants. Besides, local authorities may grant a supplement to cover the expenses of employment of assistants to carry out care, surveillance and accompaniment to persons suffering from a considerably and permanently reduced physical or mental capacity and who are active in some way, for example in connection with work, which makes it necessary to grant very special support. At the end of 2000, 1 477 persons were covered by the schemes for employment of assistants.

Local authorities also grant 15 hours of accompaniment per month to persons under 67 years, who are unable to go out alone due to a considerably and permanently reduced physical or mental capacity. Besides, local authorities may grant assistance by way of a special contact person to people

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who suffer from reduced sight and hearing, and see to it that people suffering from mental disabilities get offered a support and contact person. At the end of 2000, 9 855 people were covered by the accompaniment and contact-person schemes.

In Finland, local authorities may improve a severely disabled persons course of life in his own home by granting a financial supplement towards payment of a personal assistant. This supplement is earmarked for severely disabled persons who are highly in need of the help of others to manage daily life. The need for help and support must be assessed by a doctor, and where necessary, also by another employee from the social and health service. In 2000, 2 817 people were covered by the scheme.

Also in Iceland, personal assistance to deal with daily life may be granted. It is possible for a disabled person to employ a personal assistance direct and thus assume the role of employer in relation to the assistant.

Personal assistance may also be granted to people who need to free themselves from social isolation. Finally, families with disabled children may receive relief from another family who takes care of the child/children – usually one or two weekends a month.

In Norway, there are also schemes for personal assistance, and local authorities may offer their help by way of user-dependent assistance. The number of assistance hours shall be determined by an individual's need for help. What signifies this scheme is that the recipient of the help acts as an employer for the assistant and thus assumes a larger responsibility for the organization and the scope of the help in relation to his own needs. Since 1994, local authorities have been subsidized in order for them to promote such schemes. In 2000, local authorities received subsidies for 686 persons. For those who do not want the assistance in this way, it is the local authorities' responsibility to offer some other kind of help, such as home help or a "support contact". The number of hours will be determined by an individual's need. Since 1997, a pilot project with *function assistants* has been running. They are to provide practical help, during working hours, to people who are severely disabled, and are managed by the recipient. In 2000, 19 persons participated in the project. The aim is to enable severely disabled people to remain in normal employment and to enable those who have not previously been in the labour market to assume a normal job.

In Sweden, people are entitled to personal assistance if they, due to severe, permanent disabilities, need help with their personal hygiene, meals, dressing or communication with others (the so-called basic needs). Help may also be granted to other needs in daily life, if these cannot be managed in any other way. Personal assistance is based on the condition that the as-

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sistance must provide a disabled person with increased possibilities of leading an independent life. Help and assistance must be available at different times day and night and must be offered by a limited number of people. Personal assistance is granted by way of a personal assistant or a financial supplement to employment of such an assistant. Local authorities cover the expenses for up to 20 hours of assistance per week. Should the need exceed 20 hours per week, Central Government shall cover the expenses for the hours exceeding 20. In 2000, about 12 700 people received personal assistance.

### *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 2000, these measures comprised 20 843 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 2000, there were 9 900 people in flex-jobs and 5 400 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, sheltered employment in the open labour market or in sheltered workshops. 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 their 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 to ease their daily life.

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 via the employment service. In 2000, about 54 100 people with reduced working capacities participated in special programmes for the disabled, such as wage subsidies, publicly subsidized work and special introduction and follow-up support. 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 2000, about 29 000 incapacitated people were such employed. The Institution for Sheltered Work took on about 2 200 people in 2000. In the recruitment process, people with mental and intellectual incapacities as well as people with several disabilities are given priority.

### *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 clear-

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ing. 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 by way 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. Widows and widowers may in Denmark apply for ordinary anticipatory pension, which in this report is termed special old-age pension. Pensioners, who were married to a pensioner, have so far in case of death been granted a short-term survivor's pension that was paid and registered together with their pension. With effect from 1 April 2000, this survivor's pension was abolished, and a survivor's assistance was introduced. The assistance is payable to persons whose spouse or partner dies, and it is payable to both pensioners and non-pensioners. The survivor's assistance is income and property-adjusted and will be granted as a non-recurrent payment. In 2000, 3 200 people were granted survivor's assistance, of whom 850 people were under the age of 67 years.

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 Iceland, survivor's pension has been abolished as a basic pension, but is still being paid by the employment pension scheme. 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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In Finland, Norway and Sweden, widows and widowers are entitled to survivor's pension by way of basic pension/guaranteed minimum pension and employment pension.

The basic pension/guaranteed minimum pension shall 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 shall also be revoked in the event that a survivor is awarded anticipatory pension. Pension is payable to a survivor by way 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.

**Table 7.19 Pensioners aged 18-64/66 years receiving statutory survivor's pension, 1990-2000**

	Denmark <sup>1)</sup>		Finland <sup>2)</sup>		Iceland <sup>3)</sup>		Norway <sup>4)</sup>		Sweden <sup>5)</sup>	
	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
1999	.	.	7 612	47 497	1 582	2 812	2 089	25 945	1 596	54 919
2000	.	.	7 945	46 292	1 459	2 176	2 001	25 086	1 617	53 254

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 by way of employment pension. In 2000, the number of pensioners over 64 years receiving survivor's pension was 180 201 women and 18 360 men.

3 From 1999 only pensioners aged 16-65 years receiving employment pension.

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-adjusted. 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.

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**Table 7.20 Average monthly amount of statutory survivor's pension, 2000**

	KR/EUR			PPP-Euro		
	Men	Women	Total	Men	Women	Total
Denmark	.	.	.	.	.	.
Finland <sup>1)</sup>	167	426	399	140	356	333
Iceland	..	..	..	..	..	..
Norway	3 903	5 849	5 705	370	554	541
Sweden <sup>2)</sup>	4 772	2 711	2 723	432	245	246

1 Amount paid on average as at December.

2 Average amount as at December 2000 for pension recipients under 65 years by way 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 by way 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 by way 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 by way of supplementary pension if a deceased was a member of such a pension scheme.

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**Table 7.21 Children receiving child pension by way of basic pension and/or employment pension. Total and as percentages of children of the qualifying age groups, 1990-2000<sup>1)</sup>**

	Denmark	Finland	Iceland <sup>2)</sup>	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
1999	17 287	28 247	1 336	13 777	29 918
2000	17 278	28 476	1 300	14 074	29 570
<i>As percentage of children of the qualifying age groups</i>					
2000	1.5	2.1	1.7	1.3	1.4 <sup>3)</sup>

1 Entitled were, in 2000, 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, 2000**

	Denmark	Finland	Iceland	Norway <sup>1)</sup>	Sweden
KR/EUR	791	263	13 720	1 541	2 549
PPP/Euro	88	220	145	146	231

1 Amount paid on average as at December.

## 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. Sweden is the Nordic country spending the most on cash benefits to the elderly, and Iceland is the country spending the least.

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 part of the services for the elderly being provided at 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 per capita. In return, Denmark spends the most on anticipatory pension per anticipatory pensioner, followed by Norway, while Finland spends the least. The expenditure on services to the disabled is highest in Denmark and Sweden and lowest 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 1999 to 2000*

In Denmark, the expenditure on the Labour Market Supplementary Pension Scheme (employment pension) continues to increase, whereas the expenditure on old-age pension declined slightly from 1999 to 2000 as a result of a decrease in the number of old-age pensioners. The expenditure on the

## OLD AGE, DISABILITY AND SURVIVORS

voluntary early retirement scheme increased as a result of a demographically conditioned increase in the number of recipients from 148 000 in 1999 to 156 000 in 2000, 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 4 500 from 1999 to 2000. The expenditure on the ordinary anticipatory pensions under special old-age pensions decreased as a result of a decline in the number of anticipatory pensioners. The expenditure on rehabilitation and on flex-jobs to people with reduced working capacities continued to increase from 1999 to 2000. The expenditure on institutions, etc., for the elderly and the disabled decreased, which only partly is cancelled out by an increase in the expenditure on care and nursing, etc. of the elderly and the disabled in their own homes.

In Finland, the expenditure on the elderly increased by 1 per cent from 1999 to 2000. Efforts were enhanced to improve care for the elderly and the expenditure in this field increased by 4 per cent. The number of recipients of old-age pension increased by 12 000 people. On the other hand, the expenditure on the disabled decreased by 3 per cent, which was chiefly due to the number of recipients of anticipatory pension decreasing by 5 770 people. The age limit for the individual anticipatory pension was raised. The expenditure on care measures for the disabled increased by 2 per cent, whereas there was a slight decrease in the expenditure on survivors.

In Iceland, the expenditure on the elderly increased by 6.3 per cent in terms of 2000 prices, of which services increased by 2.4 per cent and cash benefits by 7.8 per cent. The expenditure on employment pension increased by 16.2 per cent as a result of the wage development and of 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 21.1 per cent in 2000 prices, of which services increased by 25.4 per cent and cash benefits by 19.2 per cent. The basic pension increased by 23.4 per cent and the employment pension by 8.7 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 an increase of the basic pension amount. At the same time pensions from 1997 onwards were adjusted by an amount totalling ISK 1.3 billion. The increase in the expenditure on services was due to increased expenditure on rehabilitation as well as to higher wage costs.

In Norway, the expenditure on cash benefits to old-age pensioners increased from 1999 to 2000, although the number of old-age pensioners decreased during the year. The increase in the expenditure was due to the Social Security Scheme still being in the process of establishment and the

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number of pensioners entitled to employment pension increasing. The expenditure on special old-age pensions increased by about 10 per cent from 1999 to 2000. This is a result of more AFP pensioners in the private sector of the age group 64 to 67 years that are subsidized by Central Government. The number of anticipatory pensioners continued to increase in 2000, but the accession of new anticipatory pensioners was somewhat lower than in 1998 and 1999. The expenditure on anticipatory pension increased by 5.5 per cent from 1999 to 2000. There were only slight changes in relation to benefits to survivors.

In Sweden, the expenditure on the elderly, the disabled and survivors amounted to 16.2 per cent of the GDP in 2000, or 50.1 per cent of the total social expenditure. In comparison with 1999, there has been a decrease in the expenditure on the elderly, the disabled and survivors, which is solely due to a decrease in the expenditure on the elderly. The expenditure on the elderly corresponded to 11.7 per cent of the GDP in 2000. The marginal decrease in the nominal value of the expenditure on the basic pension as well as a marked increase in the GDP in 2000 contributes to explain the relative decrease. As percentage of the total social expenditure, the expenditure on the elderly has remained relatively stable during the past four years. The Swedish Government's prioritizing of the care measures for the elderly together with an improved financial situation in the municipalities has resulted in the public expenditure on care for the elderly (services) now constituting a larger proportion of the total expenditure on the elderly. When it comes to the expenditure on the disabled, its proportion of the total social expenditure has remained almost constant during the past four years and totalled in 2000 11.5 per cent of the total social expenditure. Also in relation to the GDP, the expenditure on the disabled was relatively constant from 1999 to 2000, corresponding to 3.7 per cent of the GDP in 2000. The expenditure on survivors has for the past three years amounted to 0.7 per cent of the GDP. Calculated in relation to the total social expenditure, the expenditure remained at a constant 2.2 per cent.

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**Table 7.23 Expenditure on and financing of pensions, other cash benefits and services to the elderly, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Cash benefits, million KR/EUR</i>					
A. Old-age pensions	85 185	8 284	27 489	74 007	188 155
Of which:					
a. Basic/Minimum pension	56 293	1 781	14 469	32 446	53 199
b. Employment pension	3 482	6 220	13 020	32 902	96 481
c. Additional pension	25 410	284	-	8 660	38 475
B. Special old-age pensions	30 389	598	-	439	
C. Partial retirement pension	221	133	-	-	211
D. Other	29	127	-	-	2
Cash benefits, total	115 824	9 142	27 489	74 446	188 368
<i>Services, million KR/EUR</i>					
A. Institutions, etc.	2 064	496	8 379	14 712	43 851
B. Assistance to carry out daily tasks	19 145	321	590	10 410	11 822
C. Other	1 066	233	432	4 850	2 245
Services, total	22 275	1 049	9 401	29 972	57 918
Total expenditure, million KR/EUR	138 098	10 191	36 891	104 417	246 286
Expenditure as percentage of GDP	10.7	7.8	5.5	7.3	11.7
<i>Financed by (per cent)</i>					
- Public authorities	55.5	22.7	27.5	52.5	34.2
- Employers	20.7	62.0	55.2	27.7	40.7
- The insured (contributions and special taxes)	23.8	15.4	17.3	19.9	25.1
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million KR/EUR	524	110	2 203	3 550	3 733
- Per cent	0.4	1.1	6.2	3.5	1.5

**OLD AGE, DISABILITY AND SURVIVORS**

**Table 7.24 Expenditure on and financing of pensions, other cash benefits and services to disabled people, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Cash benefits, million KR/EUR</i>					
A. Disability/Anticipatory pensions	19 880	2 635	11 823	33 338	44 530
Of which:					
a. Basic/Minimum pension	19 880	629	8 768	13 197	14 219
b. Employment pension	-	1 990	3 055	17 202	24 770
c. Additional pension	-	16	-	2 939	5 541
B. Early retirement benefit due to reduced working capacity	2 117	393	-	-	-
C. Care allowance	-	76	-	2 637	2 850
D. Financial integration of the disabled	4 985	53	-	8 046	1 491
E. Other	2 678	293	175	1 131	-
Cash benefits, total	29 660	3 450	11 998	45 152	48 871
<i>Services, million KR/EUR</i>					
A. Institutions, etc.	6 154	133	1 978	518	11 710
B. Assistance to carry out daily tasks	3 490	214	86	4 010	9 890
C. Rehabilitation	2 351	412	3 564	7 397	1 745
D. Other	1 810	252	299	889	5 860
Services, total	13 806	1 012	5 927	12 815	29 205
Total expenditure, million KR/EUR	43 466	4 462	17 925	57 967	78 076
Expenditure as percentage of GDP	3.4	3.4	2.7	4.1	3.7
<i>Financed by (per cent)</i>					
- Public authorities	67.1	33.0	42.5	47.8	48.1
- Employers	4.8	50.6	46.2	30.2	50.6
- The insured (contributions and special taxes)	28.0	16.4	11.3	22.0	1.3
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million KR/EUR	-379	-136	3 132	3 047	2 134
- Per cent	-0.9	-3.0	21.2	5.5	2.8



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**Table 7.25 Expenditure on and financing of cash benefits and services to survivors, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Cash benefits, million KR/EUR</i>					
A. Survivors' pension	1	1 236	3 270	4 124	14 388
Of which:					
a. Basic/Minimum pension	-	22	253	1 189	720
b. Employment pension	-	1 164	3 016	974	13 087
c. Additional pension	1	50	-	1 961	900
B. Death grants	-	36	83	-	-
C. Other	-	-	-	15	-
Cash benefits, total	1	1 272	3 353	4 139	14 707
<i>Services, million KR/EUR</i>					
A. Funeral grants	146	5	-	231	-
B. Other	-	-	-	-	-
Services, total	146	5	-	231	-
Total expenditure, million KR/EUR	147	1 276	3 353	4 370	14 707
Expenditure as percentage of GDP	0.0	1.0	0.5	0.3	0.7
<i>Financed by (per cent)</i>					
- Public authorities	100.0	7.4	1.8	42.4	0.0
- Employers	0.0	70.7	69.8	35.2	97.6
- The insured (contributions and special taxes)	0.0	21.9	28.4	22.4	2.4
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million KR/EUR	-31	-19	-287	-13	64
- Per cent	-17.4	-1.5	-7.9	-0.3	0.4

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**Table 7.26 Expenditure on cash benefits to the elderly, the disabled and survivors in PPP/capita and per pensioner, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>The elderly</i>					
Cash benefits per capita	2 399	1 475	1 032	1 571	1 921
Old-age pension per pensioner	13 347	8 372	10 365	11 152	10 616
Services per person 65 years and older	3 115	1 135	3 037	4 172	3 422
Total benefits and services to the elderly per capita	2 861	1 645	1 384	2 204	2 512
<i>The disabled</i>					
Cash benefits per capita	614	557	451	953	498
Anticipatory pension per anticipatory pensioner	13 180	8 305	12 142	11 346	9 202
Services per capita	286	163	223	270	298
Total benefits and services to the disabled per capita	900	720	673	1 223	796
<i>Survivors</i>					
Total per capita	3	206	126	92	150

### *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 2000, user charges amounted to 20 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 8 per cent of the municipal expenditure.

In Norway, user charges payable for stays in institutions depend on a patient's income. No user charges are payable for the first month at an institution. If one has been admitted for a short time earlier that same year, there will be no charges before 60 days of stay within one and the same calendar year. 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 payable for the municipal old-age homes and homes for the long-term ill amount to 75 per cent (less a basic allowance of NOK 6 000) of an income that is lower than NOK 49 090 and to 85 per cent of incomes higher than that. Besides, there are special rules for people whose spouses still live in their homes. User charges payable for state or county homes for the long-term ill amount to 75 per cent of the basic amount (NOK 49 090) plus 90 per cent of the special supplement/employment pension. Special rules apply where a pensioner provides for a spouse and/or children. Consequently, the user charges are lower in the municipal sick/nursing home than in the state and county homes for the long-term ill. 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 personal care and nursing. If an income is lower than NOK 98 180 in 2000, 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 2000. As from 1996, user charges payable for stays in institutions, individual housing and home help in traditional housing cannot be calculated separately.

*Chapter 8*

## Housing Benefits

**Table 8.1 Expenditure on housing benefits as percentage of the total social expenditure in the EU, Iceland and Norway, 1999**

Denmark	2.4	Austria	0.3	Italy	-
Finland	1.6	Belgium	..	Luxembourg	0.3
Iceland	0.7	France	3.2	The Netherlands	1.6
Norway	0.7	Germany	0.6	Portugal	-
Sweden	2.3	Greece	3.1	Spain	1.2
		Ireland	3.4	United Kingdom	6.1

Note: See Table 4.1.

## Housing Benefits to Families

*– Housing Benefits are Income-Adjusted and Tax-Free*

In all the countries, housing benefits are granted to both families with and families without children. In Norway, housing benefit is usually only granted to families without children if at least one person receives other cash benefits. The rules governing housing benefits 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, families who own their accommodation may also qualify for housing benefit. A family's income and the amount of the housing costs, as well as the number of children in the household, 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, 2000**

	Denmark	Finland	Norway	Sweden <sup>1)</sup>
<i>Average housing benefit per month per family, KR/EUR</i>				
Married and cohabiting couples				
– with children	1 230	231	2 070	1 685
– without children	493	167	1 937	767
Single people				
– with children	1 646	236	1 765	1 626
– without children	379	149	1 533	616
<i>Average housing benefit per month per family, PPP-Euro</i>				
Married and cohabiting couples				
– with children	136	193	196	152
– without children	54	140	184	69
Single people				
– with children	182	197	167	147
– without children	42	125	145	56

1 December 2000.

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 any deposit, in order to enable people with a poor economy to find appropriate and reasonable accommodation. 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. These were mainly single providers due to an increase in the unemployment rate in several of the countries. From 1997, the number of recipients of housing benefit dropped again in some of the countries, however, due to a decrease in the unemployment rate, but in Finland, the number of recipients increased as the maximum income limit for receiving housing benefit was increased. In 2000, the number of housing-benefit recipients decreased, as the majority of students, who lived in rented accommodation, were granted a housing supplement to their study grants instead of the ordinary housing benefits. In Sweden, households without children lost their entitlement to housing benefits as from 1996 in case the 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

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**Table 8.3 Families receiving housing benefit at the end of the years 1990-2000**

	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>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
<i>2000</i>				
Married and cohabiting couples	33 619	33 359	5 360	50 016
– with children	21 284	25 559	4 954	47 622
– without children	12 335	7 800	406	2 394
Single people	136 051	136 993	17 982	195 368
– with children	61 700	50 184	15 725	161 548
– without children	74 351	86 809	2 257	33 820

receiving housing benefits. One of the most important changes is a new income-regulation system, where temporary and permanent benefits are subject to an applicant's taxable income. Besides, the possibilities of receiving the benefit became limited, and individual income ceilings were fixed for cohabiting parents. In Norway, housing benefits have gradually become extended to the effect that requirements of the accommodation were reduced.

## Housing Benefits to Pensioners

### – *Support to Pensioners with Low Incomes*

In all the Nordic countries, housing benefits are 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 at the end of the years 1990-2000**

	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>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
<i>2000</i>				
Married and cohabiting pensioners	61 577	9 077	4 271	..
Single pensioners	269 161	139 451	78 547	..
Total	330 738	152 464	82 818	458 337

In Denmark, the benefit may also be granted to pensioners who own the house or flat they live in, but only by way of a loan. A heating supplement may be granted by way of personal supplements according to the Pensions Act to help cover heating costs. In Finland, housing benefits may be granted on the grounds of age or pension. In Iceland, a special pension supplement that is not linked directly to the housing benefit, may mainly be granted to pensioners, who live alone and have a low income. In Norway, housing benefits are payable to recipients of old-age, anticipatory and survivor's

## HOUSING BENEFITS

pensions. In relation to these target groups, there are no requirements as to the accommodation if the income does not exceed the minimum pension amount plus 30 per cent (about NOK 114 400 for a single pensioner). In respect of incomes exceeding that amount, requirements concerning the accommodation have to be met in order for housing benefits to be payable, but an upper income limit has been fixed. Not all rented accommodation is qualifying for housing benefits to pensioners. Municipal rented accommodation, for which mortgages have been raised with the Husbanken, qualify for housing benefits. That also applies to housing units with care facilities to which an establishment supplement is granted. In Sweden, housing benefits are payable to old-age pensioners, recipients of anticipatory pension and people who receive survivor's pension and who have low personal incomes. The housing benefits are granted according to rules that apply uniformly to the entire country.

**Table 8.5 Average housing benefit per month to pensioners, 2000**

	Denmark	Finland	Norway	Sweden
<i>Average housing benefit per month to married or cohabiting pensioners</i>				
– KR/EUR	1 398	132	1 534	(1 695) <sup>1)</sup>
– PPP-Euro	155	110	145	(153) <sup>1)</sup>
<i>Average housing benefit per month to single pensioners</i>				
– KR/EUR	1 781	122	1 275	..
– PPP-Euro	197	102	121	..

1 Applies to both couples and single people.



## Expenditure on and Financing of Housing Benefits

**Table 8.6 Expenditure on and financing of housing benefits, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Services, million</i>					
A. Housing benefit to people in rented housing	8 574	450	859	1 015	13 996
a. Of whom pensioners	6 760	-	-	-	7 437
B. Housing benefit to owner- occupiers	-	18	-	622	
a. Of whom pensioners		0	-	-	
Services, total	8 574	468	859	1 637	13 996
Total expenditure, million	8 574	468	859	1 637	13 996
Total expenditure per capita, PPP-Euro	178	76	32	35	143
Expenditure as percentage of GDP	0,7	0,4	0,1	0,1	0,7
<i>Financed by (per cent)</i>					
- Public authorities	100.0	100.0	100.0	100.0	100.0
- Employers	0.0	0.0	0.0	0.0	0.0
- The insured (contributions and special taxes)	0.0	0.0	0.0	0.0	0.0
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million	-228	-46	48	33	-1 143
- Per cent	-2.6	-8.9	5.9	2.1	-7.6

### *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, there are many single providers with low incomes who receive housing benefits.

## HOUSING BENEFITS

### *Development in the Social Expenditure on Housing Benefits from 1999 to 2000*

In Denmark, the expenditure on housing benefits to pensioners as well as rent subsidies to families decreased from 1999 to 2000 as a result of a slight decrease in both the number of rent subsidy recipients and in the average subsidy per household. This development is connected to a reform of the rules governing housing benefits that will be gradually implemented from 1999 to 2004. The changes in the rules result in an increase in the proportion of the rent that recipients of housing benefits 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 ordinary housing benefit decreased by 9 per cent from 1999 to 2000. This was mainly a result of students no longer being qualified for ordinary rent subsidy as from 2000, but to rent subsidies as part of their study grants. The drop in the unemployment rate also resulted in a decrease in the need for rent subsidies. Besides, rent subsidies to pensioners form part of the old-age pension. This expenditure has been included in the section on pensions in Chapter 7. The total amount of rent subsidies paid to pensioners in 2000 amounted to EUR 225 million.

In Iceland, the expenditure on housing benefits increased by 5.9 per cent due to increases in housing costs.

In Norway, the expenditure on housing benefits increased by about 2 per cent from 1999 to 2000. The main reason for the increase was an increase in the number of recipients. As from 1999, families with children living in rented accommodation and otherwise meeting the requirements for receipt of rent subsidies qualify. In 2000, the expenditure on rent subsidies granted to people in rented accommodation increased, while the expenditure on people, who own their homes, decreased.

In Sweden, there has been a cyclical decrease in the expenditure on housing benefits from 1994 to 1999. This trend also continued in 2000, as the expenditure on housing benefits decreased by about SEK 1 billion from 1999 to 2000. More people in gainful employment, together with a relative drop in the benefits, explains the majority of the decrease. The expenditure in 2000 was 0.7 per cent of the GDP, and measured as a proportion of the total social expenditure, there was a decrease from 2.3 per cent in 1999 to 2.1 per cent in 2000.

## Chapter 9

# Other Social Benefits

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

**Table 9.1 Expenditure on other social benefits, as percentages of the total social expenditure in the EU, Iceland and Norway, 1999**

Denmark	3.7	Austria	1.2	Italy	0.1
Finland	2.1	Belgium	2.2	Luxembourg	0.9
Iceland	2.4	France	1.4	The Netherlands	5.8
Norway	2.7	Germany	2.0	Portugal	1.7
Sweden	2.6	Greece	1.9	Spain	0.7
		Ireland	2.0	United Kingdom	0.9

Note: See Table 4.1.

## Special Circumstances in the Various Countries

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

In Denmark, non-insured unemployed people, who do not qualify for 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 to a supplementary social allowance.

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

## OTHER SOCIAL BENEFITS

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

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

In Iceland, temporary assistance may be granted to people living under adverse circumstances.

In Sweden, financial support (social assistance) 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 the event that 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. Consequently, the assistance, which is means-tested in all the countries, is the last resort of assistance that is granted by the social security systems. It will be given either as a substitute for other sources of 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, the 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 and Iceland, the social assistance is taxable. In Finland, Norway and Sweden, it is a tax-free net benefit.

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

## OTHER SOCIAL BENEFITS

rate of the unemployment benefit. For non-providers, the assistance equals 60 per cent of the unemployment benefit. Young people under the age of 25, who do not have any children living at home, are entitled to special, lower youth benefits. Recipients of cash benefits, 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 when the special assistance is calculated. Local authorities may furthermore grant assistance to non-recurrent expenses, removals, medical treatment, medicine, dental treatment and the like to cash 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 cause, the local authorities may discontinue payment of the assistance. In case a recipient of cash assistance fails to appear without reasonable cause when he has been offered activation, the local authorities may reduce the assistance by up to 20 per cent.

In Finland, Central Government fixes the basic amount of the social assistance each year. Cash assistance may be payable in the event that payment of other benefits is delayed. Local authorities may also grant benefits 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 utilizing all sources of income and other options of provision. This implies that all the general forms of income, such as income from work, public and private pensions, family provision, family allowances, cash benefits, government housing benefits and other financial options, must be exhausted 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 qualify for 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 payment of such commodities. The local authorities decide in each case whether social assistance should be granted for other purposes, such as rent and acute den-

## OTHER SOCIAL BENEFITS

tal treatment. The practice for granting social assistance adopted by the various municipalities varies. Some municipalities make more demands on recipients than do others, or they are reluctant to pay or concentrate more 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. As in Norway, there is no upper limit and the financial assistance may also be given by way of a loan, for example to students during the summer period.

**Table 9.2 Rules governing award of social assistance, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
Social assistance payable as a fixed amount?	Yes	No <sup>2)</sup>	Yes <sup>3)</sup>	No	No <sup>2)</sup>
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 <sup>1)</sup>	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 by way of for example unemployment or dissolution of marriage or co-habitation.

2 Each year, a "national standard" is calculated, which local authorities take into account when calculating the social assistance, cf. the text.

3 In 2000, the maximum amount for single people over 18 years was ISK 60 136 and for co-habiting couples ISK 108 241 in the municipality of Reykjavik. Income from the month in which an application is submitted as well as for the month before 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 percentages of the population 16/18 years or over, 1990-2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Thousands</i>					
1990	235.2	225.6	4.6	178.3	321.4
1995	195.1	430.3	6.9	184.2	451.7
1999	177.8	362.5	4.9	153.1	378.8
2000	172.8	334.7	4.9	150.7	340.3
<i>As percentages 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
1999	4.3	9.0	2.5	4.5	5.5
2000	4.1	8.3	2.4	4.4	4.9

Note: Calculations based on all people of 18+ years (in Iceland 16 years in 1990 and 1995) - children not included. Married couples who receive social assistance and where the 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 (including refugees), but 9 911 recipients of the introduction benefit to refugees have not been included in 2000. Activated cash assistance recipients are included under labour-market measures. The Swedish figures also include refugees.

**Table 9.4 Number of individuals over the age of 18, who receive social assistance, in total and as percentages of the population, per 1 December, 1995-2000**

	Denmark	Finland	Iceland <sup>1)</sup>	Norway
<i>Total number</i>				
1995	97 399	170 058	..	76 054
1999	86 471	156 236	8 359	60 038
2000	82 020	147 824	8 176	63 732
<i>As percentages of the population</i>				
1995	2.4	4.5	..	2.3
1999	2.1	3.9	3.0	1.8
2000	2.0	3.7	2.9	1.9

1 Individuals receiving social assistance during the year.

## OTHER SOCIAL BENEFITS

**Table 9.5 Individuals receiving social assistance during the year, by age.  
Total and as percentages of their age groups, 2000**

	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<sup>1)</sup></i>							
Recipients, total	169 577		8.8	6.8	3.6	1.0	0.2
New, total	55 786		4.5	2.0	0.9	0.2	0.0
<i>Finland</i>							
Recipients, total	334 673		16.3	11.0	8.6	4.5	2.2
New, total	105 292		7.0	3.2	2.1	1.3	0.9
<i>Iceland</i>							
Recipients, total	4 859		3.7	3.1	2.2	1.4	0.6
New, total	1 704		1.3	1.1	0.9	0.4	0.0
<i>Norway</i>							
Recipients, total	150 688		7.5	6.2	4.3	2.4	1.3
New, total	95 612		4.1	4.0	2.9	1.6	0.8
<i>Sweden<sup>2)</sup></i>							
Recipients, total	340 250		11.1	6.9	4.8	2.3	1.5
New, total	90 994		3.6	1.7	1.1	0.5	0.4

1 Exclusive of 3 246 recipients not stated.

2 Includes people over 18 years and only people who have a complete personal identification number.



## OTHER SOCIAL BENEFITS

**Table 9.6 Families receiving social assistance during the year as percentages of all families, by type of family, 2000**

	Denmark	Finland	Iceland	Norway <sup>1)</sup>	Sweden
<i>Families by type (per cent)</i>					
Single men	7.5	15.5	3.7	7.5	10.4
– with children	9.4	20.4	7.6	23.3	8.6
– without children	7.5	15.4	3.6	7.2	10.5
Single women	5.3	11.7	4.8	6.5	12.6
– with children	18.7	27.9	14.0	16.8	26.8
– without children	3.3	9.4	2.1	4.7	8.9
Married/cohabiting couples	5.4	5.2	1.0	3.0	2.9
– with children	9.0	6.7	1.1	3.2	4.1
– without children	3.0	4.2	0.8	2.9	1.6
Total	5.9	9.8	2.9	5.5	7.2
– with children	10.5	10.6	4.2	6.4	7.8
– without children	4.5	9.7	2.4	5.1	6.9

Note: Cf. Table 9.2. Figures for Denmark exclude 3 246 people whose family type has not been specified. Figures for Sweden include 31 people whose family type has not been specified, and only households where the registered person is between 18 and 64 years. The total number of households is an estimate.

1 1998.

**Table 9.7 Average amount of social assistance per family per month, 2000 (PPP-Euro)**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Family type</i>					
Single people	846	222	460	541	478
– with children	903	247	478	577	500
– without children	788	218	448	533	472
Married/cohabiting couple	917	291	492	827	701
– with children	983	311	484	990	720
– without children	760	269	496	697	669

## 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, 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 the refugees that are 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 that are 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 can be attributed 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 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, the Danish language and activation. Foreigners are awarded an introduction benefit, which as from 2000 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 the local authorities' expenditure.

In Finland, Central Government covers local authorities' expenditure on refugees for the first three years of the refugees' stay.

## OTHER SOCIAL BENEFITS

In Iceland, refugees are granted social assistance from the moment they are received into the country. Central Government pays for the first 12 months of assistance.

In Norway, people who have been received in a government refugee centre are granted a maintenance allowance according to special rules that apply to people staying at such centres. Central Government covers the local authorities' average expenditure on refugees and people, who are staying in the country 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 by way of social assistance or an introduction benefit to refugees. Central Government reimburses the local authorities' expenditure on this benefit, starting in the year in which a refugee is granted residence permit, plus the subsequent three calendar years.

**Table 9.8 Number of refugees received, exclusive of reunion of families, who have been granted residence permit in the Nordic countries, 1990-2000**

	Denmark	Finland	Iceland	Norway	Sweden
1990	3 044	639	41	3 867	12 839
1995	20 347	1 129	5	4 602	5 642
1999	4 443	1 034	83	12 752	5 597
2000	5 156	1 028	31	4 781	10 546

**Table 9.9 Number of asylum seekers, 1990-2000**

	Denmark	Finland	Iceland	Norway	Sweden
1990	5 292	2 743	7	3 692	29 420
1995	5 104	854	4	1 460	9 047
1999	6 530	3 106	25	10 160	11 231
2000	10 347	3 170	25	10 842	16 303

## OTHER SOCIAL BENEFITS

# 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 that are 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 special social problems, who may be in need of temporary accommodation.

## Treatment of Alcohol and Drug Abuse

### *– Several Kinds of Treatment 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 privately owned institutions that have agreements with the public authorities concerning cover of their 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 planning 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 to harm the child, 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 Norway and Sweden 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 do not qualify for unemployment benefit, receiving cash benefits. 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 is supplementing benefits to the unemployed. Besides, the number of refugees and asylum seekers that is 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 1999 to 2000*

In Denmark, the expenditure on services increased from 1999 to 2000, including treatment of substance abusers. Besides, the expenditure on cash benefits increased slightly, including expenditure on cash assistance and introduction benefits to refugees.

In Finland, the expenditure on other social benefits was 2.5 per cent lower in 2000 than in 1999. This was mainly a result of the improved unemployment situation which led to a drop in the number of social assistance recipients of 27 800 people.

In Iceland, the expenditure on other social benefits decreased by 4.9 per cent in 2000 prices. The expenditure on services decreased by 0.8 per cent, while the expenditure on cash benefits decreased by 10.3 per cent. The decline in the expenditure on cash benefits was a result of the increase in the employment rate.

In Norway, the expenditure on other social services increased only marginally from 1999 to 2000. The expenditure on reception and housing of

## OTHER SOCIAL BENEFITS

refugees and immigrants has increased steeply since 1998 as a result of an increased number of people applying for asylum, especially refugees from Kosovo. In total, the number of social assistance recipients increased somewhat from 1999 to 2000, and the expenditure on social assistance was about 3 per cent higher in 2000 than in 1999.

In Sweden, the expenditure on other social benefits remained unaltered from 1999-2000, corresponding to 0.8 per cent of the GDP. The proportion of the expenditure of the total social expenditure decreased slightly from 2.5 per cent in 1999 to 2.4 per cent in 2000, and in relation to 1999, the decrease was 3.9 per cent.

**Table 9.10 Expenditure on and financing of other social benefits, 2000**

	Denmark DKK	Finland EUR	Iceland ISK	Norway NOK	Sweden SEK
<i>Cash benefits, million</i>					
A. Income-substituting/ supplementing benefits	7 851	421	955	3 969	9 537
a. Of which					
social assistance	-	395	898	3 969	9 537
B. Other benefits	2 130	0	187	297	538
Cash benefits, total	9 981	421	1 142	4 266	10 075
<i>Services, million</i>					
A. Institutions, etc.	709	71	-	1 298	1 180
B. Rehabilitation and treatment of abusers	746	87	733	1 763	2 986
C. Other	2 078	91	881	1 816	1 781
Services, total	3 533	250	1 614	4 878	5 947
Total expenditure, million	13 514	671	2 757	9 143	16 022
Expenditure as percentage of GDP	1.0	0.5	0.4	0.6	0.8
<i>Financed by (per cent)</i>					
- Public authorities	99.3	97.6	93.2	100.0	100.0
- Employers	0.7	2.4	5.2	0.0	0.0
- Insured (contributions and special taxes)	0.0	0.0	1.6	0.0	0.0
<i>Changes 1999-2000 in terms of 2000 prices</i>					
- Million	233	-17	-142	189	-653
- Per cent	1.8	-2.5	-4.9	2.1	-3.9

**OTHER SOCIAL BENEFITS****Table 9.11 Expenditure on other social cash benefits and services in PPP/capita, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
Cash benefits, total	207	68	43	90	103
Services, total	73	40	61	103	61
Other social benefits, total	280	108	104	193	163

*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 the 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.

**Table 10.1 Social expenditure as percentages of the GDP in the EU, Iceland and Norway, 1999**

Denmark	29.4	Austria	28.6	Italy	25.3
Finland	26.7	Belgium	28.2	Luxembourg	21.9
Iceland	19.1	France	30.3	The Netherlands	28.1
Norway	27.9	Germany	29.6	Portugal	22.9
Sweden	32.9	Greece	25.5	Spain	20.0
		Ireland	14.7	United Kingdom	26.9

Note: See Table 4.1.



## SOCIAL EXPENDITURE

**Table 10.2 Social expenditure per capita in the EU, Iceland and Norway, 1999. PPP/Euro**

	Families and children	Unemployment	Illness	Old age, disability and survivors	Housing benefits	Other social benefits	Total
Denmark	941	807	1 417	3 627	176	265	7 233
Finland	713	628	1 280	2 748	88	115	5 572
Iceland	574	87	1 884	2 047	31	112	4 733
Norway	955	183	2 364	3 473	48	192	7 215
Sweden	738	568	1 770	3 585	163	179	7 003
Austria	672	350	1 736	3 654	22	81	6 515
Belgium	557	743	1 505	3 203	0	138	6 146
France	596	447	1 707	3 031	192	87	6 061
Germany	669	563	1 801	3 193	41	127	6 395
Greece	269	202	870	2 012	108	68	3 529
Ireland	434	374	1 350	1 013	114	68	3 353
Italy	195	115	1 260	3 734	2	7	5 313
Luxembourg	1 273	207	2 066	4 577	21	70	8 217
The Netherlands	277	399	1 876	3 455	104	374	6 485
Portugal	162	117	1 048	1 746	0	54	3 128
Spain	70	427	968	1 795	40	23	3 323
United Kingdom	498	182	1 396	3 157	343	53	5 629

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 2000; 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 according to the previous NOSOSCO specification, while the other countries have used the specification used in the ESSPROS manual.

## Social Expenditure Trends, 1990-2000

The development in the social expenditure, in total and per capita, in current and in 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.

## SOCIAL EXPENDITURE

**Table 10.3 Social expenditure, in total and per capita, 1990-2000**

	Social expenditure		Social expenditure per capita		Social expenditure per capita aged 15-64 years	
	At current prices, million KR/EUR	At 2000 prices, million KR/EUR	At current prices KR/EUR	At 2000 prices KR/EUR	At current prices KR/EUR	At 2000 prices KR/EUR
<i>Denmark</i>						
1990	237 207	293 298	46 150	57 063	68 502	84 700
1995	325 634	365 036	62 288	69 825	92 442	103 627
1999	361 637	372 315	67 964	69 971	101 669	104 671
2000	372 080	372 080	69 683	69 683	104 497	104 497
<i>Finland</i>						
1990	22 095	26 726	4 431	5 360	6 584	7 964
1995	30 200	32 616	5 913	6 386	8 857	9 566
1999	32 161	33 250	6 228	6 439	9 311	9 626
2000	33 068	33 068	6 388	6 388	9 545	9 545
<i>Iceland</i>						
1990	62 290	85 170	244 478	334 277	379 572	518 993
1995	85 984	98 796	321 580	369 495	499 834	574 309
1999	119 079	125 052	429 888	451 452	668 983	702 540
2000	131 390	131 390	467 324	467 324	717 535	717 535
<i>Norway</i>						
1990	190 406	239 912	44 892	56 564	69 334	87 361
1995	253 620	284 054	58 181	65 163	90 091	100 902
1999	331 316	341 619	74 254	76 563	114 727	118 294
2000	360 341	360 341	80 237	80 237	123 766	123 766
<i>Sweden</i>						
1990	470 013	589 970	54 916	68 932	85 552	107 387
1995	588 689	602 229	66 692	68 226	104 726	107 135
1999	655 601	661 515	74 013	74 681	115 447	116 488
2000	677 359	677 359	76 345	76 345	118 726	118 726

**SOCIAL EXPENDITURE**

**Table 10.4 Social expenditure in relation to the GDP, 1990-2000<sup>1)</sup>**

	GDP, million KR/EUR	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
1999	1 213 595	29.8	104
2000	1 296 136	28.7	100
<i>Finland</i>			
1990	87 968	25.1	100
1995	94 953	31.8	127
1999	120 485	26.7	106
2000	131 229	25.2	100
<i>Iceland</i>			
1990	368 474	16.9	100
1995	451 372	19.1	113
1999	614 596	19.1	113
2000	669 409	19.6	116
<i>Norway</i>			
1990	722 705	26.4	100
1995	928 745	27.3	103
1999	1 197 457	27.7	105
2000	1 423 864	25.3	96
<i>Sweden</i>			
1990	1 410 607	33.3	100
1995	1 713 316	34.4	103
1999	1 994 854	32.9	99
2000	2 098 451	32.3	97

1 The GDP has been revised.

**Table 10.5 Social expenditure per capita, 1990-2000 (PPP-Euro in terms of 2000 prices)**

	Denmark	Finland	Iceland	Norway	Sweden
1990	6 311	4 478	3 529	5 361	6 238
1995	7 716	5 335	3 901	6 177	6 174
1999	7 930	5 379	4 926	7 257	6 791
2000	7 936	5 337	4 934	7 605	6 687

## 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 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 1990-2000 is shown in Table 10.6.

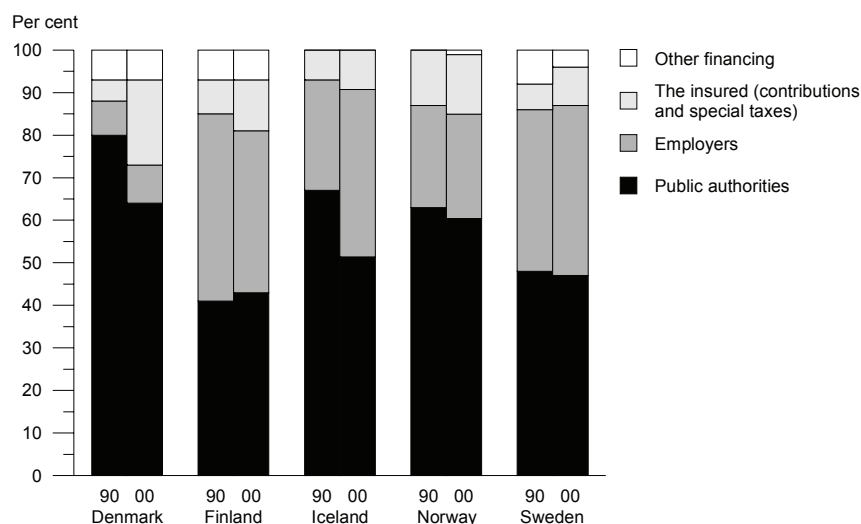
SOCIAL EXPENDITURE

**Table 10.6 Current contributions to the financing of the social expenditure in per cent, broken down by contributions made by public authorities, employers and the insured, 1990-2000**

	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
1999	65	9	19	6	100
2000	64	9	20	7	100
<i>Finland</i>					
1990	41	44	8	7	100
1995	46	34	14	7	100
1999	43	37	13	7	100
2000	43	38	12	7	100
<i>Iceland</i>					
1990	67	26	7	—	100
1995	61	31	8	—	100
1999	50	41	9	—	100
2000	51	39	9	—	100
<i>Norway</i>					
1990	63	24	13	—	100
1995	62	22	15	—	100
1999	60	25	14	1	100
2000	60	24	14	1	100
<i>Sweden</i>					
1990	..	..	..	..	100
1995	48	38	5	8	100
1999	49	36	10	5	100
2000	47	40	9	4	100

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**Figure 10.1 Current contributions to the financing of the social expenditure, 1990 and 2000**



## Block Grants and Government Reimbursement to Local and County Authorities

In the Nordic countries, the local authorities are responsible for the administration of part of the social services and benefits. The local authorities are in 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 and 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 percentages of the municipal expenditure or as fixed amounts. Government reimbursement may also be calculated as the difference between expenditure and contributions from other sources, 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 that 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 establishment of funds.

The purpose of the funds may for instance be to guarantee that means are available for future payments (premium reserve systems). The establishment 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 reduce variations in incoming and outgoing payments over time.

In Norway, social expenditure, including expenditure on supplementary pensions, is currently financed via 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, 1990-2000. Billion KR/EUR in terms of 2000 prices**

	Basic pension	Supplementary pension	Additional pension
<i>Amount of the funds</i>			
<i>Denmark<sup>1)</sup></i>			
At the beginning of the year, 1990	.	99.7	147.1
At the end of the year, 1990	.	106.8	159.0
At the beginning of the year, 2000	.	236.1	320.4
At the end of the year, 2000	.	246.7	336.1
<i>Finland<sup>2)</sup></i>			
At the beginning of the year, 1990	0.1	20.5	6.7
At the end of the year, 1990	0.1	24.5	7.4
At the beginning of the year, 2000	0.2	55.9	9.5
At the end of the year, 2000	0.2	61.5	9.0
<i>Iceland</i>			
At the beginning of the year, 1990	0.1	139.6	.
At the end of the year, 1990	0.1	171.2	.
At the beginning of the year, 2000	.	517.6	.
At the end of the year, 2000	.	566.1	.
<i>Sweden<sup>3)</sup></i>			
At the beginning of the year, 1990	.	482.3	..
At the end of the year, 1990	.	541.7	..
At the beginning of the year, 2000	.	619.2	..
At the end of the year, 2000	.	733.9	..

1 As from 1998, accounting policies have been adapted to the legislation in respect of assessment of property, assets, etc. The fund 2000 includes the temporary pension saving scheme and the special pension saving scheme, but not 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.

3 As from and including the 2000 market value.



## Social Expenditure by Type and Purpose

The social expenditure is divided by type into 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 the social patterns have, however, given rise to shifts in the distribution.

**Table 10.8 The social expenditure in per cent, broken down by main groups, 1995-2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>1995<sup>1)</sup></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>1999</i>					
Families and children	13.1	12.7	12.1	13.4	11.0
Unemployment	11.1	11.3	1.8	2.6	8.2
Illness	19.6	23.0	39.8	33.0	24.8
Old age	38.1	31.1	28.2	30.2	37.3
Disability	12.2	14.2	12.0	16.3	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
<i>2000</i>					
Families and children	13.2	12.5	11.7	12.8	11.3
Unemployment	10.6	10.4	1.3	2.7	6.5
Illness	19.9	23.8	39.2	34.3	26.6
Old age	38.2	31.8	28.5	29.6	37.1
Disability	12.0	13.9	13.9	16.4	11.8
Survivors	0.0	4.0	2.6	1.2	2.2
Housing	2.4	1.5	0.7	0.5	2.1
Other social benefits	3.7	2.1	2.1	2.6	2.4
Total	100.0	100.0	100.0	100.0	100.0

1 Services in connection with illness, the elderly and the disabled have been calculated according to a different method in Denmark and Norway.

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**Table 10.9 Social expenditure, in per cent, broken down by type and purpose, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
<i>Families and children</i>					
Cash benefits	40	59	47	61	49
Services	60	41	53	39	51
Total	100	100	100	100	100
<i>Unemployment</i>					
Cash benefits	96	91	78	68	85
Services	4	9	22	32	15
Total	100	100	100	100	100
<i>Illness</i>					
Cash benefits	17	20	20	33	27
Services	83	80	80	67	73
Total	100	100	100	100	100
<i>Old age</i>					
Cash benefits	84	90	75	71	76
Services	16	10	25	29	24
Total	100	100	100	100	100
<i>Disability</i>					
Cash benefits	68	77	67	78	63
Services	32	23	33	22	37
Total	100	100	100	100	100
<i>Survivors</i>					
Cash benefits	1	100	100	95	100
Services	99	0	0	5	0
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	41	47	63
Services	26	37	59	53	37
Total	100	100	100	100	100
<i>Cash benefits, total</i>	62	66	48	57	58
<i>Services, total</i>	38	34	52	43	42
<i>Social expenditure, total</i>	100	100	100	100	100

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.

## 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 a benefit is 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 benefits are granted to families and children. Other social benefits (social assistance) are subject to tax in Denmark and Iceland, but not in the other Nordic countries. According to the ESSPROS specification, housing benefits count as services.

The 2001 edition of *Social Protection* included a theme section that described the taxation on social cash benefits by means of the so-called typical cases. The calculation base for those cases can be found on NOSOSCO's homepage [www.nom-nos.dk](http://www.nom-nos.dk). In Table 10.10, wages/salaries and a number of social benefits, gross and net per month, have been included, as well as the tax percentages, including the social expenditure for a single person without children with an average production worker's pay (APW100). The data have been taken from typical cases 0 and 0.1-0.6.

As to maternity benefits, the data apply to a single parent with no other children than the newborn.

The table illustrates the taxation differences between the various countries, both as to wages/salaries and to social benefits. Iceland, being the country with the lowest taxation on earned income, imposes practically no tax on social services. Also in the other countries, the taxation on several of the benefits is considerably lower, and especially on pensions. The table does not provide an in-depth explanation of the significance of taxation to the social benefits, but contributes to illustrating the impact thereof.

## SOCIAL EXPENDITURE

**Table 10.10 Tax percentages and social duties on wages/salaries and social benefits, per month, for a single APW without children, 2000**

	Denmark	Finland	Iceland	Norway	Sweden
	DKK	EUR	ISK	NOK	SEK
Wages/Salaries, gross	23 550	2 153	163 650	22 567	19 031
Wages/Salaries, net	13 336	1 402	122 109	15 988	12 725
Tax on: wages/salaries	43	35	25	29	33
Daily cash benefits in connection with pregnancy and birth, gross	12 333	1 409	75 966	22 566	15 225
Daily cash benefits in connection with pregnancy and birth, net	8 157	1 020	75 666	16 566	10 369
Tax on daily cash benefits in connection with pregnancy and birth	34	28	0	27	32
Unemployment benefits, gross	12 350	1 052	64 252	14 120	12 760
Unemployment benefits, net	8 208	801	63 921	10 566	8 843
Tax on unemployment benefits	34	24	1	25	31
Sickness benefits, gross	12 333	1 409	..	22 566	15 233
Sickness benefits, net	8 197	1 020	..	15 989	10 374
Tax on sickness benefits	34	28	..	29	32
Retirement pension, gross	9 808	1 231	119 897	11 661	11 518
Retirement pension, net	7 012	892	112 197	10 041	8 395
Tax on retirement pension	29	28	6	14	27
Anticipatory pension, gross	13 007	1 159	..	12 410	11 335
Anticipatory pension, net	9 738	871	..	10 469	8 272
Tax on anticipatory pension	25	25	..	16	27
Social benefits, non-insured persons, gross	7 410	441	..	60 136	5 280
Social benefits, non-insured persons, net	5 480	363	..	60 136	3 799
Tax on social benefits, non-insured persons	26	18	-	..	28

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**Table 10.11 Cash benefits exempt from tax/subject to tax, total and as percentages of the GDP, 1995-2000**

	Cash benefits exempt from tax		Cash benefits subject to tax	
	Total, million KR/EUR	As percent- age of GDP	Total, million KR/EUR	As percent- age of GDP
<i>1995</i>				
Denmark	18 764	1.9	188 292	18.6
Finland	2 685	2.8	17 977	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>1999</i>				
Denmark	22 554	1.9	193 129	15.9
Finland	2 698	2.1	18 288	15.1
Iceland	5 996	1.0	50 913	8.2
Norway	23 129	2.0	163 518	13.7
Sweden	31 673	1.6	343 966	17.2
<i>2000</i>				
Denmark	23 737	1.8	199 950	15.4
Finland	2 601	2.0	18 599	14.2
Iceland	5 672	0.8	57 501	8.6
Norway	23 736	1.7	178 615	12.5
Sweden	33 411	1.6	350 328	16.7

## SOCIAL EXPENDITURE

**Table 10.12 Taxation on cash benefits, 2000**

	Social expenditure, million KR/EUR	Of which cash benefits, million KR/EUR	Cash benefits exempt from tax, as percentage of total cash benefits	Cash benefits subject to tax, as percentage of total cash benefits
	1.	2.	3.	4.
<i>Denmark</i>				
I. Families and children	47 657	19 290	66	34
II. Unemployment	38 251	36 895	-	100
III. Illness	71 861	12 036	-	100
IV. Old age	138 098	115 824	2	98
V. Disability	43 466	29 660	25	75
VI. Survivors	147	1	100	-
VII. Housing	8 574	-	-	-
VIII. Other social benefits	13 514	9 981	14	86
IX. Administration	10 511	-	-	-
Total I.-IX.	372 080	223 687	11	89
<i>Finland</i>				
I. Families and children	4 007	2 348	63	37
II. Unemployment	3 345	3 041	1	99
III. Illness	7 637	1 525	-	100
IV. Old age	10 191	9 142	4	96
V. Disability	4 462	3 450	7	93
VI. Survivors	1 276	1 272	3	97
VII. Housing	468	-	-	-
VIII. Other social benefits	671	421	96	4
IX. Administration	1 011	-	-	-
Total I.-IX.	33 070	21 199	12	88
<i>Iceland</i>				
I. Families and children	15 067	7 046	60	40
II. Unemployment	1 729	1 346	3	97
III. Illness	50 646	9 940	-	100
IV. Old age	36 851	27 489	-	100
V. Disability	17 925	11 998	8	92
VI. Survivors	3 353	3 353	6	94
VII. Housing	859	859	30	70
VIII. Other social benefits	2 757	1 142	-	100
IX. Administration	2 162	-	-	-
Total I.-IX.	131 348	63 173	9	91

/ ... to be continued

**SOCIAL EXPENDITURE**

**Table 10.12 ... continued**

	Social ex- penditure, million KR/EUR	Of which cash benefits, million KR/EUR	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	45 160	27 475	62	38
II. Unemployment	9 405	6 392	-	100
III. Illness	121 054	40 482	-	100
IV. Old age	104 417	74 446	-	100
V. Disability	57 967	45 152	6	94
VI. Survivors	4 370	4 139	-	100
VII. Housing	1 637	-	-	-
VIII. Other social benefits	9 143	4 266	93	7
IX. Administration	7 189	-	-	-
Total I.-IX.	360 341	202 351	12	88
<i>Sweden</i>				
I. Families and children	75 058	33 774	64	36
II. Unemployment	43 106	36 533	-	100
III. Illness	176 993	51 411	-	100
IV. Old age	246 286	188 368	-	100
V. Disability	78 076	48 871	2	98
VI. Survivors	14 707	14 707	-	100
VII. Housing	13 996	-	-	-
VIII. Other social benefits	16 022	10 175	100	-
IX. Administration	13 115	-	-	-
Total I.-IX.	677 359	383 839	9	92

*Chapter 11*

# Nordic financing of social and health care expenditure in the 1990s

- an analysis of patterns and  
economic driving forces

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## 1. Introduction

One common feature of the Nordic countries is the expansion of large-scale public systems of social security. These systems are largely similar, although close inspection reveals clear differences. Financing of the ambitious welfare systems takes place essentially through taxes in some form or other - partly masked as compulsory contributions payable by the employer or employee. Owing to their powerful social ambitions, all the Nordic countries have high taxes, which involve a risk of problems arising through distortions in the economy. Ways of securing the revenues required to maintain the social safety net are thus significant. During the 1990s, several of the Nordic countries - especially Sweden and Finland - underwent very severe economic strains that necessitated both cutbacks and new forms of social and health care financing. It is therefore worth studying how this affected financing patterns, and seeking to distinguish common or divergent tendencies, their connections with the various countries' economic trends, and how they differed in this respect.

The analysis presented here of how social and health care expenditure were financed in the Nordic countries in the 1990s is based on and constitutes a summary of Elisabeth Nørgaard's report *The Nordic Countries' Financing of Health care and Social Expenditure in the 1990s* (NOSOSCO, 2001; in Norwegian)<sup>3</sup>. By way of introduction, an overview of the various countries' financing systems, including their common features and differences, is provided. After that the macroeconomic trends in the Nordic countries - economic growth, employment and unemployment, budget deficit and national debt - are outlined. The ensuing sections deal with differences and tendencies when it comes to the financing of cash and service benefits respectively. They also contain an account, in broad terms, of the systems for equalisation of economic conditions between the local authorities and the changes therein that took place during the 1990s. The analysis concludes with an attempt to summarise the key tendencies - common and nationally distinctive - and place these in relation to the changes in macroeconomic conditions.

Like the above-mentioned report, this analysis deals with Denmark, Finland, Norway and Sweden. All these countries follow the ESSPROS system<sup>4</sup> in their reporting of expenditure on social security. In this system,

<sup>3</sup> For various reasons, Iceland is not covered in this report. The expression 'Nordic countries' therefore refers throughout to Denmark, Finland, Norway and Sweden only.

<sup>4</sup> ESSPROS (European System of Integrated Social Protection Statistics) is a system developed by the EU body Eurostat for reporting of social and health care expenditure.

## FINANCING OF SOCIAL AND HEALTH CARE EXPENDITURE IN THE 1990s

spending is classified as relating to cash or service benefits, but the demarcation between them is not always crystal-clear. For example, housing allowance is categorised as a service benefit. In the same manner as in NOSOSCO's reports, expenditure is divided into the following areas: families and children; unemployment; illness; old age; disability; survivors; housing; and other social benefits. The period covered varies from one country to another. For Finland and Norway, data for the years 1990, 1994 and 1999 are reported here, while for the other two countries only data for 1994 and 1999 are reported.

Expenditure is classified as having the following financing sources:

- central government (including the Norwegian social-insurance system, National Social Insurance Scheme)
- the local authorities (municipalities and county councils)
- employers
- employees (including collective insurance schemes).

The distribution of spending between these sources differs between the countries and has changed over time. The analysis is aimed at describing patterns in these differences and changes, and linking them to differences and changes in economic conditions. However, it is important right from the start to note that the classification of sources is partly illusory or arbitrary. In some countries the local authorities receive government grants that are in varying degrees general (block grants) or 'earmarked', i.e. designated for a specific purpose. The 'sector grants' used in Finland occupy an intermediate position: these are paid to sectors - social welfare and health care, the education system, etc - and are calculated on a mathematical basis with reference to various parameters, such as age composition etc, with no direct connection with the recipient's actual spending.

The general government grants are not included in the breakdown of central-government financing according to purpose reported here. In fact, through these grants, the state accounts for a considerably larger share of total social and health care expenditure. The sector grants, on the other hand, are reported as included in the state financing, as are all the other more narrowly focused, 'earmarked' grants.

It is also entirely plausible to assert that compulsory employer's contributions are just another, somewhat more invisible form of income taxation. Similarly, compulsory employee's contributions that are not connected to specific services performed are also, of course, merely another form of na-

## FINANCING OF SOCIAL AND HEALTH CARE EXPENDITURE IN THE 1990s

tional taxation. From an economic point of view it is, in fact, a matter of indifference how large a share of the gap between the employer's payroll expense and the employee's net salary is designated 'employer's contribution' and how large a share is called 'income tax'. In practice, however, it may be highly significant: this is demonstrated by the debate that arose when, in Sweden, redistribution was effected between employer's and employee's contributions in conjunction with the introduction of the new pension system. Another unclear point is the pension systems, in which contributions are partly determined on actuarial insurance grounds but partly consist in income transfer and should therefore, by rights, be dubbed 'tax'. Employer's contributions are not infrequently determined through private or collective agreements, and this makes it difficult to define this portion of financing clearly.

A similar problem exists when it comes to the Norwegian National Social Insurance Scheme, which is a joint central-government system for the disbursement of pensions and numerous forms of social allowance and support. The National Social Insurance Scheme is financed through membership dues payable by employees, self-employed persons and employers. In the event of a deficit, the state contributes to financing through tax revenues. There is no direct connection between contributions and purposes. Henceforth, financing through the National Social Insurance Scheme will be reported as central-government financing, since its financial basis is the same as other central-government revenue, i.e. taxes and employer's and employee's contributions. In fact, then, it is very largely a matter of financing from employers and employees.

Another problem is connected with the classification of financing according to purpose. First, as stated above, the accounting does not include the general government grants to the local authorities. But in many other cases, too, the distribution of spending is unclear owing to shortcomings in municipal book-keeping. This applies, for example, to the task of assigning expenditures to the categories 'elderly' and 'disabled', which has largely had to be carried out in a standard manner and retroactively. Nor, although the ESSPROS system is based as far as possible on clear definitions, does this exclude the possibility that how to assign a particular spending item may sometimes be unclear or arbitrary. This applies, for example, to unemployment benefit or early retirement pension, which may be necessitated by a shortage of work or a disability respectively. In central-government activities, financing is sometimes associated with a particular purpose through various reserves. But this is not infrequently a simple book-keeping method without any connection being made between the contributions made and average consumption. For exam-

ple, for many years in the 1990s, Swedish health insurance produced substantial surpluses that were transferred directly into the government budget and then used for other purposes.

The ESSPROS system does not include user charges for services - day-nursery charges, payments for hospital care, etc. In practice, of course, these charges make up an element of financing although the charge proportion is generally so low as not to play any crucial part. Raised user charges have been interpreted as a manifestation of the scaling-down of social welfare in the countries that incurred economic problems in the 1990s. In the aforesaid NOSOSCO report on which this article is based, attempts were made to determine the size of user charges for various purposes in the Nordic countries. Nevertheless, the statistical grounds for doing so are inadequate and it was, in several cases, impossible to ascertain the size of the proportion concerned. Another problem is that there may have been shifts in what the user charges are intended to cover.

## 2. Overview of Nordic systems for financing social expenditure

All the Nordic countries have extensive systems for the citizens' social protection. These systems are based on the principle of general welfare policy, whereby the majority of benefits are payable on a general basis, without any special focus on particularly vulnerable groups. The advantage of this kind of system is that it enjoys better public support. Everyone joins in contributing to it, and everyone - more or less - has access to its benefits. This largely precludes the stigmatisation and risk of social exclusion that is associated with far-reaching means-testing. The disadvantage is that the systems become financially burdensome and open to criticism for giving with one hand and taking with the other. One factor contributing to this circular movement of revenues and transfers is the fact that the cash benefits are, in most cases, taxable.

The bulk of total expenditure on social welfare and health care is financed, in all the countries dealt with here, through taxes - national or local. Table 11.1 below shows the trend of the Nordic countries' tax ratios, i.e. aggregate direct and indirect taxes in relation to GDP, in the 1990s.

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**Table 11.1 Nordic tax-ratio trends in the 1990s**

	1990	1994	1999
Denmark	47.1%	49.8%	50.4%
Finland	44.7%	46.6%	46.7%
Norway	42.5%	42.2%	43.5%
Sweden	55.8%	49.8%	56.0%

Source: official statistics for each country.

Table 11.1 shows that the tax burden is heavy in all the Nordic countries and that no major changes in this respect took place during the 1990s. The figures for Norway are slightly lower than the other countries owing to its oil revenues, and those for Sweden substantially higher, partly because of higher Swedish social-security expenditures and other factors (see Table 3.2).

When it comes to financing in general, there are differences between cash and service benefits. For the latter, most financing is provided by local authorities (including county councils), through local taxes. In all the Nordic countries, local authorities have a right to tax citizens residing in their respective areas. These tax revenues account for the greater part of local spending on social services. In addition, as we have seen, there are government grants, which may either be general or earmarked for special purposes. These government grants are aimed both at providing equivalent terms for municipal services throughout the country and at stimulating the development of municipal activities in one direction or other. Examples of the latter are grants for the conversion of homes for the elderly (in Sweden and Norway) and extension of child-care services.

One major tendency (see section 6) is that government grants are, to a large extent, provided on a general basis (in the form of block grants). The major Swedish reform of the government-grant system in 1993 was, for this reason, known informally as ‘the bag’, since many of the various grants were collected in a single package or ‘bag’. The idea here was to replace detailed regulation in the form of focused grants by *management by objectives (MBO)*. In this MBO the central government defines goals for the local authorities, which then enjoy considerable freedom, within the limits of aggregate resources allocated to them, for fulfilling the objectives in the best possible way. The state then evaluates the results to ensure that the local authorities fulfil the objectives adopted. Similar ideas and systems have been developed in the other Nordic countries. One problem in the context is the difficulty of formulating objectives that are specific and clear enough to serve as the basis for follow-up.

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Equalisation between the local authorities through government grants is intended to compensate them for tax-base disparities (income equalisation) and for structural differences that affect their costs, such as the proportions of children and elderly residents, the incidence of social problems, etc (cost equalisation). The equalisation systems - which may be more or less (mainly more!) complex - underwent repeated revisions during the 1990s, as described in more detail in section 6 below.

In Norway, cash benefits are financed mainly by the central government through the National Social Insurance Scheme. In Denmark, too, the state accounts for the largest share of financing. In Sweden and Finland, on the other hand, employers provide the bulk of financing. As pointed out in the previous section, however, this is partly fictitious. It is, in fact, simply a matter of how to designate the incoming payments made. Through the system of tax at source ('pay as you earn'), it is nonetheless employers who account for most of the actual tax payments for employees, and compulsory employer's contributions are, obviously, included in the calculation of the tax ratio. Employee's contributions also account for a relatively high proportion of cash-benefit financing in Denmark, Finland and Sweden - but a considerably smaller share in Norway. However, as pointed out above, this is due to the manner in which reporting on the National Social Insurance Scheme takes place.

The difference is essentially fictitious. The employee's contribution referred to here is, after all, a kind of income tax, and it is paid - at least in Sweden and Denmark - in exactly the same way as other income taxes. In Denmark, unlike the other Nordic countries, the local authorities administer and disburse the bulk of the cash benefits. They also finance a larger share of this expenditure than in the other three countries.

As pointed out above, some reserves are involved in the financing of central-government spending. Some of these are in fact fictitious, but pension systems are one key exception: in Sweden there are relatively large reserves whose income plays a significant part in the financing of (supplementary) pensions. These reserves should, however, be regarded as buffer reserves. All the Nordic countries have pension systems that work on a 'pay as you go' basis, i.e. pensions are largely paid from current activities, rather than out of the income from previously reserved surpluses. In both Denmark and Finland the financing exceeds, by relatively substantial amounts, the spending on pensions for the elderly, people with disabilities and survivors.

### 3. Main features of Nordic economic and social-policy development in the 1990s - similarities and differences

The Nordic countries' economic development in the 1990s was characterised by more or less pronounced difficulties during the first part of the decade, followed by a more or less buoyant recovery in the ensuing years. The economic crisis of the early '90s hit Finland hardest by far, but Sweden also incurred great difficulties, with negative growth for several consecutive years. At the end of the 1980s, Denmark was already suffering from low growth and high unemployment: the crisis of the 1990s was a matter of bringing down the high unemployment rate and initiating growth. Finally, in Norway the crisis was considerably less marked than in the other countries; the Norwegian economy continued to grow throughout the decade, but more rapidly at the end than in the beginning. Tables 11.2–11.4 below show some key economic indicators for the years 1990, 1994 and 1999, and the trends during the intervening periods.

**Table 11.2 Key economic indicators in the Nordic countries, 1990–99**

*Gross domestic product per capita (PPP-Euro, 1999 prices) and growth in total GDP (1999 prices)*

	GDP per capita, 1990	Annual GDP growth, 1990–94	GDP per capita, 1994	Annual GDP growth, 1994–99	GDP per capita, 1999	Annual GDP growth, 1990–99
Denmark	21,332	2.0%	22,823	2.7%	25,558	2.4%
Finland	17,244	–2.6%	15,216	5.4%	19,487	1.8%
Norway	19,736	2.3%	21,104	4.3%	25,540	3.4%
Sweden	18,572	–1.4%	17,099	3.8%	19,576	1.4%

Source: NOSOSCO.

GDP per capita measured in comparable terms (adjusted for purchasing-power parity, PPP, in Euro, 1999) shows each country's relative welfare. Here, Denmark and Norway rank markedly higher than Finland and Sweden. The gap widened during the 1990s, since Norway also experienced a substantially better trend than Denmark, reaching parity with that country. Finland started from a lower level in 1990 but was on a par with Sweden by the end of the decade.

Table 11.2 also shows how growth in both Sweden and Finland was severely affected by the economic crisis. Economic trends during the 1990s as a whole were worst in Sweden. However, both the downturn and the upturn

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were more pronounced in Finland than in Sweden. Denmark and Norway, too had relatively slow growth in the early 1990s, but this gradually improved. Labour-market trends during the 1990s are shown in Table 11.3 below.

**Table 11.3 Key economic indicators in the Nordic countries, 1990–99**  
*Unemployment and labour*

	1990		1994		1999	
	Unem- ployment	Total labour force	Unem- ployment	Total labour force	Unem- ployment	Total labour force
Denmark	9.7%	80% <sup>1</sup>	12.3%	79%	5.7%	78%
Finland	3.2%	80% <sup>2</sup>	16.6%	77%	10.2%	78%
Norway	5.2%	69% <sup>3</sup>	5.4%	69%	3.2%	73%
Sweden	1.6%	81% <sup>4</sup>	8.0%	72%	5.6%	73%

1 In the 16–66 age group.

2 In the 20–64 age group.

3 In the 16–74 age group.

4 In the 16–64 age group.

Source: official statistics for Denmark, Finland, Norway and Sweden.

At the beginning of the decade, Denmark had a markedly higher unemployment rate than the other Nordic countries, and it was not until the end of the decade that these problems, which had arisen during the 1980s, were overcome. The fall in Danish unemployment was due primarily to a rise in employment, but also partly linked to a fall in labour-market participation owing to increased early retirement and a rise in the number of people in education and on parental leave. In Sweden and, especially, Finland unemployment rose dramatically in the years 1990–94. In Sweden, unemployment figures were partly masked by the large number of people engaged in labour-market policy schemes - relief work, labour-market training, etc. At the same time as unemployment rose, labour-market participation fell. Many elderly people left the labour force, and a large number of younger people - in the absence of scope for employment - remained in education. Towards the end of the decade, labour-market conditions in both Finland and, especially, Sweden improved. In Norway, unemployment was higher than in Sweden and Finland at the beginning of the decade but gradually decreased as labour-market participation rose. (Note that this is measured in various ways in the table, which impedes comparison between the countries.)

Economic trends during the 1990s also affected the financial situation of the public sector. Table 11.4 shows the trends of public financial saving and the consolidated public sector's gross debt, as percentages of GDP in the Nordic countries in the 1990s.



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**Table 11.4 Key economic indicators in the Nordic countries, 1990–99**  
*Public financial saving and public-sector gross debt*

	1990		1994		1999	
	Public financial saving	Gross public debt	Public financial saving	Gross public debt	Public financial saving	Gross public debt
Denmark	-1.2%	61%	-2.4%	74%	+3.1%	52%
Finland	+5.3%	11%	-5.7%	59%	+1.9%	57%
Norway	+4.8%	30%	+2.5%	37%	+8.0%	28%
Sweden	+4.2%	44%	-10.3%	79%	+1.8%	68%

Source: official statistics for Denmark, Finland, Norway and Sweden.

In 1990, public finances were in equilibrium in all four countries. Only Denmark had a substantial gross public debt. Four years later, the situation in Sweden and Finland was entirely different, with huge deficits in the public sector and rapidly growing debt. Drastic saving programmes - even more far-reaching in Finland than in Sweden - gradually brought the situation under control and by 1999 both countries had resolved their respective crises in public finances. In Denmark, too, public finances showed surpluses in the latter part of the period, and public debt as a share of GDP began to fall. Trends in Norway diverged completely: here, the major oil revenues resulted in large surpluses and a stable gross debt for the public sector.

The macroeconomic trends of the 1990s outlined above had a massive impact on the trends of social and health care spending - both their absolute level and in relation to GDP. Table 11.5 below shows comparative trends for the years 1990, 1994 and 1999.

**Table 11.5 Nordic social and health care spending in the 1990s, absolute (in fixed prices; index 1990=100) and in relation to GDP**

	1990		1994		1999	
	Social and health care spending	As a share of GDP	Social and health care spending	As a share of GDP	Social and health care spending	As a share of GDP
Denmark	100	28.8%	123	32.9%	126	29.4%
Finland	100	25.2%	124	33.5%	127	26.7%
Norway	100	26.4%	116	27.9%	143	28.0%
Sweden	100	33.3%	103	36.4%	112	32.9%

Source: NOSOSCO 16:2001; 7:1997. (Figures for 1994 were recalculated with reference to a revised calculation method.)

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As Table 11.5 shows, Sweden had the outstandingly smallest increase in social and health care spending among the Nordic countries in the 1990s. In 1999, however, Sweden still ranked highest in terms of spending as a share of GDP, which is explained by the low rate of growth. Conversely, despite a very sharp rise in social expenditure, Norway succeeded in retaining an almost unchanged GDP share owing to its rapid economic growth. The massive increase in social and health care spending in Finland during 1990–94 was due to the dramatic rise in expenditure caused by unemployment; in the latter part of the 1990s a far-reaching saving programme was implemented, and this combined with falling unemployment resulted in a sharp decrease in the GDP share. The increase in social spending in Denmark from 1990 to 1994 was due partly to a transition, in 1994, to gross disbursement of pensions and cash assistance.

Differences in macroeconomic conditions have led to dissimilarities between the Nordic countries with respect to the orientation of social policy. However, in each country what is involved is, far more than previously, managing rather than constructing the social safety net. The endeavour has consistently been to make activities more efficient - by such means as a clearer division of responsibilities and incentives. This is distinctly reflected, as will be dealt with in more detail below, in the changes in financing systems that have taken place

In Denmark, one major line of policy has been to reduce unemployment and boost labour-market participation, in order thereby to bring about growth and relieve the burden on the welfare system. One means of achieving this has been by strengthening active social and labour-market policy; another has been reforms of the regulations concerning early withdrawal from the labour force. Various changes in the financing of municipal spending have been aimed at enhancing the local authorities' cost awareness and bringing financial responsibility closer to decision-making. This policy appears to have been largely successful.

Changes in the social policy pursued in Finland during the period were characterised to a high degree by the profound crisis. Major savings were made in the social-insurance sector through lower compensation rates, elimination of indexation, tightening-up of criteria, introduction of qualifying days, etc. The pension system has been reformed to bring down costs, and an extensive national programme has been launched with the purpose of increasing the range of jobs open to elderly people and the demand for older labour. The local authorities have been enjoined to meet saving requirements through reduced government grants. Elements of user charges (see below) have increased.

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Norway is the only Nordic country where any expansion of the welfare system still took place during the 1990s. This expansion focused on improving care of the elderly, mentally disturbed and people with disabilities. Child-care services, too, were extended. Special initiatives addressed poverty and marginalisation. Nevertheless, measures were also taken for the purpose of enhancing efficiency in activities, and the rules governing social compensation were tightened up. Rapidly rising expenditure on sickness absence and early retirement necessitated various countermeasures.

Developments in Sweden, as in Finland, were heavily influenced by the economic crisis. In the years 1994–96, the Swedish Government carried out an extensive reorganisation programme in which, broadly speaking, all forms of pensions and social insurance suffered cutbacks. A new pension system with a clearer connection between charges and benefits is currently being introduced. Stringent saving requirements were imposed on the local authorities through substantial cuts in government grants and requirements of budgetary equilibrium. An expenditure ceiling was introduced in the national budget process whereby all overruns on public expenditure must be compensated for by corresponding cutbacks. Improved public finances permitted, during the latter part of the period, some ‘restorative’ measures. Benefit rates were adjusted upward and government grants to the local authorities increased as a result of special contributions (dubbed ‘Persson funds’ after Prime Minister Göran Persson).

Although the Nordic countries’ welfare systems show great similarities, there are also considerable differences in priorities between different purposes, and above all in the way in which the various categories of spending are financed. The following two sections will report on and discuss Nordic trends of social and health care expenditure and its financing from various sources during the 1990s. The report is divided into cash and service benefits for the different purposes. The figures given are based on the above-mentioned NOSOSCO report, supplemented with data for 1999 calculated in the same way. The classification of purposes conforms to that used in the ESSPROS system.

## 4. Differences and tendencies in cash-benefit financing

The distribution of social spending on cash benefits in the Nordic countries during the 1990s among different purposes is shown by Table 11.6 below. The items of expenditure are specified in the table in relation to GDP with a breakdown by purpose, in line with the ESSPROS system, for the years 1990, 1994 and 1999. For Sweden and Denmark, figures for 1990 are lacking. It should be noted that, in the ESSPROS system, housing benefits are counted as service benefits. Spending on housing is thus not included among cash benefits.

**Table 11.6 Nordic social and health care spending on cash benefits in the 1990s, by purpose, in relation to GDP (per cent)**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	1.8	1.5	1.9	3.1	1.9	1.9	2.3	2.3	2.6	1.7
Unemployment	5.1	2.9	1.3	4.8	2.6	1.1	1.3	0.5	3.7	2.2
Illness	1.0	0.9	1.5	1.3	1.2	2.6	2.1	2.9	1.6	1.9
Old age	11.0	10.3	6.4	8.4	7.2	5.9	6.0	6.0	9.9	9.3
Disability	2.3	2.3	3.1	4.1	2.9	3.4	3.4	3.6	3.0	2.4
Survivors	0.0	0.0	1.0	1.3	1.0	0.4	0.4	0.4	0.9	0.7
Other social benefits	1.3	0.8	0.2	0.5	0.3	0.6	0.5	0.3	0.7	0.5
<i>Total cash benefits</i>	22.4	18.7	15.5	23.5	17.1	15.9	16.0	15.9	22.3	18.8

Source: estimates based on official statistics.

The patterns in this classification of social spending by purpose are, as Table 11.6 shows, fairly similar in the Nordic countries. However, in 1999 unemployment was still requiring considerably larger resource inputs in Denmark, Finland and Sweden than in Norway where, instead, rates of cash compensation for illness are appreciably higher than elsewhere. This may possibly be connected with the fact that Norway alone provides 100 per cent compensation for income loss due to illness. (Since 1998, Sweden has shown a similar trend in conjunction with the raising of compensation rates.) In all four countries, pensions are the item on which governments spend most. Various forms of early retirement pensions (for the disabled) are also a major item.

As a share of GDP, spending on cash benefits rose sharply in Finland in the period 1990–94 as a result of massive cost rises stemming from the labour-market crisis, combined with the fall in GDP. The spending trend in

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Norway conformed to that of the rise in GDP. During 1994–99, the spending share declined in all the Nordic countries, but most of all in Finland. The former massive increase was therewith almost entirely eliminated. The decline applied very much to expenditure on unemployment assistance, but spending for other purposes also decreased sharply in both Sweden and Finland in relation to GDP, most strikingly perhaps for families and children. This trend reflects the fact that the rapid GDP increase - in Finland in particular - was not allowed to have an impact on social cash benefits.

The absolute trend of spending on cash benefits in the Nordic countries during the period under review is shown in Table 11.7. The table specifies expenditure for each purpose and in terms of fixed (1999) prices in relation to the figures for 1994.

**Table 11.7 Nordic spending on cash benefits in the 1990s, by purpose (fixed prices, 1999; index, 1994=100)**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	100	96	66	100	79	74	100	119	100	81
Unemployment	100	66	29	100	72	79	100	46	100	73
Illness	100	113	129	100	117	117	100	172	100	144
Old age	100	107	85	100	113	89	100	123	100	113
Disability	100	116	85	100	91	91	100	132	100	96
Survivors	100	72	87	100	104	95	100	106	100	102
Other social benefits	100	69	56	100	96	106	100	85	100	95
<i>Total cash benefits</i>	100	96	73	100	96	91	100	123	100	101

Source: estimates based on official statistics.

As Table 11.7 makes clear, spending on cash benefits in fixed prices rose sharply in Finland in the years 1990–94 for all purposes except compensation for income loss due to illness. In Norway, too, there was an increase in these spending categories during the first part of the 1990s, but as shown in Table 11.6, this rise was not more rapid than GDP growth. During the ensuing period, 1994–99, it was only in Norway that expenditure increased. The level of spending in Sweden was largely unchanged, and for the two other countries spending restrictions came into force. For certain purposes, however, increases took place: the most marked were those in spending on ‘Illness’ and ‘Elderly’, i.e. pensions, in which expenditure rose in all four countries during the period. Sharp decreases were noted for unemployment, thanks to the improved situation in the labour market.

As mentioned in the introduction, financing will be analysed by means of classification according to the various sources: central and local government,

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employers and employees. In the complete NOSOSCO report, the classification is reported according to sources of financing for each country by purpose. This report compares the countries' trends in terms of financing sources, with a breakdown between cash and service benefits. As pointed out in the introduction, this source classification is not entirely problem-free. Figures reported here are entirely in line with the NOSOSCO report (with supplementary data for 1999), to which readers are referred for further details and clarification.

Tables 11.8–11.11 below show the proportions of financing of cash benefits accounted for by each source of financing.

**Table 11.8 Nordic central governments' share of financing cash benefits in the 1990s, by purpose, per cent.**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	70	78	59	67	68	100	100	100	52	57
Unemployment	54	27	38	63	47	100	100	100	71	11
Illness	4	10	6	6	4	61	58	55	-	-
Old age	64	48	10	10	15	89	88	88	35	24
Disability	81	32	13	13	20	96	95	89	40	33
Survivors	100	100	6	8	7	62	54	49	36	25
Other social benefits	59	56	43	40	25	12	6	7	7	5
<i>Total cash benefits</i>	61	44	18	29	25	84	85	82	41 (29)	24 (15) <sup>1</sup>

<sup>1</sup> Excluding capital incomes from the National Pension Insurance Funds.

As Table 11.8 shows, the Nordic central governments' roles in financing cash benefits diverge markedly. In 1998 the Norwegian central government, through the National Social Insurance Scheme <sup>5</sup>, accounted for five-sixths of financing, while the proportion in Sweden and Finland was around a quarter. When it comes to Sweden, the share estimated is also a matter of how capital incomes from the National Pension Insurance Funds are calculated. In 1999, these accounted for just under 10 per cent of cash-benefit financing. Here, it seems reasonable to include these in the central government's share of financing <sup>6</sup>.

The divergence between the countries relates, above all, to the categories of 'Illness' and 'Elderly', 'Disabled' and 'Survivors', i.e. various forms of pensions. These spending categories are largely financed in Sweden and Finland by employers and employees (see below). In Norway, financing of

<sup>5</sup> As pointed out above, the National Social Insurance Scheme in turn is financed partly through employer's and employee's contributions.

<sup>6</sup> In the NOSOSCO report, this is reported separately as 'Capital income'.

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the cash benefit provided during illness is divided roughly equally between the central government and employers, while the central government (National Social Insurance Scheme) is responsible for pensions.

The central government's share of cash-benefit financing tended to decline in Denmark and Sweden, and during the second half of the decade in Finland as well, while the situation in Norway underwent, broadly speaking, no change. The decrease in Sweden applied, on the whole, to all spending purposes. In Finland, where the decline was less pronounced, pensions deviated from the pattern. In Denmark, the most striking change was in unemployment compensation, where financing was taken over by the employees through the labour-market contribution payable by all employees and self-employed people, and also through unemployment contributions. Through the labour-market contribution, employees also took over a portion of the financing of the special old-age pensions, and from 1999 they became partly responsible for financing early retirement pensions etc. In Finland in 1996, the central government took over the local authorities' share of pension financing.

The local authorities' share of cash-benefit financing is shown in Table 11.9 below.

**Table 11.9 Nordic local authorities' share of cash-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark		Finland			Norway			Sweden	
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	-	-	13	14	15	-	-	-	-	-
Unemployment	7	9	1	-	-	-	-	-	-	-
Illness	17	28	-	-	-	-	-	-	-	-
Old age	1	2	4	8	-	-	-	-	-	-
Disability	13	23	3	5	0	-	-	-	-	-
Survivors	-	-	-	-	-	-	-	-	-	-
Other social benefits	40	44	47	56	72	88	94	93	93	95
<i>Total cash benefits</i>	6	9	4	7	3	3	3	2	3	3

As the table shows, the local authorities play a consistently small part in financing cash benefits, with certain exceptions. The Danish local authorities administer many of the payments connected with unemployment, illness, cash assistance and disability that are provided by the state in the other countries, and simultaneously bear a share of these costs. Accordingly, for example, the local authorities pay sickness allowance. However, part of this is refunded by the central government (through the labour-market contribu-

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tion, which is financed by employers and employees). Moreover, the local authorities are responsible for a portion of daily allowance in conjunction with work training for recipients of cash assistance, and also with rehabilitation and pensions for people with disabilities. In Finland, the local authorities pay home-care allowances to parents of small children.

The local authorities' share of spending on cash benefits changed relatively little in the Nordic countries in the 1990s. In Denmark, the municipal share rose for illness and disabilities owing to changed rules governing state refunds. In Finland, the municipal share decreased as a result of the aforesaid change in the system for financing pensions. On the other hand, the Finnish local authorities were obliged to take over a higher proportion of the costs of social allowances and the above-mentioned home-care allowances as a result of the decrease in government subsidies. In Sweden and Norway, the situation remained largely unchanged.

Table 11.10 below shows the trend of employers' share of cash-benefit financing.

**Table 11.10 Nordic employers' share of cash-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark		Finland			Norway			Sweden	
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	1	1	14	7	8	-	-	-	48	43
Unemployment	10	2	57	26	36	-	-	-	19	88
Illness	39	36	76	67	79	40	42	45	92	90
Old age	24	24	77	62	67	-	-	-	48	32
Disability	6	8	75	60	61	-	-	-	60	46
Survivors	-	-	89	74	70	-	-	-	56	41
Other social benefits	1	1	10	5	3	-	-	-	-	-
<i>Total cash benefits</i>	17	16	68	47	55	7	5	8	46	47

As we saw in Table 11.10, there is very wide variation in Nordic employers' share of cash-benefit financing. In this respect, Denmark and Norway form one group, and Finland and Sweden another. In Denmark, employers are responsible for sickness compensation during the sick-pay period. The proportion specified here is estimated, since data are lacking, and may be higher. Danish employers also contribute more than a third to the cost of employment pension (ATP). Industrial injury insurance, too, is financed by the employers in Denmark. In Norway, the employers' share of cash-benefit financing is confined to sickness compensation during the period of employers' responsibility for it (16 days in 1998). As for Denmark, this pro-



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portion is estimated and does not include salary paid during illness.

In Finland and Sweden, on the other hand, employer's contributions play a major part in cash-benefit financing. This applies in both countries to a large share of pensions, unemployment insurance and also - through employer's contributions and sick pay, which may be disbursed for several months - health insurance. Finnish employers also pay for work-injury insurance, a responsibility that falls to employees in Sweden (see below). In return, employers in Sweden pay for parental insurance, which is financed through the health-insurance contribution.

The tendency in the trend of employers' share of cash-benefit financing is, as shown in Table 11.10, contradictory. In Finland and Norway it fell during the first part of the 1990s and thereafter rose once more. In Denmark and Sweden it remained broadly unchanged. One important reform in Sweden is that employers have taken over a major share of the financing of the daily allowance for unemployment. The slightly raised share in Norway is connected with the rapid rise in health-insurance contributions, roughly half of which are financed by employers. In Finland, the employers' share of financing was reduced in the early years of the decade to arrest the labour-market crisis (but also through a reduced number of employees). This trend was reversed after 1994, after which the shares again rose slightly.

For Sweden, three major changes are particularly noteworthy. First, financing of unemployment insurance was reformed in 1994-95 through a sharp increase in the employer's labour-market contribution. This represented a shift of a corresponding portion of responsibility for financing from the central government. In 1997, a shift from employers to employees took place: the employer's ATP contribution was cut by 6.6 percentage points, while an employee's contribution was introduced to cover pensions. Simultaneously, the employee's contribution for health insurance was abolished while the employer's contribution was raised to a corresponding extent.

Table 11.11 below shows the trend of the proportion of cash benefits financed by employees.

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**Table 11.11 Nordic employees' share of cash-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark			Finland			Norway			Sweden	
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999	
Families and children	29	21	13	12	9	-	-	-	-	-	
Unemployment	29	61	4	11	16	-	-	-	10	1	
Illness	40	26	18	27	17	-	-	-	8	10	
Old age	11	26	9	20	18	11	12	12	17	44	
Disability	-	38	10	22	19	5	5	11	-	22	
Survivors	-	-	5	18	23	38	46	51	8	34	
Other social benefits	-	-	-	-	-	-	-	-	-	-	
<i>Total cash benefits</i>	16	31	10	17	17	6	7	8	10	27	

The employees' share of cash-benefit financing is highest in Denmark and Sweden, slightly lower in Finland and small in Norway. The patterns in Denmark and Sweden are, however, entirely different. In Denmark, the high employee proportion relates above all to parental insurance, daily allowance and compensation for work training etc, and also sickness allowance, special old-age pensions, early retirement pensions and compensation for rehabilitation. Financing takes place, to a large extent, through the aforesaid labour-market contribution. In Sweden it is primarily a matter of pensions for the elderly, disabled and survivors. Finland shows a combination of these two variants. In Norway only various collectively regulated supplementary pensions - with the highest portion for survivor's pension - are, in fact, financed to any extent by employees.

The share of cash benefits paid for by employees rose consistently during the 1990s, especially in Denmark and Sweden. In Denmark this was connected with the introduction, in 1994, of the labour-market contribution, which is paid by all employees and self-employed people. Since 1997, it has also been paid by employers, but the employer's contribution is very low (0.28 per cent net in 1999). For employees and the self-employed, the contribution has been 8 per cent since 1997. For Sweden's part, the rise in employees' cash-benefit financing is due to employee's contributions being introduced in 1993. These contributions, which were part of the effort to put the budget on a sound basis, originally related to health insurance and have since grown to some 7 per cent, but in 1998 were transferred to pensions while, at the same time, the employer's ATP contribution was reduced (see above)<sup>7</sup>.

<sup>7</sup> The reduction reported for Sweden in the employees' share of unemployment-insurance financing is misleading. The reason was a temporary 1% contribution that was introduced in 1994 and immediately abolished by the new government after the change of government in the same year.

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In Finland an increase in the employees' share took place in the first half of the decade. Since then the proportion has remained unchanged. A raised share of unemployment-compensation financing through an employee's contribution was offset by a reduced proportion of pension financing.

In Norway, no major changes took place in these respects during the period studied.

### 5. Differences and tendencies in service-benefit financing

The Nordic countries' social spending in the 1990s, in relation to GDP, is shown in Table 11.12 below. The table specifies service expenditure in the same manner as cash benefits, by purpose, according to the ESSPROS system for the years 1990, 1994 and 1999. As before, data for Sweden and Denmark for the year 1990 are lacking.

**Table 11.12 Nordic spending on service benefits by purpose, as a share of GDP, per cent**

Purpose	Denmark		Finland		Norway			Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	2.1	2.2	1.4	1.4	1.4	0.7	1.1	1.0	2.2	1.8
Unemployment	0.1	0.3	0.2	0.3	0.3	0.7	0.9	0.2	0.6	0.4
Illness	4.7	4.7	5.4	5.4	4.8	4.3	4.5	5.5	6.1	6.1
Old age	2.1	1.8	0.7	0.9	0.8	1.9	1.9	2.0	2.7	2.8
Disability	0.9	1.2	0.6	0.8	0.8	0.8	1.2	1.3	1.2	1.4
Survivors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing	0.8	0.7	0.2	0.5	0.4	0.2	0.2	0.2	1.2	0.8
Other social benefits	0.1	0.3	0.2	0.2	0.2	0.3	0.4	0.4	0.5	0.3
<i>Total cash benefits</i>	10.8	11.0	8.8	9.4	8.6	9.0	10.2	10.7	14.3	13.5

Source: estimates based on official statistics.

Sweden was the country that, in both 1994 and 1999, had the highest social and health care spending with respect to service benefits in relation to GDP - considerably higher than the other Nordic countries. In 1999, this applied not only to overall expenditure but also to each specific purpose except families and children, where Denmark had higher levels. Health care was, for all four countries, the purpose for which most was spent. Elderly care ranked second - here, too, with the exception of Denmark, where child care took second place. In other respects, too, the countries apportioned their spending by purpose fairly similarly.

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The trend during the period 1994–99 shows a somewhat disparate pattern. In the countries hit by economic crisis in the early 1990s - Finland and Sweden - service benefits declined in relation to GDP. In both the other countries, it rose slightly. However, the differences are relatively small. This emerges even more clearly in Table 11.13 below, which, in the same way as Table 11.7 above, shows cash benefits, clarifying the trend of spending on service benefits in fixed (1999) prices in relation to 1994 figures.

**Table 11.13 Nordic spending on service benefits in the 1990s, by purpose (fixed prices, 1999; index 1994=100)**

Purpose	Denmark			Finland			Norway		Sweden	
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	100	119	110	100	128	63	100	122	100	104
Unemployment	100	238	72	100	104	71	100	30	100	85
Illness	100	114	115	100	116	87	100	150	100	120
Old age	100	94	98	100	123	96	100	135	100	122
Disability	100	151	87	100	132	62	100	137	100	143
Survivors	100	80	107	100	59	112	100	104	.	.
Housing	100	102	43	100	115	82	100	133	100	73
Other social benefits	100	445	122	100	131	74	100	121	100	81
<i>Total cash benefits</i>	100	117	103	100	119	81	100	131	100	113

Source: Estimates based on official statistics.

Table 11.13 shows that spending on service benefits in fixed prices rose in all the Nordic countries during the latter part of the 1990s. For Norway's part, it grew very rapidly - 31 per cent in five years, corresponding to 5.5 per cent annually. In Denmark and Finland, too, there were steep rises in spending - 3.2 per cent and 3.5 per cent a year respectively - while Sweden had the lowest rate of increase: 2.5 per cent a year. By 1999, the restitution of service benefits after the crisis had been largely implemented. However, housing allowance (which is, in fact, a cash benefit) showed a lower level than in 1994. Reduced costs of unemployment and other social exclusion are connected with the improved labour-market situation and refugee-inflow rate.

In Denmark spending on child care and health care, in particular, increased. The large relative rises in spending on service benefits for the unemployed, disabled and socially excluded that the table shows involve minor amounts, or are due to deficiencies and changes in the statistical basis, or both. Only in Norway did any substantial extension of service benefits take place during the 1990s, on a broad front. For several purposes there was almost a doubling in fixed prices over a nine-year period, and only spending on

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labour-market policy measures shows any decrease. Simultaneously, as Table 11.12 shows, the increase in terms of GDP was fairly modest; this demonstrates the tremendous bearing that economic growth has on a country's scope for establishing and maintaining its welfare system.

Tables 11.14–11.17 below show the financing shares of the various sources of financing for service benefits.

**Table 11.14 Nordic central governments' share of service-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	1	1	49	42	25	41	44	37	1	1
Unemployment	22 <sup>1)</sup>	57	100	100	100	100	100	100	95	37
Illness	4	2	41	34	22	31	38	52	-	-
Old age	-	-	48	41	25	3	4	13	-	-
Disability	9	6	47	39	32	56	62	53	13	24
Survivors	-	-	5	7	-	100	100	100	.	.
Housing	67	72	100	100	100	100	100	100	99	100
Other social benefits	65	39	57	65	56	86	83	59	45	29
<i>Total cash benefits</i>	9	9	47	43	31	37	44	45	15	10

<sup>1</sup> Figure for 1995.

Table 11.14 pinpoints the major differences between the countries with respect to the central government's share of service-benefit financing. Basically, Finland and Norway fall into one category, and Denmark and Sweden another. In the former category the central government accounts for 30–45 per cent of spending and in the latter some 10 per cent. To a large extent, however, this difference may be merely apparent, since it is very much a matter of how government grants to the local authorities are classified, i.e. whether they are general or earmarked. This is the basis for the differences between the two country groups with respect to four categories: Families and children (child care), Illness (health care), Elderly (care of the elderly) and Disabled (care of people with disabilities). The matter of government grants and the municipal equalisation system is dealt with in section 6 below. When it comes to Unemployment, it should be noted that - unlike the other Nordic countries - Sweden has transferred around half of the responsibility for financing labour-market policy measures from the central government to the employers (see below). In Denmark, the central government has enlarged its share of financing. What these two countries have in common is the fact that the central government accounts for a high proportion of social-benefit financing with respect to social exclusion, i.e. in practice

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care of substance abusers and refugee reception. The proportion of central-government spending on service benefits for survivors, funeral assistance, etc is negligible in all four countries. Only in Norway are these categories the responsibility of the central government alone.

The trend of state involvement in financing service benefits varies from one country to the next. In Finland, the central government's share of financing decreased during the 1990s, while in Norway it increased. In Denmark, the state's commitment remained largely unchanged, while in Sweden the share, which was already low, fell further. The decrease in Finland took place consistently and on a broad front; it applies to both the subsidiary periods and all the purposes. The purpose was to increase the local authorities' financing responsibility and encourage thrift (see also section 6 below regarding changes in the government-grant system).

In Norway, tendencies were somewhat more contradictory. The central government's share of health care financing rose as a result of a new 'input-governed' financing system being introduced and earmarked government grants increasing. The input-governed financing system means that the central government repays part (50 per cent in 1999) of treatment costs, based on diagnostic classification. The repayment rate has been steadily raised since the introduction of the system in 1997. For child care, the Norwegian central government pays earmarked grants to the local authorities. The central government's share of costs rose until 1994, but thereafter fell slightly. The aim is for the central government to bear 40 per cent of the costs of day nurseries, and the local authorities and parents the remainder (see the section on individual payments below). The figures on service benefits for the socially excluded in Norway are misleading, in that the central government finances far more refugee assistance than the local authorities report as consumption. The reason is that the local authorities disclose these expenses under other headings. The central government's share of financing is thus exaggerated, and the figures given here for the financing share and its trend are not reliable. It should also be mentioned that housing-policy measures in Norway are a municipal responsibility. Municipal spending on these measures cannot, however, be specified since it is included in expenditure on other social purposes. Here, therefore, only the central government's spending on housing is reported.

Besides the transfer of financing responsibility for labour-market policy measures noted above, on which further comments are made below in this report, the key change in Sweden relates to support for people with disabilities. The new legislation relating to the right to personal assistance for people with severe disabilities (the Act concerning Support and Service for Persons

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with Certain Functional Impairments, LASS), which was introduced in 1994, has meant an appreciable increase in the central government's financing responsibility for disability care. Under the Act, the central government is responsible for assistance costs in excess of 20 hours a week. On the other hand, the central government's commitment in terms of refugee reception has shrunk owing to a reduction in refugee numbers and changes in refugee policy.

In Denmark, no major changes took place in the central government's commitment in the period under review, apart from the aforesaid transfer of financing responsibility for labour-market policy measures.

Table 11.15 below shows the trend of municipal financing of service benefits in the Nordic countries during the 1990s.

**Table 11.15 Nordic local authorities' share of service-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	99	99	51	58	75	59	56	63	99	99
Unemployment	8 <sup>1)</sup>	-	-	-	-	-	-	-	-	-
Illness	96	98	43	45	60	69	62	48	86	99
Old age	100	100	52	59	75	97	96	87	100	100
Disability	92	93	37	40	50	44	38	47	82	72
Survivors	100	100	-	-	-	-	-	-	.	.
Housing	33	28	-	-	-	-	-	-	1	-
Other social benefits	35	61	43	35	44	14	17	41	55	71
<i>Total cash benefits</i>	91	90	42	44	58	63	56	55	78	88

<sup>1)</sup> Figure for 1995.

The local authorities in the Nordic countries consistently account for a high proportion of service-benefit financing. The differences that may be noted between the countries largely reflect the differences illustrated in Table 11.14. Thus, Denmark and Sweden form one group with a very high share of municipal financing, and Finland and Norway another with a somewhat lower share. However, as pointed out above, the difference may be apparent only. The high proportion of municipal financing is connected with the fact that Nordic local authorities (including county councils) are responsible for, and to a large extent themselves conduct, activities in child care, health care, and care of the elderly, people with disabilities, individuals and families, i.e. by far the largest share of service activities in social security. Within the purposes that fall outside those specified above - unemployment, survivors and housing - municipal financing is negligible. (See, however, the above

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note regarding municipal housing policy in Norway.) The only exception is Denmark, where the local authorities finance funeral assistance and around one-third of housing allowances.

The trend of municipal financing of service benefits during the 1990s is essentially a mirror image of central-government financing, since the financing contribution from employers and employees, as shown below (Tables 11.15 and 11.16), is fairly limited. Thus, the local authorities' share rose in Finland, fell slightly in Norway and was relatively unchanged in Denmark. The decrease in Norway took place although one explicit objective was that a larger share of spending should be financed through independent income and less through earmarked grants. For Sweden's part, besides the above-mentioned changes relating to support for the disabled and refugee assistance (see above), another key change may be noted in the 'Illness' category. In 1998, responsibility for financing the medicine subsidy was transferred from health insurance (i.e. employers; see Table 11.16) to the county councils. The government grant was simultaneously raised. Since the latter is a block grant, however, this change was noted as an increase in municipal financing.

Table 11.16 below shows the trend of the employers' share of service-benefit financing.

**Table 11.16 Nordic employers' share of service-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	—	—	—	—	—	—	—	—	—	—
Unemployment	9 <sup>1)</sup>	—	—	—	—	—	—	—	5	63
Illness	—	—	9	8	10	—	—	—	14	1
Old age	—	—	—	—	—	—	—	—	—	—
Disability	—	—	11	8	9	—	—	—	4	4
Survivors	—	—	66	56	61	—	—	—	.	.
Housing	—	—	—	—	—	—	—	—	—	—
Other social benefits	—	—	—	—	—	—	—	—	—	—
<i>Total cash benefits</i>	—	—	6	6	6	—	—	—	7	3

<sup>1)</sup> Figure for 1995.

When it comes to service benefits, as Table 11.16 shows, the employers' share is fairly insignificant. In Denmark and Norway, employers do not contribute at all to financing of service benefits, and in Finland and Sweden their contributions are confined to certain sectors. Their main contributions in Finland relate to support for the disabled. Here, employers help to finance occupational training for people with disabilities, and funeral assistance is also paid



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partly by employers as part of the occupational-pension system. Moreover, employers contribute to the financing of treatment for accidents at work.

In Sweden in 1994–95, employers took over from the central government a high proportion of the financing of labour-market training, through a sharp increase in the labour-market contribution. This contribution also covers the cash benefits payable under unemployment insurance (see above). With the transfer of cost responsibility for medicines to the county councils (see above), the employers' share in financing the costs of illness largely disappeared. Swedish employers also, through the health-insurance charge, finance rehabilitation services and occupational aids for the disabled. Besides what is noted above, no substantial changes took place regarding employers' share of service-benefit financing. Table 11.17 below shows the trend of employees' share of service-benefit financing.

**Table 11.17 Nordic employees' share of service-benefit financing in the 1990s, by purpose, per cent**

Purpose	Denmark		Finland			Norway		Sweden		
	1994	1999	1990	1994	1999	1990	1994	1999	1994	1999
Families and children	-	-	-	-	-	-	-	-	-	-
Unemployment	61 <sup>1)</sup>	43	-	-	-	-	-	-	-	-
Illness	-	-	7	13	9	-	-	-	-	-
Old age	-	-	-	-	-	-	-	-	-	-
Disability	-	1	6	13	10	-	-	-	1	-
Survivors	-	-	30	37	39	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-
Other social benefits	-	-	-	-	-	-	-	-	-	-
<i>Total cash benefits</i>	-	1	5	8	6	-	-	-	-	-

<sup>1</sup> Figure for 1995.

Here, it is evident that employees contribute even less (in their capacity as employees) than employers to service-benefit financing. Only in Finland can any appreciable share be noted. In Denmark their contribution is negligible, and in Norway and Sweden such financing is non-existent. The employees' share in Finland relates both to treatment for illness, where contributions are paid through charges for national health insurance, and traffic insurance etc, and to occupational training for people with disabilities, which is financed in a similar way. Moreover, employees in Finland pay a portion of funeral-assistance charges. In Denmark, part of the financing responsibility for labour-market policy measures was transferred from the central government to employees through the labour-market contribution introduced in 1994, which is currently 8 per cent (see above). This is paid by all employees and self-employed persons.

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In the above review of the how various sources of financing for service benefits in social security are classified, one key component is missing: user charges, i.e. the charges people pay for using the services on offer. These charges are not reported in the ESSPROS system, which relates only to the net financing of activities. Statistics in this area are, for this reason, incomplete and not uniform; nor is it feasible to review them fully in the same manner as above. As pointed out in the introduction, there is also some lack of clarity as to what the user charges reported actually relate to - rent, food, social care, etc. Changes in this respect impede comparisons between countries and over time. However, some patterns may be distinguished.

In Denmark, health care and the home-help service for the elderly and disabled are free of charge. Nor do nursing-home residents pay for the actual care they receive - only for board and lodging, and ancillary services such as laundry. Charges in child care are, however, relatively high and cover around 20 per cent of gross costs. For dental care (except for children and young people) and medicines, user charges covering around 60 per cent and 40 per cent of their respective costs are payable.

Cost coverage in Finland corresponds to around 15 per cent of the costs of child care, health care and elderly care alike. For care of the disabled, on the other hand, cost coverage is lower - only about 5 per cent. In Sweden, user charges in 1998 corresponded to an estimated 17 per cent of childcare costs, 13 per cent of health care costs (including medicines) and around 10 per cent of the costs of elderly and disabled care. (No more detailed classification is feasible here.)

Norway has the highest user charges. In child care, these made up around 35 per cent of costs in 1998. For health care (including medicines) and elderly care the figures were some 20 per cent and 14 per cent respectively. In care of the disabled, however, user charges are substantially lower - only just over 2 per cent of gross costs.

Regarding the trend of user charges during the 1990s, there was a certain moderate increase. This applied above all to Finland and Sweden, where the charge proportions rose by two to four percentage points in the period 1990-98 - with slight differences, depending on purpose category. In Denmark there was a small rise with respect to child care, and in Norway the situation was entirely stable except for some categories, where the trend even showed a decline. Overall, then, user charges converged slightly in the Nordic countries during the period.

## 6. Differences and tendencies in government-grant systems

One common feature of the Nordic countries is that service benefits in social security - child care, health care, care of the elderly and disabled, care of substance abusers, etc - are very largely provided through activities run by the local authorities<sup>8</sup>. These activities are financed partly through the taxes that local authorities in all the Nordic countries are entitled to levy, and partly through grants from the central government. Accordingly, one essential element in the system for financing social-security expenditure comprises the design and scope of the central-government grant system. This system is in many respects similar in the Nordic countries, but there are also some differences. One distinctive phenomenon in Denmark is that, as pointed out above, the Danish local authorities are also in charge of many cash benefits that are provided by the central government in the other Nordic countries (and by the National Social Insurance Scheme in Norway). For this, the local authorities receive compensation from the central government, but at a rate that varies and is often below 100 per cent.

During the establishment of the welfare state, various forms of focused (earmarked) government grants to the local authorities served as a means of developing their activities and guaranteeing all citizens' access to the new service benefits on equal terms. These grant systems involved a large measure of detailed state regulation. Central-government agencies examined municipal grant applications and followed up the use of grants in municipal accounts, in order to check that the grants had been used correctly. With the expansion and maturation of the welfare state came a growing demand for efficient use of resources. Through municipal amalgamations and economic development, the local authorities grew stronger and demands for their increased self-administration also grew. In all the Nordic countries this resulted, in the 1980s and '90s, in reforms of the government-grant systems with broadly the same content. The principal purpose of these reforms was, throughout, to enhance efficiency in municipal administration by replacing focused, earmarked grants by general ones (block grants) of such a nature as to afford equalisation between the local authorities in terms of their scope for conducting activities. The aim in view was for decisions about activities, and financing responsibility, to be aligned more closely, and for

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<sup>8</sup> Here and henceforward, as in the foregoing, the expression 'local authorities' includes county councils as well as municipalities.

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the traditional Nordic municipal autonomy to be sustained and strengthened. Another contributory factor was undoubtedly Denmark's problems in public finances during the 1980s, and those in Finland and Sweden in the 1990s. General government grants were easier to regulate with reference to the economic situation than a wide and diverse range of grants for different activities.

The systems introduced gradually in all the Nordic countries share, basically, the same structure. Besides a general transfer of a particular amount per capita, they consist of portions aimed at income and cost equalisation and a larger or smaller number of additional portions that address various specific problems. In addition, as before, there are certain earmarked grants aimed at encouraging the establishment of new activities or meeting special and often temporary needs. The general process of transfer is combined with the equalisation in Finland and Norway, but the two are separate in Denmark and Sweden. In the latter countries what takes place is *equalisation among local authorities*, where those with a large tax base and/or a favourable needs structure pay grants to municipalities with a small tax base and/or an unfavourable structure.

Another key difference between the countries that underlies the differences in service-benefit financing already reported is that Finland uses sectoral grants while grants in the other countries are overwhelmingly paid to the local authority as a whole, without the sector being specified.

Income equalisation is aimed, as the term implies, at evening out municipal incomes. It is financed by a contribution based on the local authority's tax base, i.e. basically its residents' average income per capita. Income equalisation can be pursued to a variable degree. In Sweden, equalisation guarantees that all the local authorities have a tax base in the range of 98–106 per cent of the average tax base. This means that in Sweden it is hardly a matter of poor or rich authorities, when it comes to the scope for conducting activities: all the local authorities are, broadly, on a par in terms of income. Another consideration is that their finances may be more or less well managed. In Denmark, 80 per cent of the disparities in tax base, and 45 per cent of the differences between the local authorities, are evened out. In addition, there is further equalisation of 40 per cent for the local authorities in the Copenhagen metropolitan area.

In Norway, the local authorities are compensated for 90 per cent of the difference between their own tax revenues and a reference level, which is set at 110 per cent of the nationwide average. For the Norwegian county councils, the corresponding reference level is 120 per cent. The intention is to gradually raise the reference level and lower the degree of compensation over a five-year period.

The other side of the equalisation system, cost equalisation, is aimed at

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compensating local authorities for the disparities between them in terms of the service benefits (and in Denmark also cash benefits) that are needed, and which the local authority is intended to meet. This equalisation can be more or less complex, depending on the division into subsectors and the various key figures or criteria used to estimate the cost of activities in these sectors. In Sweden, a categorisation among 16 different submodels for the municipalities and four for the county councils is performed. For each subsector, a standard cost is calculated on the basis of various key figures. Factors regularly included in the Nordic systems are the age structure of the population and proportions of single adults, single breadwinners, unemployed people, inhabitants born abroad, etc - i.e. factors shown by statistics or special surveys to be connected with the costs of municipal activities in the subsector concerned. One key precondition is that the conditions forming the basis of the calculation should, in principle, be impossible for the local authority to influence. It must not be feasible to manipulate conditions for the purpose of boosting the government grant.

The consistent endeavour is to base the estimation not on the local authority's own costs, but on average costs for the country. The aim is thereby to attain a management effect. There is no wish to reward the municipalities with high costs; rather, the aim is to assist those with major spending needs due to their structure. Cost equalisation, like income equalisation, may be more or less far-reaching. In Finland, the principle involves a certain degree of self-financing, i.e. each local authority must itself finance a certain equal estimated cost per capita. Similar arrangements apply in Norway. Nor is there any question of total equalisation of spending needs in Denmark. In Sweden, on the other hand, structural equalisation is intended in principle to cover the structurally dependent extra costs in their entirety.

The additional parts of the government-grant systems vary widely from one country to another and may be connected both with regional or economic-policy considerations and with temporary regulations of various kinds. In Sweden there is a special contribution intended to cover extra costs in the event of a population decrease - but not a population increase, which has also proved to yield corresponding extra costs. In Denmark, there is a special equalisation system for the local authorities in the Copenhagen metropolitan area. In Finland, increments are provided for local authorities that include islands, sparsely populated areas, bilingual populations, etc. In Norway, a special Northern Norway grant and an Oslo metropolitan grant are included. Here, too, there is a standard grant paid to local authorities deemed to need special support. The temporary regulations are often in force for many years and this, combined with frequent changes, makes it

difficult to distinguish which system in fact applies.

Since their introduction in the 1980s and '90s the new government-grant systems have been subjected to numerous surveys and revisions in all the Nordic countries. The changes have been aimed both at simplifying the systems and at adapting them to changes in the surrounding world. One consistent criticism of the government-grant systems is that they are too complex and can be understood only by a small group of experts. They are also data-consuming and sensitive to changes in the supply of statistical documentation. One problem in Sweden has been the cancellation, since 1990, of population and housing censuses. This has entailed difficulties in specifying values for various component key figures relating to the population. Revision of the calculation bases is otherwise a common measure. Transfer of such functions as care of the mentally disabled from county councils to municipalities also occasions revision of the key figures.

## 7. Summary and conclusions

The above review shows that, in financing social security, the Nordic countries show many common features, but that there are also major differences. The similarities include the dominant role of the state - directly or indirectly, through compulsory employer's and/or employee's contributions - in financing of cash benefits, while the local authorities provide the bulk of financing for service benefits. In the latter case too, however, the central government plays a key indirect role through the general government grants that are not categorised by purpose. In all the Nordic countries the local authorities are, moreover, responsible for service benefits - child care, health care, care of the elderly and disabled, and care of individuals and families - while the central government, with Denmark as an interesting exception, is responsible for cash benefits. All the Nordic countries have very high ambitions in the social sphere, and this means that financing covers very large sums of great importance to macroeconomic conditions and public finances. The tax ratio, i.e. total indirect and direct taxes as a share of GDP, is consistently high - among the highest in the world.

Despite these common features, there are substantial differences. One such difference is that Finland and Sweden, to a much higher degree than the other two countries, rely on employer's and employee's contributions to finance cash benefits. Around half of these benefits were paid in 1999, in both countries, through employer's contributions, against only 16 per cent

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and 8 per cent in Denmark and Norway respectively. The employees' share was highest in Denmark and Sweden, where more than a quarter of financing takes place through various forms of charges levied on employees. In Denmark this is linked to the labour-market grant introduced in 1994, and in Sweden it is associated with the employee's contributions introduced in conjunction with the budget reorganisation and the transition to the new pension system in the mid-1990s. In Norway, the employees' share of cash-benefit financing of the cash benefits is relatively small, while in Finland it is slightly higher. The local authorities' contribution to cash benefits is consistently low. It is highest in Denmark (9 per cent); this is connected with the fact that the central government does not fully reimburse the local authorities for part of the cash benefits they are responsible for disbursing, such as early retirement pensions, daily sickness allowance and rehabilitation support. The justification is that these payments can, at least partly, be influenced through the local authorities' activities.

It is hard to discern any underlying structural or economic causes of the differences in financing systems pointed out above, possibly with the exception of the increased element of employee's contributions in Sweden in the 1990s (see below). The heavy emphasis on employer's contributions in Sweden goes back to the 1970s, when - after very rapid economic growth in the 1960s - the climate of opinion in the country was highly favourable to social reform and employer's contributions were regarded as an inexhaustible source of financing. Through them expensive reforms, it was thought, could be launched without wage-earners needing to feel the impact of raised taxes. The party came to an end in the late 1970s, when the Swedish economy lurched into a profound crisis owing to the excessive rise in wage costs. Because of devaluations and recurrent crises, Swedish wage-earners experienced virtually no increase in real pay for the ensuing two decades. The specifically Danish method of letting the local authorities disburse a high proportion of cash benefits may be explained by the skills principle, i.e. the aim that skills and financial responsibility should, as far as possible, go hand in hand. Thus, for example, the Danish local authorities determine approval of early retirement pension, a function performed in the other Nordic countries by the central government - in Sweden and Finland through the social-insurance offices and institutes respectively.

In terms of service benefits, the differences between the Nordic countries are smaller. Here, employer's and employee's contributions play a fairly insignificant part in all four countries. The key difference is in the division between central and local government, which reflects the role of government grants in financing and how far these are general or earmarked. In Denmark and Sweden, where government grants are largely general and thus not clas-

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sifiable in terms of purpose, the local authorities account for by far the largest share of service-benefit financing. In Finland, which has a high proportion of sectoral government grants, the central government's share looks substantially higher.

As pointed out in the introduction, however, to a considerable degree the difference is merely apparent. The fact that the central government's grants cannot be classified by purpose or sector does not, of course, affect their size as such. The intention of the general grants is to align financing responsibility more closely with the power of decision-making. A raised proportion of block grants may therefore be seen as part of the endeavour to economise and bring about more efficient resource use. The reforms of the government-grant systems in Finland, where grants focusing on particular activities and based on reported spending were replaced by calculated sectoral grants, served the same purpose but do not afford such far-reaching freedom in the use of resources.

During the 1990s, extensive changes took place in the financing of social security in the Nordic countries. Regarding cash benefits, a general tendency for the central government's share to decrease - especially in the later years of the decade - is discernible. During the first half of the '90s, the state's share of financing was greatly affected by its heavy spending on unemployment. In all four countries, the employees' role in financing increased. Parts of the central government's financing responsibility were taken over, to a greater or lesser extent, by employees and employers.

For service benefits, too, there was a tendency for state involvement to decrease - primarily in Finland and Sweden - but the picture is more fragmented. In Denmark the central government's share of financing remained unchanged, and in Norway it increased. During the period, employers and employees' role in financing of service benefits remained unchanged. The only substantial change was that expenditure on pharmaceuticals in Sweden was transferred from employer's contributions to the county councils (and compensated for with increased block government grants).

The trend of social-security financing in the Nordic countries during the 1990s is very clearly connected with the economic situation. In this respect, Finland and Sweden differ markedly from the other two countries. The profound economic crisis into which both these countries lapsed in the early 1990s resulted initially in a sharp increase in social-security contributions - both absolute and, to an even higher degree, in relation to GDP. The rise in spending related primarily to cash unemployment benefits, but contributions for other purposes (except for illness) also rose steeply. Consequently, the central government's share of spending increased in these two countries.



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Thereafter, vigorous measures were taken to put central-government spending on a sound footing and thereby bring the soaring deficits in the government budget under control. Spending on cash benefits was, in part, transferred to employers and employees. For service benefits, there was instead a certain shift to the local authorities. Out of concern for employment, the Swedish Government was more cautious about imposing higher contributions on employers. In Sweden, therefore, employee's contributions with a direct impact on employees were introduced instead.

In the 1980s, Denmark had already been hit by a severe unemployment crisis. During the ensuing decade, the country was still suffering from its aftermath. However, the economy was well under control. Here, instead, the emphasis lay on bring the social-security system into better equilibrium through active measures to get more people into active employment and out of dependence on transfers, and to bring about more efficient use of the local authorities' resources. The aim of the labour-market grant, which was introduced as part of a tax reform, was to clarify to citizens the central government's spending on labour-market policy, and the local authorities were given increased responsibility for the trend of spending on cash benefits through reduced refund rates. Consequently, the central government's share of spending on cash benefits decreased. Regarding its spending on service benefits there was, however, no appreciable change.

In Norway, finally, the situation was entirely different. There, economic growth remained at a steady, high rate throughout the decade, with only minor variations, and this afforded scope for a rapid increase in spending on social security. This fundamentally stable situation entailed no major demands for changes in the financing system. The only exception to this was a certain increase in central-government financing of service benefits; this may be ascribed largely to the reform of the system for financing health care. The official objective of reducing the share of earmarked grants was unattainable.

Thus, briefly summarised, the conclusion that may be drawn from the development that took place in the 1990s is that macroeconomic conditions are what determine which changes the government is obliged, or sees fit, to make in the financing of social security. In times of recession, it is primarily the central government that must bear the economic burden. But neither local authorities, employers nor employees can be protected from the financial consequences of economic difficulties. The financing system must be so designed as to lay responsibility on the right authority. Separation of financing responsibility and the power of decision-making paves the way for resource mismanagement. The endeavour to boost the local authorities' role

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in service-benefit financing at the expense of the central government must be seen in the light of these considerations. If the economy is important to the financing system, the converse also applies. There is ample evidence that the root of the economic decline under way in Sweden since the 1970s is the blunder made at that time, when it was deemed possible for employers alone to bear the costs of major social reforms. The scope and quality of the social safety network at the citizens' disposal depend ultimately on economic resources. Accordingly, society must take care not to destroy the very foundation on which it rests.

## *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 1999. 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.

## CALCULATION BASIS FOR INCOME DISTRIBUTION

### *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 comprises 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.

## 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](http://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, 2000*

#### *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.

## DESCRIPTION OF TYPICAL CASES

Payment for the day care institution is, where possible, calculated on the basis of average charges and national rules governing payment. For Norway, 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, 2000*

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, 2000*

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, 2000*

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, 2000*

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, 2000*

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 2000.

### Typical Case VI

*Level of compensation for typical cases in connection with anticipatory pension, including supplementary pension at maximum qualifying period, 2000*

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

Statistics Denmark  
Sejrøgade 11  
DK-2100 Copenhagen Ø  
Phone +45 39 17 39 17  
Fax +45 39 17 39 99  
Web: [www.dst.dk](http://www.dst.dk)

National Board of Health  
Islands Brygge 67  
DK-2300 Copenhagen K  
Phone +45 72 22 74 00  
Fax +45 72 22 74 11  
Web: [www.sst.dk](http://www.sst.dk)

Danish Labour Market  
Supplementary Pension  
Kongens Vænge 8  
DK-3400 Hillerød  
Phone +45 48 20 48 20  
Fax +45 48 20 48 00

Directorate General for Employment,  
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](http://www.ams.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](http://www.adir.dk)

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](http://www.udlst.dk)

## FURTHER INFORMATION

Web: [www.atp.dk](http://www.atp.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](http://www.sm.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](http://www.sfi.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](http://www.dsa.dk)

Ministry of Employment  
Holmens Kanal 20  
DK-1060 Copenhagen K  
Phone +45 33 92 59 00  
Fax + 45 33 12 13 78  
Web: [www.bm.dk](http://www.bm.dk)

## FINLAND

Social Insurance Institution  
P.O. Box 450  
FIN-00101 Helsinki  
Phone +358 9 43411  
Fax +358 9 4341 530  
Web: [www.kela.fi](http://www.kela.fi)

Ministry of Social Affairs  
and Health  
P.O. Box 33  
FIN-00023 Government  
Phone +358 9 160 01  
Fax +358 9 1607 38 24  
Web: [www.vi.fi/stm/english/index.htm](http://www.vi.fi/stm/english/index.htm)

National Research and Development  
Centre for Welfare and Health  
(STAKES)  
P.O. Box 220  
FIN-00531 Helsinki  
Tel +358 9 39671  
Fax +358 9 3967 2324  
Web: [www.stakes.fi](http://www.stakes.fi)

Central Pension Security Institute  
FIN-00065 Central Pension Security  
Institute  
Phone +358 10 75 11  
Fax +358 9 1481 172  
Web: [www.etk.fi](http://www.etk.fi)

Statistics Finland  
FIN-00022 Statistikcentralen  
Phone +358 9 17341  
Fax +358 9 1734 3522  
Web: [www.stat.fi](http://www.stat.fi)

## FURTHER INFORMATION

### ICELAND

Directorate of Labor  
Hafnarhúsinu Tryggvagötu  
IS-150 Reykjavík  
Phone +354 511 2500  
Fax +354 511 2520  
Web: [www.vinnumalastofnun.is](http://www.vinnumalastofnun.is)

Statistics Iceland  
Skuggasundi 3  
IS-150 Reykjavík  
Phone +354 560 9800  
Fax +354 562 8865  
Web: [www.statice.is](http://www.statice.is)

National Association of  
Pension Funds  
Suðurlandsbraut 30  
IS-108 Reykjavík  
Phone +354 581 4977  
Fax +354 581 4332  
Web: [www.ll.is](http://www.ll.is)

Ministry of Health and Social Security  
Laugavegi 116  
IS-108 Reykjavík  
Phone +354 560 9700  
Fax +354 551 9165  
Web: [www.stjr.is/htr](http://www.stjr.is/htr)

National Wage Control  
Committee  
Borgartúni 22  
IS-105 Reykjavík  
Phone +354 562 1470  
Fax +354 562 4570

State Social Security Institute  
Laugavegi 114  
IS-150 Reykjavík  
Phone +354 560 4400  
Fax +354 562 4535  
Web: [www.tr.is](http://www.tr.is)

National Economic Institute  
Kalkofsvegi 1  
IS-150 Reykjavík  
Phone +354 569 9500  
Fax +354 562 6540  
Web: [www.ths.is](http://www.ths.is)

## **FURTHER INFORMATION**

### **NORWAY**

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](http://www.ssb.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](http://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](http://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](http://www.helsetilsynet.no)

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](http://www.aetat.no)

### **SWEDEN**

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](http://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](http://www.sos.se)

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.arbsky.se](http://www.arbsky.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](http://www.scb.se)

## FURTHER INFORMATION

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](http://www.amv.se/ams)

National Social Insurance Board  
S-103 51 Stockholm  
Phone +46 8 786 96 91  
Fax +46 8 786 95 80  
Web: [www.rfv.se](http://www.rfv.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](http://www.migrationsverket.se)

### OTHER

OECD  
Unité des Services à la Clientèle  
Service des Publications  
2, rue André-Pascal  
F-75775 Paris Cedex 16  
France  
Web: [www.oecd.org](http://www.oecd.org)

World Health Organization  
Regional Office for Europe  
Scherfigsvej 8  
DK-2100 Copenhagen Ø  
Denmark  
Web: [www.who.dk](http://www.who.dk)

EUROSTAT  
Office for Official Publications  
of the European Communities  
L-2985 Luxembourg  
Luxembourg  
Web: [Europa.eu.int/comm/eurostat](http://Europa.eu.int/comm/eurostat)

Nordic Medico-Statistical Commit-  
tee (NOMESCO)  
Islands Brygge 67  
DK-2300 Copenhagen S  
Phone: +45 72 22 76 25  
Fax: +45 32 95 54 70  
Web: [www.nom-nos.dk](http://www.nom-nos.dk)

# Publications Issued by NOSOSCO

*Samordning af de nordiske landes statistik vedrørende den sociale lovgivning.*  
Betænkning afgivet af den af de nordiske socialministerier nedsatte ekspertkomité. 1. del. Om opstilling af en ensartet oversigt over de sociale udgifter. København 1951.

*Samordning av de nordiske lands statistikk vedrørende den sociale lovgivning.*  
Rapport fra den av de nordiske sosialministerier nedsatte ekspertkomité. 2. del. Omfanget av de sosiale tiltak. Oslo 1951.

*Samordning av de nordiske lands statistikk vedrørende den sosiale lovgivning.*  
Utgifter til sosiale formål i 1949 og 1950 og omfanget av sosiale tiltak i 1949 i Danmark, Finland, Norge og Sverige. Oslo 1953.

*Samordning af de nordiske landes statistik vedrørende den sociale lovgivning.*  
Nordisk Statistisk Skriftserie nr. 2. København 1955.

*Samordnad nordisk statistik rörande sociallagstiftningen.* Nordisk Statistisk Skriftserie nr. 4. Stockholm 1957.

*Statistikk vedrørende den sosiale lovgivning i de nordiske land 1956 (1956/57).*  
Nordisk Statistisk Skriftserie nr. 6. Oslo 1959.

*Social Welfare Statistics of the Northern Countries 1956 (1956/57).* Statistical Reports of the Northern Countries no. 6. Oslo 1960.

*Samordnad nordisk statistik rörande sociallagstiftningen.* Nordisk Statistisk Skriftserie nr. 8. Stockholm 1961.

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