

Social Protection in the Nordic Countries, 2004

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Scope, Expenditure and Financing

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at:

Schultz Information
Herstedvang 12
DK-2620 Albertslund
Tel: +45 70 26 26 36
Fax: +45 43 63 62 45
E-mail: schultz@schultz.dk
or at: www.nom-nos.dk

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Scope, expenditure and financing

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Islands Brygge 67, DK 2300 København S
Tlf. +45 72 22 76 25 • Fax +45 32 95 54 70
E-mail: mail@nom-nos.dk
Website: www.nom-nos.dk

Editor: Johannes Nielsen

Translated by: Lone Dalgaard
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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.

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 social statistics from 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 Norway having the chairmanship for the period 2005-2007.

As from 2005, the Faroe Islands have full membership of the Committee, and data from the Faroe Islands are now also available in this publication. In its report, *Social Protection in the Nordic Countries*, NOSOSCO publishes its findings regarding current social developments.

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

This year's theme section deals with activation policies in the Nordic countries.

In connection with the preparation of the present report, NOSOSCO set up an editorial group to assist the Committee Secretariat in its work. Supplementary data concerning the tables in the various chapters that used to be included in the book can now be seen on NOSOSCO's homepage www.nom-nos.dk.

PREFACE

The Nordic Social Statistical Committee is currently composed as follows:

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Jógvan Bærentsen	Hagstofa

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Salla Säkkinen	STAKES
Markku Lindqvist	Statistics Finland
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Elisabeth Nørgaard	Statistics Norway
Toni Kvalvø	Directorate of Labour and Welfare

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Cathrina Ferrmark Hanno	National Social Security Office/
Leif Johansson	Statistics Sweden

* Members of the Editorial Group.

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

Nordic Social Statistical Committee, 2006

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Symbols Used in the Tables:

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

Chapter 1

Changes in the Nordic Social Policies since 2004

DENMARK: The Danish economy is basically sound and solid with no major balance problems. During recent years, the Danish economy has been characterized by a boom with an increase in the employment rate and a decrease in the unemployment rate.

Economic growth was 1.7 per cent in 2004 and 3.4 per cent in 2005 and is anticipated to increase in 2006 and 2007 at 2.6 per cent and 1.9 per cent, respectively. Private consumption and housing investments increased relatively sharply, supported by low interest rates, increasing prices on owner-occupied housing and by the tax relief and other initiatives implemented by the Government in 2004 with a view to stimulating the economy. In 2005, the basis for the boom has become broader, as investments in trade and industry and the export have also contributed to the growth.

As a result of the economic growth, the employment rate has been increasing and the unemployment rate decreasing since the end of 2003. Thus, the employment rate of the private sector increased by 24,000 individuals from 2004 to 2005 and is anticipated to increase further by about 32,000 from 2005 to 2007. The unemployment rate dropped from 6.1 per cent in 2004 to 5.5 per cent in 2005 and is anticipated to decrease further to 4.5 per cent in 2006 and 4.3 per cent in 2007.

The surplus on the balance of payments' current account amounted to 2.9 per cent of the GDP in 2005, and in 2006 and 2007, a surplus of 2.3 per cent and 2.5 per cent, respectively, is anticipated. The surplus on the total public finances increased in 2005 to 4.0 per cent of the GDP, and is anticipated to be 2.8 per cent in 2006 and 2.9 per cent in 2007. Public

spending increased by 1.2 per cent in 2005, and for the total public sector, the framework for growth in the years to come is 0.5 per cent.

The considerable increase in the employment rate and the record low number of unemployed has led to a shortage of labour in a number of trades. The shortage especially makes itself felt within the building industry, but there are also bottlenecks in a number of trades within the service and industrial sectors as well as within public areas such as health, social services and education.

The favourable situation in the labour market increases the employment opportunities for those, who have had difficulties in gaining a foothold in the labour market. That applies to among others young people with no education as well as others with insufficient qualifications, including quite a few immigrants and their descendants.

The Government has entered into an integration agreement "A New Chance for Everyone", which comprises a number of initiatives with a view to providing more immigrants and other groups outside of the labour market with employment. The integration agreement implies among other things that recipients of cash benefits, who have not been provided with an active offer within the past year, will have their cases reviewed and will receive help in finding employment or will be offered an active, job-oriented offer, which may result in their finding ordinary work. This is an extraordinary effort for a two-year period running from mid-2006, which the local authorities must carry through with a grant of almost half a billion DKK from the Government.

As part of the integration agreement, the financing of the municipal expenditure on maintenance will be changed. The local authorities will be rewarded for an active performance, as the government reimbursement is higher during active periods (65 per cent) than during passive periods (35 per cent). Besides, young recipients of cash benefits under the age of 25, who have no problems besides unemployment, and who have no children, will be obliged to commence a relevant qualifying education on ordinary terms.

The Government has entered into an agreement on an adjustment of the flexi-job scheme. Flexi jobs are given to people, who suffer from a permanent and considerable restriction of their working capacities, and who consequently cannot obtain or maintain employment on normal terms. The agreement means that initiatives are taken to ensure that the referral to flexi jobs in the municipalities is improved; that the unemployment rate among those referred to flexi jobs be reduced; and that the public subsidies for flexi jobs are adjusted.

In the next five years, Central Government will spend DKK 320 million on a number of targeted initiatives in order to help the mentally ill and other exposed groups get closer to the labour market. This involves that the mentally ill and people with mental disorders as well as the disabled will be provided with a personal assistant, who may assist them in structuring their work or make social contact with the colleagues work. Furthermore, special activity offers will be established to build up the mentally ill's personal, vocational and social skills, so that they are provided with a better basis for daily life and thus the possibility of finding a job.

In order to ease the hard-pressed economy of many families with children, where the cost of child-minding weighs heavily, the maximum amount of parental payment will be reduced from 33 per cent to 25 per cent. Parental payment was reduced as from 1 January, 2006, for children under three years. As from 1 January, 2007, parental payment for children of the age group three years until school age will be reduced.

In order to improve the equality between women and men in the private labour market, all wage earners will be covered by a maternity-equalization scheme, so that no wage-earner groups will be excluded, because employers will incur marked financial costs during maternity leave. The amendment to the act ensures that that part of the labour market, which is not covered by private agreements on maternity equalization, will be covered by a statutory maternity-equalization scheme. The act shall enter into force on 1 October, 2006.

All employers must contribute to the scheme for wage earners, unless a wage earner is covered by a decentralized maternity-equalization scheme. Employers may receive reimbursement for wage costs during maternity leave. The reimbursement equals the difference between the maternity benefit and wages/salaries during maternity leave below a fixed ceiling of DKK 142 per hour for up to 26 weeks.

Disability pensioners receiving ordinary/increased disability pensions (the two lowest rates in the old disability-pension system) will receive a considerable increase as from 2006 by way of an extra supplement to the pension. The supplement to those receiving the lowest rate of disability pension results in an increase of more than DKK 2 000 a month, tax-free, and DKK 1 100 a month, free of tax, for those receiving the increased ordinary disability pension.

With a view to helping recipients of cash benefits, who have been unemployed for a long time, back on the labour market, Central Government introduced a debt-cancellation scheme in 2006 that will

enhance the financial incentive for the individual to work. The scheme is a four-year pilot scheme for the time being.

In order to assist the socially vulnerable to get better control of their daily lives as well as coherence in their lives, the so-called support-and-contact-person scheme will be extended to also include the homeless, alcoholics and drug addicts, where it was previously reserved for the mentally ill.

As to the elderly, it was decided to launch a guarantee concerning nursing homes, so that the elderly can be offered a place in a nursing home/residential care home no later than two months after their having been referred and registered on the waiting list. The municipalities must comply with the guarantee no later than 1 January, 2009. Furthermore, a special fund will be set up of just under DKK 450 million for better and more flexible home help, apart from the original extra appropriation of DKK half a billion annually, which the home help has been allocated since 2002.

As part of Central Government's strategy to combat negative social heritage, steps have been taken to strengthen parental responsibilities. Local authorities will be given the option to impose certain active actions on parents in relation to their children, so that the individual child may enter into a positive development. If the parents do not act up to the instruction, the local authorities may set off against the child benefit cheque.

Central Government has in 2005 and 2006 supplied the health-care sector with extra appropriations of DKK 1.2 and 1.4 billion, respectively, in order to increase activities and reduce waiting lists for examinations and treatment. The number of people, who had some kind of surgery, increased by 87,500 from 2001 to 2004 corresponding to an increase of 18.5 per cent. The waiting period was reduced from 27 to 21 weeks for 18 major operations from July 2002 to July 2005. The increased activity was combined with several choices for the patients, who have been given the possibility of seeking treatment at private hospitals or hospitals abroad, when the waiting period for the public hospitals exceeds two months. This possibility will as from 2007 apply after a waiting period of one month.

THE FAROE ISLANDS: The boom that characterized the Faroese society from 1995 to 2002 resulted in an average annual increase in the wage/salary payments of about 9.7 per cent and an unemployment rate in 2002 of 2.3 per cent. The boom was replaced by a financial stagnation, which is mainly a result of a decline in the fishing and breeding trades, and which since the end of 2002 has made itself felt in financial recession and adverse growth. Despite a historically large drop in the income from exports during recent years, it has had a limited influence on the average Faroese household, as the

Government has pursued an expansive fiscal policy. Wage/salary payments continued to increase, which from 2003 to 2005 was 1.4 per cent on average, while the unemployment rate increased to 3.9 per cent in 2005.

The stagnation is anticipated to continue into 2006, but the economy again shows positive signs of increased employment and a stabilization of the export earnings. The wage/salary payments during the first three months of 2006 increased by 9 per cent in relation to the same period in 2005, at the same time as there was a decrease in the unemployment rate of 3.4 per cent.

The expenditure on income-substituting cash benefits in connection with maternity leave was financed by the State by 63 per cent and by the labour market parties by 37 per cent. Employees and wage/salary earners paid in 0.25 per cent of all wage/salary payments to a maternity fund. As from 1 January, 2006, the financing will be taken over by the labour-market parties, and thus the payment to the fund will be increased from 0.25 to 0.62 per cent of all wage/salary payments.

Contributions to the special basic-pension scheme, which is also administered by the labour-market parties, increased as per 1 January, 2005, from 0.5 to 0.75 per cent of all wage/salary payments and again as per 1 January, 2006, from 0.75 to 1 per cent of all wage/salary payments. In that way the state pension for singles increased by 4.9 per cent in 2005 and again by 5.9 per cent in 2006, while the increase for married pensioners increased by 4.3 per cent in 2005 and again by 5.1 per cent in 2006.

A new Child Welfare Act entered into force on 1 January, 2006, in which a considerable part of the responsibility has been decentralized to the local authorities, but a centralized child-welfare committee was set up, which is to make decisions concerning assumption of care, at the same time as the administration of residential-care institutions will still be dealt with centrally. The aim of the new Act is primarily to improve children and parents' legal security.

In the past five years, there has been an annual increase of 10 per cent in the expenditure on home nursing. This is to be seen in connection with a large need for places in institutions for the elderly. The number of institution places for the elderly has increased by 35 per cent in the period 2004-2006, and a further addition is envisaged for the period 2006-2008. User charges for home nursing were altered in 2005 for the first time since 1983. Since 1983, the rates ranged from DKK 4 to 43 per hour, depending on income. The new rates range from DKK 30 to 135 per hour. At the same time, the income ceiling for user charges was increased from about DKK 20,000 to DKK 50,000 a year for single people and about DKK 30,000 to DKK 75,000 a

year for married couples. As from 2005, there is no user charge payable for acute home nursing to for example those, who are dying.

In the spring 2006, the Government published a Faroese public-health plan. It is the wish of the Government with this plan to focus on the public health generally in the Faroe Islands, and how it may be improved. The public-health plan will form the basis of the future public-health policy in the Faroe Islands. The plan is twofold: It partly implies gathering knowledge on the state of the public health in general in the Faroe Islands as well as the development within that area, and partly on actual health-promoting and sickness-preventing initiatives, where focus will especially be on initiatives concerning diet, exercise, smoking, alcohol and drug abuse.

FINLAND: In recent years, economic growth in Finland has been 2 per cent per year. Growth of the total production increased and is expected to be 3.7 per cent in 2006.

In the medium term, the average increase is anticipated to be about 2 per cent per year. In 2003–2005, the surplus in the economy was over 2 per cent of the GDP, and the surplus is estimated to remain unchanged in 2006. This surplus is among the highest in the EU countries. The Finnish surplus is largely a result of the employment pension funds.

The most important goal of the Government programme is to improve the employment rate. Lately, it has increased more rapidly than expected, and it seems that the Government goal of increasing the employment rate by 100,000 people from April 2003 to March 2007 will be reached.

In 2006, the employment rate will reach nearly 69 per cent, and the unemployment rate will decrease to less than 8 per cent. The increase in the employment rate has mainly taken place in the age groups 55+ years and to some degree in the age group under 25 year-olds.

Structural unemployment remains a great problem. The Government has aimed to promote a moderate pay development by way of its taxation policy in order to enhance economic growth and the employment rate. In 2005, the income taxation was lowered by EUR 0.5 billion. Also the taxation of companies was lowered in order to promote Finland's international competitiveness. Furthermore, indirect taxation was reduced in certain aspects; in particular taxes on alcohol were lowered.

A new temporary measure was introduced in 2006 allowing employers to receive subsidies for each full-time employee, 54 years or older, earning less than EUR 2,000 per month.

The total development of the social-protection expenditure was moderate despite the increased demand for pension security and social welfare and health-care services as well as the high unemployment rate.

In 2003–2006, the social expenditure was approximately 27.0 per cent in relation to the gross domestic product, which is still below the EU average.

The comprehensive pension reform entered gradually into force at the beginning of 2005. The main aims of the pension system are to secure the solvency of the employment-pension system as people live longer, to postpone retirement by 2–3 years and to secure the availability of labour.

In connection with the reform, limitations were made to the various forms of early retirement. The qualifying age for part-time pension was raised, and the requirements were increased. The qualifying age for the statutory pension was made flexible in that it will be possible to retire between the ages of 62 and 68 years.

People who postpone their retirement will be awarded a higher percentage regulation, which for people aged 18–52 years will be 1.5 per cent per income year, 1.9 per cent for the 53–62 year-olds and 4.5 per cent for the 63–68 year-olds.

As from 2005, pensions will increase calculated for all employments as from the age of 18 years, also including the time spent on education.

In the new pension system, allowances have been made for people's longer lifespan in that the so-called lifespan quotient will be used. It will be used to adjust the new pension amounts annually as from 2010. The municipal and statutory pensions will be reformed according to those same principles.

According to the preliminary evaluation, the pension reform is anticipated to function as expected. With the reform, people aged 63–65 years were at the same time given the opportunity to retire in 2005. Only 25 per cent made use of that right.

Several minimum benefits were increased in order to improve the status of those with the least means.

In 2005, the minimum amounts of the sickness, maternity, paternity and parental benefits were increased by EUR 94, to EUR 380 per month. Furthermore, the allowance for home care of children was increased by EUR 42, to EUR 294, and the allowance for private child care by EUR 19.60, to EUR 137.

As of 1 March, 2005, the amount of the statutory pension was increased by EUR 7 per month and it will be further increased by EUR 5 as of 1 September, 2006.

When a person, who has been unemployed for over a year and has received the basic unemployment benefit or labour-market support, finds employment, the adjustment of the housing benefit will be postponed by three months. Also with regard to the income support, the 7 per cent own risk for rent will be dropped as from 9 September, 2006.

The financing of the sickness-insurance system was revised in early 2006 in order to improve the relation between user charges and services and benefits as well as the transparency of the system.

The sickness-insurance system was divided into insurance against loss of income in the event of illness and medical-care insurance. The earnings insurance is mainly funded by the employers and employees. The State will cover the minimum amount of the sickness benefit. The medical-care insurance will be funded by contributions from the insured and by the State.

The expenditure on reimbursement of medicines did not increase as much in 2005 as in the previous years. Generic substitution and the price adjustments by the Pharmaceuticals Pricing Board have curbed the increase of the cost of medicines in the basic and lower special-refund categories. The amount and cost of medicines in the higher special-refund category and the limited refund category continued to increase rapidly due to new and expensive medicines. Wholesale prices for medicines were lowered as of 2006 by 5 per cent. Also the conditions for reimbursement of medicines were revised. Measures to permanently curb the increase in the expenditure on drugs were further prepared.

The National Health Project was launched in 2002 and will be completed by 2007. The objective is to ensure access to care, to highlight health promotion and preventive health care as well as to increase the division of tasks in specialised medical care, the cooperation between hospital districts and the need to reorganise primary health care into larger entities.

The reform concerning access to non-emergency care entered into force on 1 March 2005. In addition to securing the access to care, uniform criteria for non-emergency care were compiled.

The timeframes also apply to dental care. The reform has significantly reduced queues to care. At the end of 2005, there were approximately 20,000 people, who had been waiting for medical care for over six months, while in October 2002, the number was 66,000. Differences between hospital districts were still significant. Also the average length of a care period is shorter than before.

In order to make the services more efficient, the division of tasks between physicians and care personnel has been revised and the number of day

surgical procedures has been increased. The reform is linked to the development of a national electronic patient-record system and uniform information-technology architecture for health care as well as to the development of the monitoring concerning the management and comparison of queues.

The national development project for the social services for 2003–2007 was set up in order to develop the availability and secure the quality of social care services, to reform the functions as well as to develop the availability and expertise of the personnel and the working conditions in social welfare.

The goal is to secure equal access to services irrespective of place of residence by way of increased regional cooperation. As of 1 March, 2006, people over 80 years of age have had the right to have their need for non-emergency services evaluated within seven days. The integration of people with serious disabilities into the society has been facilitated by increasing significantly the amount of transportation services as well as the number of personal assistants.

In order to ensure the financing of the municipal social welfare and health care, the Central Government subsidies to local authorities have been increased markedly in recent years. In 2002, the share paid by the State was 24.2 per cent and in 2005, it was as much as 32.99 per cent.

The so-called family costs defrayed by employers due to parental leave were balanced more than before by increasing the reimbursement payable to the employers out of the sickness insurance system. A more balanced distribution of costs resulting from parental leave between different sectors for example has been prepared in cooperation with the labour-market parties.

ICELAND: Apart from a minor decline in 2002, the economic development has been very favourable in Iceland in the past year.

In 2005, the economic growth was 5.5 per cent and is anticipated to be 4.8 per cent in 2006, while a decrease to 1.8 per cent is expected in 2007.

According to the Ministry of Finance, the average inflation was 4 per cent in 2005. The main reason for this increase is the soaring prices of real property. The inflation has been calculated to be 5.9 per cent in 2006 and 3.5 per cent in 2007.

The National Bank and other financial institutions have expressed worries about this development, as the inflation is considerably higher than the objective of the National Bank to keep inflation below 2.5 per cent.

The unemployment rate has dropped considerably in recent years and is anticipated to be 1.6 per cent in 2006 and to increase to 2.2 per cent in 2007.

The Health Act has been revised during the past 2-3 years. According to a proposal that was presented in spring 2006, the country is to be divided into 6-7 regions, and within each of those regions, outside of the metropolitan area, there must be an institution bearing the main responsibility in order to ensure treatment of illness in the regions.

The role of the Ministry of Health will be enhanced when it comes to priorities and policy matters.

The scope of the treatment of illness will become better defined and classified into general and specialized functions.

The national public-health plan that applies until 2010 is partly based on the fixing of an order of priority of the various fields in the health work and partly on the WHO pan document.

During 2005, a comprehensive revision of the aims of the action plan was undertaken in 7 prioritized fields. In the fields where the goals have already been met, new and more ambitious goals have been set. Besides, new goals have been introduced in fields that have become topical since the plan was first adopted in the spring 2001.

In the spring 2005, the Government decided to earmark ISK 18 billion to the first stage of the new buildings for Iceland's central hospital: the University hospital - Landspítalinn.

This subsidy was made possible by the sale of the state telephone company to private parties. The construction of the new hospital is expected to commence in 2008.

In the autumn 2003, a committee was assigned the task of presenting a proposal for which tasks the two largest hospitals are to execute within their framework. The two hospitals are the University Hospital - Landspítalinn and the FSA hospital at Akureyri in the northern part of Iceland.

In a report, which was presented in February 2006, there is a proposal that more or less covers the health sector in its entirety.

Among other things, a comprehensive reform of the financing of the health services has been proposed.

The number of employment pensioners and people with reduced working capacities has increased sharply during recent years, and in the period 1998-2003 the increase was about 40 per cent. This was presumably ascribed to changes in the labour market, introduction of new criteria for the measurement of the reduction of working capacities, as well as the pensions for people with reduced working capacities now being considerably higher than the unemployment benefit.

In the autumn 2005, a working group was set up to further evaluate this circumstance.

The unemployment benefits increased on 1 March 2004 by 11.3 per cent and by another 3 per cent on 1 January 2005.

This was partly due to the development in the unemployment benefits being inferior to the wage development in the labour market, as well as the compensation to the disabled having increased.

In 2003, the Ministry of Health and Social Security set up a committee to look into the possibilities of transferring tasks in the health sector and the social services to the elderly from Central Government to the local authorities. The committee presented its proposal at the end of 2004 and suggests that, apart from the most highly specialized treatment of illness, most everything be moved to the local authorities and/or their regional associates. These issues have again become topical in connection with the discussion of the work division between Central Government and the local authorities.

Public health matters and the preventive work have gained more importance in the treatment of illness. The establishment of a new Public Health Institute in Iceland is seen as part of the ambition to realize the objectives to improve public health in the national health programme until 2010.

In the spring 2005, the Health Minister set up a group of experts and civil servants to analyze the present and future health risks. The group is furthermore to propose measures to improve the situation.

At the beginning of 2006, the Prime Minister's Department set up a committee of representatives from the national association of the elderly and central administration in order to illustrate the problems of old age and to present new guidelines for housing conditions, services outside of the institutions and pensions.

The aim is to improve the situation of the elderly and to ensure a better balance between the elderly and other groups in society.

NORWAY: Since the summer of 2003, the Norwegian economy has seen a recovery. The gross domestic product (GDP) increased by 2.3 per cent from 2004 to 2005, while the GDP for "mainland Norway" (excluding income from oil and foreign shipping trade) increased by 3.7 per cent.

The high oil prices, which are a result of vigorous growth in the world economy for several years, have contributed to steep growth in Norway's disposable real income and to very large surpluses in Norway's trade with other countries.

The recovery has been stimulated by expansive monetary and finance policies together with a heavy increase in the oil investments.

The finance policy has especially affected households, where lower taxes and lower interest rates have contributed to increasing consumption and investments in housing.

2½ years of recovery has left its mark by way of increasing employment and a decrease in the unemployment rate. The labour force was in 2005 2 313 000 on average. That is 0.7 per cent more than in 2004. It was the wage earners, who were responsible for the increase in the employment rate in 2005.

At the same time, the population of the age group 16-74 years increased by 0.9 per cent so that the participation rate, which show the relation between the labour force and the population of working age, decreased in 2005.

In 2005, there were 110 000 unemployed people on average corresponding to 4.6 per cent, which is about the same as in 2004.

Statistics Norway anticipates the unemployment rate to drop to about 3.4 per cent in 2006.

In the spring 2006, the Government presented a new law on a new labour and welfare administration. The state responsibility, which at present is divided between the Directorate of Labour and Social Security Fund, will be gathered in a new labour and welfare administration. Local authorities will continue to play a central part in the labour and welfare policy and maintain the responsibility for the social services.

A common administration was established between the governmental and the municipal welfare administration, so that users have only to apply at one place. The new labour and welfare administration will be established on 1. July 2006.

The Government expects to present a report on labour, welfare and inclusion in the autumn 2006. The report will contain an overall strategy as well as proposals for measures concerning people at the periphery of the labour market, just as it will review the overall means of the new labour and welfare service (NAV).

At the beginning of 2005, the Norwegian Parliament was presented with a proposal containing the main principles for a new pension system. It is the intention of the Government to present a proposal for an accumulation model to the Social Security Scheme in the summer 2006. It is presumed that a new pension system will enter into force in 2010.

The intention agreement between the Government and the labour market parties about a more including working life (the IA agreement 2001-2005) was evaluated in the autumn 2005. The evaluation revealed that the IA work has led to a positive development in many businesses, and that the absence due to illness has been reduced by 10 per cent during the agreement period.

It is, however, still a challenge to include people with reduced capabilities as well as older employees.

The Government and the labour-market parties agreed to prolong the agreement by a 4 year period (2006-2009). The new agreement has two main aims. One is to prevent absence due to illness, increase the focus on job affiliation and to prevent exclusion from the labour market. The other aim is to help people, who are not in any kind of employment, to get a foothold in the ordinary labour market.

In spring 2006, the authorities and the labour-market parties must draw up tangible goals for results and activities within the IA work and propose a more goal-oriented use of the means connected with the IA work.

As from 1 January 2005, a more job-oriented rehabilitation is required before a temporary benefit will be granted to people with reduced working capabilities. Unless rehabilitation, for obvious reasons, is not expedient, a vocational rehabilitation must be tested, before a temporary benefit may be granted. Before 1 January 2005, it was required that rehabilitation should only be tested for people under 35 or 45 years, if he or she suffered from muscular or skeletal illnesses or minor mental disorders.

With effect from 1 January 2006, an individual follow-up plan must be prepared for people, who receive a rehabilitation benefit or a temporary benefit. The plan is to be prepared in cooperation with the recipient of the benefit. The entitlement to the benefit will lapse if the recipient without reasonable course stops receiving treatment, rehabilitation or contribute to the preparation of a follow-up of the individual plans.

In order for disability pensioners to establish themselves in working life, the entitlement to dormant pension, in connection with paid work, was extended from 3 to 5 years as from 1 January 2006.

Disability pensioners over the age of 60 year, will, when they commence work, maintain their entitlement to have their disability pension back until they reach the pensionable age.

A dormant-pension entitlement of five years means that one is entitled to get back one's disability pension, in case an attempt to work fails.

As from 1 July 2005, the paternity leave in connection with childbirth and adoption is extended to five weeks by way of a prolongation of the total benefit period. The changes apply to births or assumption of child care.

Moreover, a prolonged father quota to six weeks was adopted as from 1 July 2006. The total benefit period will also here be extended by a week.

As from 1 January 2006, the maximum user payment for a place in a day-care institution was reduced to NOK 2 250 per month.

SWEDEN: In recent years, the Swedish economy has experienced a favourable development. The economic growth has been very satisfactory compared with both the EU and the OECD on average.

As a result of a number of structural and institutional changes, the productivity development has been steep during recent years. This has led to the unemployment becoming a constant problem in spite of the increase in the economy.

Public finances are good in 2006, and it has been calculated that the national debt will decrease both in SEK and as a ratio of the GDP. The municipal economy is also strong. The economy of both municipalities and counties will be strengthened further due to higher tax income, increased subsidies as well as an improved employment rate.

According to the Statistics Sweden, the unemployment rate was 5.5 per cent in March 2006. The Government estimates that the employment rate will be further improved, and that the unemployment rate will decrease.

Although there is an increased supply of labour, the Government estimates that there is a need for a continuation of measures to reduce the unemployment rate; such measures could be attempts to provide employment for more people on sick leave and that more students seek jobs in the labour market.

Consequently, more indicatives are taken concerning the long-term unemployed, young people, Swedes with an immigrant background and the disabled.

Since 2002, the high number of people on sick leave has started decreasing. The Government has set a goal for the absence due to illness, which is to be halved from 2002 to 2008. According to the Government, the prospects of this goal being reached are very good.

It is, however, not expected that everyone will find employment. Those who do not find employment will usually end in unemployment or be granted disability pension. Studies have also shown that people often end up with receiving social assistance when they are no longer entitled to sickness benefit or unemployment benefit.

The number of recipients of social assistance has, however, decreased considerably since 1997. A goal has been set to halve the number of recipients of social assistance from 1999 to 2004. The result was a decrease of 26 per cent. The goal has been maintained, but without any indication of time, but the continued favourable financial development results in a decrease in the number of social-assistance recipients.

In the spring 2006, the Government presented a vigorous effort in the field of care for the elderly.

CHANGES IN THE NORDIC SOCIAL POLICIES SINCE 2004

The aim is for Sweden to become the best country in the world, in which to have a good old age.

During a ten-year period the overall resources will consecutively be increased to SEK 10 billion.

The effort will take place within six different areas: better care and nursing of the most ill people, safe homes, social care, national equality and local development, as well as “more” staff.

Both the Government and the opposition have tabled proposals to change the subsidies to dental treatment for adults. The Government’s model is to increase the basic subsidy to the preventive dental treatment, whereas the opposition’s proposal is a model that targets maximum “user payment” for dental treatment.

Chapter 2

Method

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

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

For the sake of continuity, NOSOSCO 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 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.

Definitions

Both in the previous issues of *Social Protection in the Nordic Countries* and in 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 life events. 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.

¹ ESSPROS = European System of Integrated Social PROtection Statistics.

Social Benefits

A social benefit is defined as a benefit that is of real advantage to those receiving it. This means that a recipient does not pay the full market price or the full running costs for services. The fact that the recipient, by being affiliated with an insurance scheme, has paid contributions - and thereby in reality has financed, fully or partly, the benefits that he receives - is of no significance in this context.

A benefit must present a direct value to the citizens. Consequently, subvention to trade and industry, e.g. in the shape of subsidies to employers, 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, expenditure and financing will, however, have to be presented as calculated amounts. In other cases, the required specification cannot be made on the basis of the national accountancy systems, and consequently the figures will 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 therefore not the total running costs, but the net amount for the body in charge of the relevant service.

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 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 is primarily found in relation to pensions. Where transfers are made to funds, and where means from funds have been used towards the financing of the current social expenditure, these will be 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 benefits 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.

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 found on NOSOSCO's homepage (cf. colophon).

Administration Costs

The present report lists administration costs as one single entry. In principle, only expenditure on the 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.

Calculation of Fixed Prices

For the conversion into fixed prices, the consumer price index from the Nordic Statistical Yearbook was used.

Typical Cases and Income Distribution

A special workgroup was set up to be in charge of and responsible for the calculations for the typical cases and the income distribution.

The work group is at present composed as follows: Denmark: Caspar Holm Andersen, Ministry of Social Affairs; Finland: Ilari Keso (Chairman) Ministry of Social Affairs and Health; Iceland: Kristinn Karlsson, Statistics

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Iceland; Norway: Toni Kvalø, Directorate of Labour and Welfare; and Sweden: Tom Nielsterna, Administration Ministry and Bengt Eklind, Ministry of Health and Social Affairs.

Calculation of Typical Cases

To illustrate the compensation payable in connection with various social events, 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, and are used in most of the comparative studies.

The following family types and income levels are used:

Single parent with one child:

- I. 50 per cent of an APW
- II. 75 per cent of an APW
- III. 100 per cent of an APW
- IV. 125 per cent of an APW
- V. 150 per cent of an APW.

Single childless person:

- I. 50 per cent of an APW
- II. 75 per cent of an APW
- III. 100 per cent of an APW
- IV. 125 per cent of an APW
- V. 150 per cent of an APW.

Couple with two children:

- I. 75 per cent and 50 per cent of an APW
- II. 100 per cent and 75 per cent of an APW
- III. 125 per cent and 100 per cent of an APW
- IV. 150 per cent and 125 per cent of an APW

Childless couple:

- I. 75 per cent and 50 per cent of an APW
- II. 100 per cent and 75 per cent of an APW
- III. 125 per cent and 100 per cent of an APW
- IV. 150 per cent and 125 per cent of an APW

As to typical cases concerning social assistance, the following applies: In respect of couples, it is assumed that neither of the partners has any income from work, any other income-substituting benefits or pension. Besides, the disposable income is in this typical case calculated after tax and social contributions, payment for day-care institutions and rent, where the rent calculation was based on the calculation basis for the housing benefit in the other typical cases. Contrary to the other typical cases, the rent proper was calculated as an expense. Consequently, this typical case differs from the other typical-case calculation.

A detailed description of the typical cases and the calculations concerning them can be found on NOSOSCO's homepage (cf. colophon).

Calculation of Income Distribution

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 at the same address, irrespective of the children being over or under 17 years.

The income quartiles were calculated on the basis of the equivalent disposable income, where a household's disposable income was divided by the equivalence unit based on the size of the household and the equivalence scale.

The so-called modified OECD equivalence scale is used, where a child is defined to be between 0 and 13 years old and adults 14+ years. The first adult counts as one, whereas subsequent adults count as 0.5 and children 0.3. Consequently, the scale will be as follows:

$$1 + ((\text{subsequent adults}) \times 0.5) + (\text{no. of children} \times 0.3).$$

In the calculation, households were weighted in relation to their sizes, as for example: A household consisting of four people represents four observations (in addition to the sampling weights).

The data were based on representative samples of the population in each of the countries. The indicator on income distribution has been calculated from these samples. Data on each sample of population have mainly been retrieved from administrative records, and in some countries such information is supplemented by information from household interviews. In respect of Iceland,

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only data concerning the disposable incomes for households over and under 65 years, respectively, were included in Chapter 7.

It should be noted that since changes have been made in the calculation basis, the results are not comparable to publications containing data from the year 2000 and earlier.

In Figure 3.2, the calculations were based on all households, whereas the calculations in Figures 3.3 and 3.4 were based on calculations for single people and couples separately. The quartiles were calculated on the basis of the equivalent disposable income, which means that the income was adjusted as to the number of people living in the individual households.

In Figures 3.2 to 3.4, the first quartile consists of the households with the lowest incomes, whereas the households with the highest incomes make up the fourth quartile.

In Figures 3.3 and 3.4, the average disposable income was, as mentioned above, calculated for single people and cohabiting couples, respectively, broken down by quartiles converted into PPP- Euro. Moreover, the gross income was included, broken down by the factor income and social benefits, as well as taxes in per cent of the gross income in 2002. The quartiles were here defined on the basis of the disposable income for single people and cohabiting couples, respectively.

The calculation basis for the tables, figures and spreadsheets, on which the tables and figures concerning distribution of income in the present report were based, can be downloaded from the NOSOSCO homepage (cf. colophon).

Relative Poverty

Tables concerning relative poverty for the following family types/households were included:

1. Single childless people under 65/67 years
2. Singles with children
3. Childless couples under 65/67 years
4. Couples with children
5. Single people over 65/67 years
6. Couples where one or both partners are over 65/67 years.

The definition of relative poverty is households who have less than 50 and 60 per cent, respectively, of the median of the equivalent disposable income for all households.

Otherwise, the calculation basis is the same as in the tables concerning income distribution.

The spreadsheets containing the tables and figures of the present report concerning poverty can be downloaded from the NOSOSCO homepage (cf. 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 (“basket”) 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 events.

The PPP calculations in the present report are in PPP-Euro (EU15=1) in respect of private consumption. 2004 estimates were used. The estimates for the individual countries are as follows: Denmark 9.85; Finland 1.15; Iceland 108.00; Norway 11.01 and Sweden 10.49. In the calculations in the tables concerning income distribution, which were based on data from 2003, the estimates for 2003 were used: Denmark 9.87; Finland 1.17; Iceland 108.56; Norway 11.13 and Sweden 10.60. Danish PPPs were used for the Faroe Islands.

Ways of Comparing the Nordic Countries with Other Countries

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

When comparing the social expenditure in the Nordic countries with that of other EU Member States, one must bear in mind that social cash benefits are subject to tax in the Nordic countries, whereas part of these benefits are exempt from tax in the other EU countries. Furthermore, there is tax relief

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in several countries (tax reductions) for families with children, but these amounts are not included as social expenditure.

It should also be noted that the borderline between the social and the education sectors varies from one country to another. There is, for instance, a very early school start in several of the European countries, for which reason it is difficult to compare the expenditure on the minding of pre-schoolchildren.

The OECD and EUROSTAT are in the process of developing models for the calculation of the social net expenditure (after tax), cf. Figure 10.2.

It should be mentioned that the OECD calculations of expenditure on the health care sector differ considerably from the calculations in the ESSPROS system and in the present report. While efforts are made in ESSPROS to obtain as exact data as possible on the expenditure on social services to the elderly and the disabled, the majority thereof in the OECD statements in *A System of Health Accounts* were included as health expenditure. Besides, the expenditure in ESSPROS is based on net calculations, while the OECD statements are based on gross expenditure (i.e. including investments, user charges, etc.).

Other Factors

As from 2002, Norway uses the national accounts as basis for the calculation of the social expenditure. This implies that the social expenditure from 2001 and earlier is not completely comparable with the figures from 2002. A detailed description thereof can be found in the 2004 report.

Chapter 3

Population and Income Distribution

Table 3.1 Total fertility rate in the EU, Faroe Islands, Iceland and Norway, 2004

Denmark	1.78	Austria	1.42	Italy	1.33
Faroe Islands	2.51	Belgium	1.64 ^e	Luxembourg	1.70
Finland	1.80	France	1.90 ^p	The Netherlands	1.73 ^p
Iceland	2.03 ^p	Germany	1.37 ^e	Portugal	1.42 ^e
Norway	1.83	Greece	1.29 ^e	Spain	1.32 ^e
Sweden	1.72	Ireland	1.99 ^e	United Kingdom	1.74 ^e

p Preliminary data.

e Estimate.

Source: EUROSTAT New Cronos, Faroe Islands: Statistics Faroes.

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, the number of unemployed people and their age groups, the number of old-age pensioners, as well as the need for care and nursing of the oldest age groups.

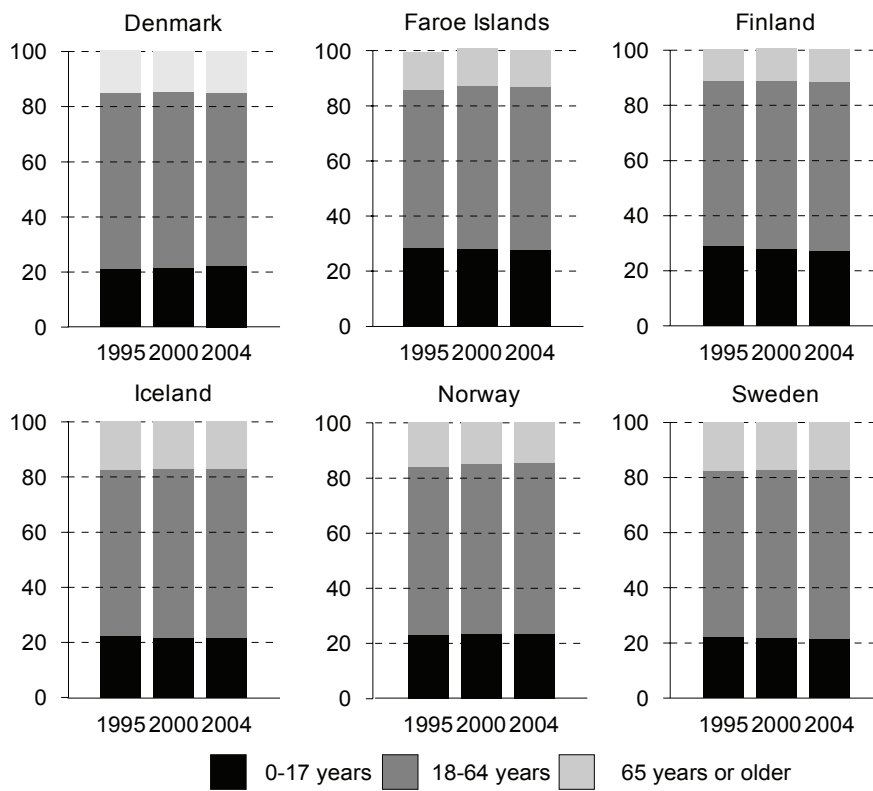
The overall fertility rate has during recent years been relatively stable in the Nordic countries with the Faroe Islands and Iceland having the highest fertility rates and Sweden the lowest.

At the same time, the number of people in the oldest age groups increased in all the countries and consequently also the need for care and nursing.

POPULATION AND INCOME DISTRIBUTION

There are marked differences in the various countries and between the two sexes, however. In all the countries, there are more women than there are men in the oldest age groups, which naturally results in many women living alone during their last years.

Figure 3.1 Mean populations in percentages broken down by age groups, 1995-2004



Note: Further information see appendix 4 in www.nom-nos.dk

Of the Nordic countries, Sweden has the oldest population and Iceland and the Faroe Islands 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. This development can be explained by the markedly low birth rates, especially in the Southern European countries.

Table information on the population distribution can be found on NOSOSCO's homepage.

Income Distribution

Several previous studies have shown that the differences in the income levels are smaller in the Nordic countries than in most of the OECD countries. Figure 3.2 shows the distribution of the disposable household income for each country in 2003, 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 (cf. Chapter 2).

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

Figure 3.2 Distribution of household incomes by quartiles, per cent, 2003

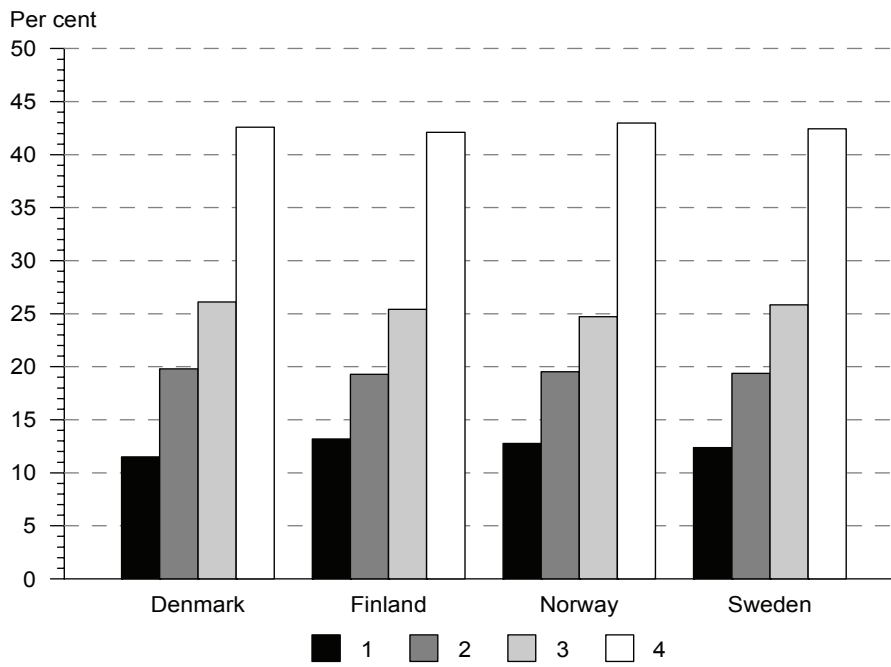


Figure 3.3 Average disposable income in PPP-Euro, distribution in per cent of the gross income on factor incomes, social cash benefits and taxes as percentages of the gross income, broken down by quartiles, 2003; single people

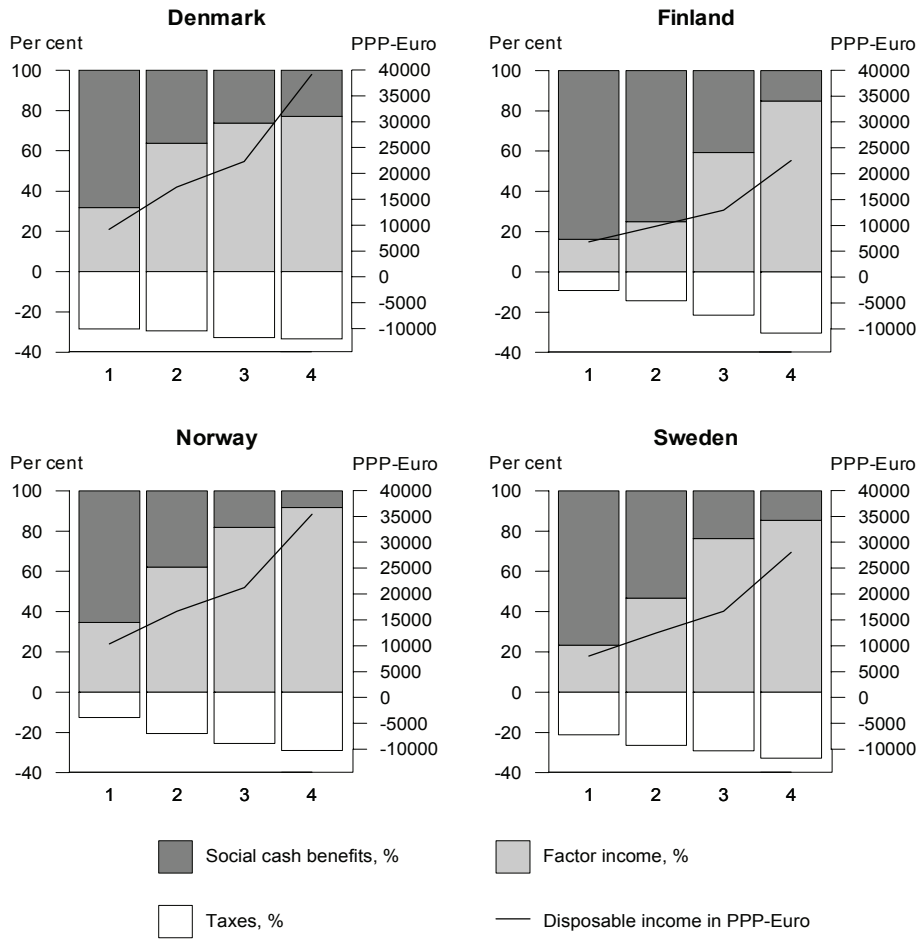
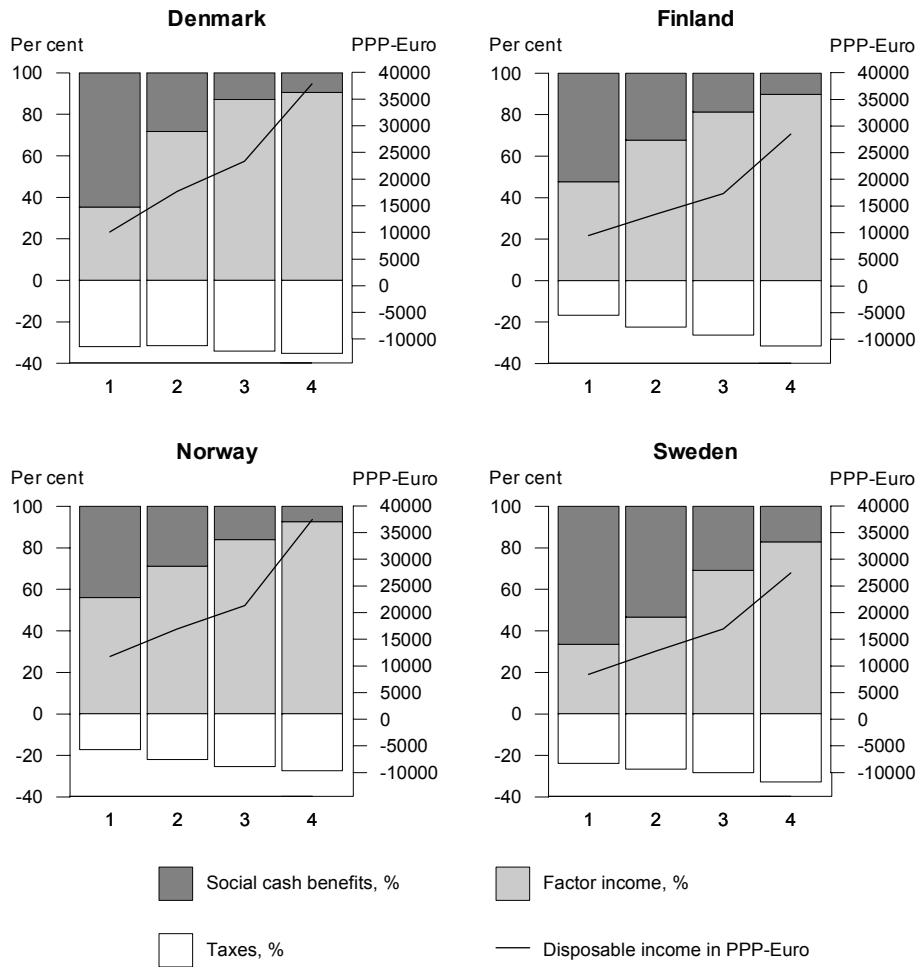


Figure 3.4 Average disposable income in PPP-Euro, distribution in per cent of the gross income on factor incomes, social cash benefits and taxes as percentages of the gross income, broken down by quartiles, 2003; married and cohabiting couples



Figures 3.3 and 3.4 show the average disposable incomes for single people and couples, respectively, broken down by quartiles and 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 2003.

The quartiles were fixed on the basis of the disposable incomes for single and cohabiting people, respectively. As was the case in Figure 3.2, equivalent incomes were used.

The social benefits ratio of the gross income is largest for the households with the lowest disposable incomes in all the 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 are not economically active, and who receive transfer incomes, being larger for single people than it is for couples with children.

The tax ratio 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 levelling off of the differences in the income levels.

The tax ratio of the gross income is highest in Denmark and Sweden. In respect of Denmark, this is due to the fact that employers' social contributions play a much less important part 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 on NOSOSCO's homepage www.nom-nos.dk.

Relative Poverty

Tables 3.3 and 3.4 show the ratio of the population living in households with an income of less than 50 and 60 per cent, respectively, of the median equivalent disposable income in 2003.

The patterns in the various countries are very homogeneous with the exception of single people over 65/67 years. The relatively large number of single people with an income of less than 50 per cent of the median of the

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disposable income must be due to the fact that this group to a large extent consists of students, while single people under 65 years with an income of less than 60 per cent of the median of the equivalent disposable income typically consists of people receiving transfer incomes, such as disability pension, unemployment benefit, etc., whereas single people over 65/67 years with an income of 60 per cent or less reflect the compensation levels of the lowest pension rates. The relative poverty therefore to a high degree reflects which benefits the welfare states make disposable to people receiving education or as compensations in case of unemployment, illness, etc.

It should be mentioned, however, that calculations of relative poverty are sensitive in relation to the definitions used. The definitions used here are very similar to those used by EUROSTAT, but there are differences in the results, which are mainly due to differences in the sources.

Table 3.2 Ratio of the total population living in households with an income of less than 50 per cent of the median equivalent disposable income, per cent, 2003

	Denmark	Finland	Norway	Sweden
Single childless people under 65/67 years	18.4	14.0	18.8	14.7
Singles with children	4.9	9.0	6.5	4.9
Childless couples under 65/67 years	2.4	1.9	2.2	2.1
Couples with children	2.3	3.3	2.8	2.8
Single people over 65/67 years	2.8	10.3	9.0	5.9
Couples, where one or both partners are over 65/67 years	0.9	1.6	0.4	1.2
All households	4.8	4.7	5.8	4.9

Table 3.3 Ratio of the total population living in households with an income of less than 60 per cent of the median equivalent disposable income, per cent, 2003

	Denmark	Finland	Norway	Sweden
Single childless people under 65/67 years	26.3	24.1	25.0	19.4
Singles with children	10.4	17.5	15.0	13.4
Childless couples under 65/67 years	4.6	4.9	3.6	3.5
Couples with children	5.0	8.0	5.4	5.0
Single people over 65/67 years	14.9	31.7	36.1	17.3
Couples, where one or both partners are over 65/67 years	5.0	8.0	5.7	3.3
All households	9.2	10.8	10.8	8.7

Chapter 4

Families and Children

While the Nordic countries spend almost identical ratios of the total social expenditure on families and children, the spending patterns differ rather considerably from one EU country to another.

Table 4.1 Expenditure on families and children as percentages of the total social expenditure in the EU, Faroe Islands, Iceland and Norway, 2003

Denmark	13.2	Austria	10.8	Italy	4.1
Faroe Islands	17.1	Belgium	8.2	Luxembourg	17.7
Finland	11.5	France	9.0	The Netherlands	4.9
Iceland	13.5	Germany	10.5	Portugal	6.5
Norway	11.7	Greece	7.3	Spain	3.0
Sweden	9.5	Ireland	16.0	United Kingdom	6.9

Note: The source is EUROSTAT: Social Protection Expenditure and Receipts. European Union, Iceland and Norway. 2006 Edition. The source for the Faroe Islands is the Ministry of Social Affairs and Health.

One characteristic trait of Nordic families is that there are relatively many single parents. In all the countries, the number of single mothers is considerably higher than that of 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 rates are high (cf. Chapter 5). This increases the need for childminding options during parents' working hours.

FAMILIES AND CHILDREN

Table 4.2 Families by family type, 2004

	Denmark ¹⁾		Finland		Iceland ²⁾		Norway ³⁾		Sweden ⁴⁾	
	Single people	Cohabiting couples	Single people	Cohabiting couples	Single people	Cohabiting couples	Single people	Cohabiting couples	Single people	Cohabiting couples
Total no. of families in 1000	1 572	1 317	1 590	1 124	44	66	1 032	1 046	3 090	2 054
Of whom with children aged 0-17 years in 1000	135	535	118	474	9	35	125	474	248	843
<i>Of whom in per cent</i>										
1 child	59	38	58	39	63	36	65	37	57	28
2 children	32	45	31	40	28	41	27	43	43	62
3 or more children	9	17	11	21	9	23	8	21	.	.
Average number of children per family	1.53	1.83	1.56	1.90	1.49	1.91	1.45	1.89	1.60	1.80

Note: Further information see appendix 4 on www.nom-nos.dk.

- 1 There are a further 16 513 families consisting of children under 18 not living at home.
- 2 Figures taken from Hagstofa Iceland's committee survey on living conditions (EU-Silc).
- 3 Cohabiting couples also include married couples. Average number of children in families with children 0-17 years.
- 4 Figures taken from committee surveys performed by Statistics Sweden of the economy of the households.

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 single people with and without children, respectively. The relative income levels for single people and couples with and 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

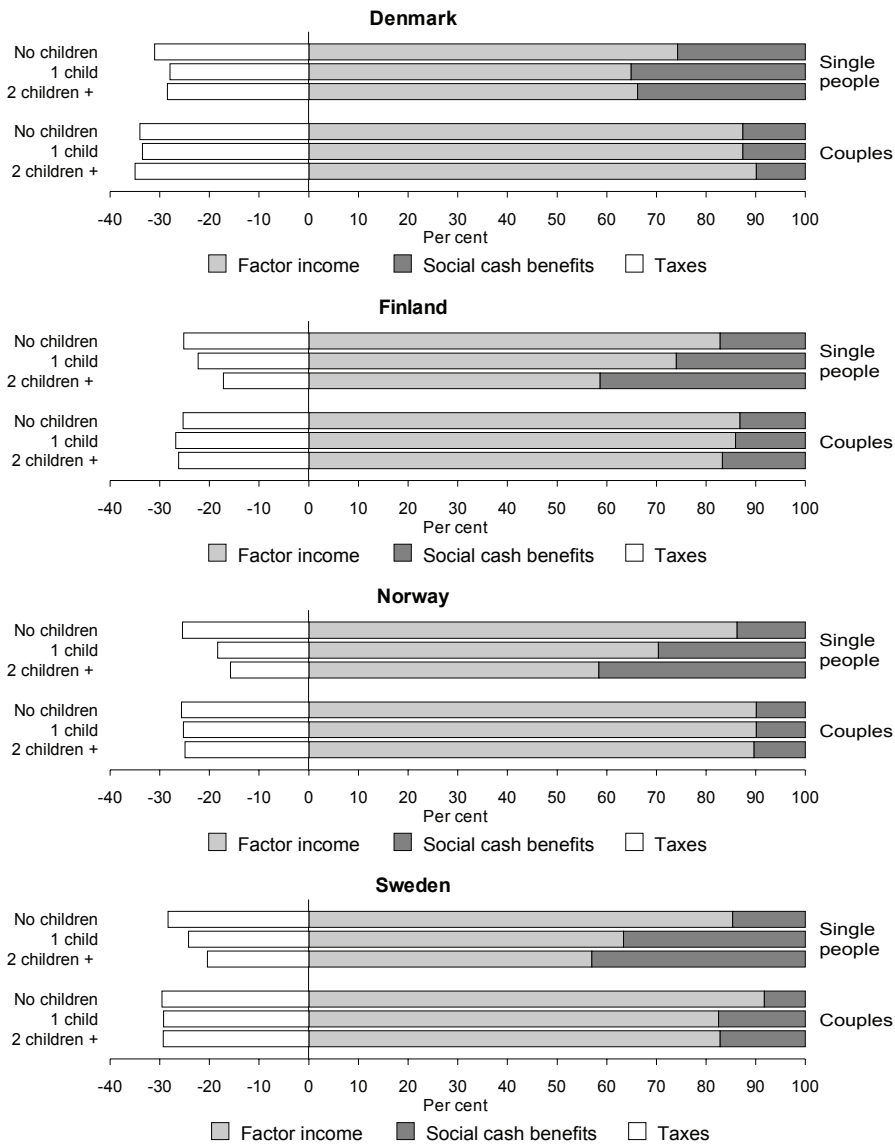
Table 4.3 Index for the disposable incomes of single people and married or cohabiting couples with and without children, respectively, and the total disposable incomes in PPP-Euro for all in the age group 20-44 years, 2003 (total disposable income = 100)

	Denmark		Finland		Norway		Sweden	
	Single people	Couples	Single people	Couples	Single people	Couples	Single people	Couples
<i>Index for the disposable income</i>								
No children	101	106	104	110	102	110	103	114
1 child	101	97	98	105	103	104	91	105
2 or more children	79	80	87	94	90	97	85	92
<i>All singles and married/cohabiting couples</i>	100	100	100	100	100	100	100	100
<i>Total disposable income in PPP-Euro</i>	15 684	24 145	13 104	15 850	16 206	21 950	13 320	17 737

living at home. Equivalent incomes were used for the comparison.

As it appears from Table 4.3, the equivalent disposable incomes of childless families are higher than are those of 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. The income level for childless couples is relatively high in relation to that of couples with children.

Figure 4.1 Income structure in 2003 for single people and couples aged 20-44 years



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 in respect of single people, social cash benefits represent a larger part of the gross income for families with children than is the case for childless families. 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 contribute to reducing the differences in factor incomes between singles and couples, between families with and families 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 in this connection of consequence that special benefits are granted to single parents in all the countries (with the exception of Sweden) and that in all the countries (with the exception of Denmark) the benefit amount per child is higher, the more children there are 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 Children²

Daily Cash Benefits in Connection with Childbirth and Adoption

- Financial support to all families in connection with childbirth and adoption

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

In Denmark, it is a prerequisite to obtain the benefit that one complies with the employment requirement, i.e. either by having worked for 120 hours within the latest 13 weeks; by being entitled to receiving daily cash benefits, or by having concluded a vocational qualification course of a duration of at least 18 months within the past month or is an apprentice in paid trainee service.

In the Faroe Islands, it is also a condition for receiving the benefit that one is affiliated with the labour market as an employee or a self-employed person, or that one receives unemployment benefit. Other people are entitled to means-tested social assistance.

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 all the countries, mothers are entitled to compensation for any lack of income if she is forced to terminate her work early in her pregnancy period, due to work that could be harmful to the foetus or in case of a difficult pregnancy. The rules governing such incidents vary somewhat from one country to another; in some countries, maternity benefits will be payable, in some cases sickness benefits and in other cases a special benefit.

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

In Denmark, the Faroe Islands, Finland 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 Iceland, 13 weeks of the maternity leave is reserved for fathers and can be used at the same time as the mothers' leave. In Norway, four weeks of the birth/adoption period are reserved for fathers. Fathers are also entitled to two weeks of unpaid leave in connection with birth. 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 the other countries.

In Denmark, the maternity leave period was prolonged to one year as from 2002 and has become more flexible. Parents may, for example, divide the last 32 weeks of leave between them and may take turns to go on leave, or they may do it one after the other or at the same time. The 32 weeks may be prolonged by eight or 14 weeks, but the total amount of daily cash benefit will not be changed. One of the parents may furthermore postpone between eight and 13 weeks of the leave period till later and use it before the child turns nine.

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 without children compared with a single parent with a newborn child receiving maternity benefit.

Figure 4.3 shows the disposable income at four different income levels, where the person earning the most receive maternity benefit, stated in per cent of the disposable income, when both parents are gainfully employed.

The calculation was made for a couple with no other children than the newborn and for a couple who already has two children.

As can be seen from Figure 4.2, the compensation is higher than the previous wages of single parents in the lowest income brackets in all the Nordic countries.

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 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>Gainfully employed (employees)</i>						
Maximum number of weeks in which maternity benefit is payable	50 ¹⁾	34	44	39	52 ³⁾	Approx. 69
- Maternity benefit to mothers before birth (weeks)*:	4	4-8	5-8	4	3-12	Approx. 9
Maternity benefit (weeks):						
- Only mother	18	22	18	13	9	8
- Only father	-	-	2)	13	4	8
- Either mother or father	32 ¹⁾	10	26	13	29/39	Approx. 52
Additionally:						
- Father together with mother	2	2	3	-	2 ⁴⁾	Approx. 2
Benefit taxable?	Yes	Yes	Yes	Yes	Yes	Yes
<i>Not gainfully employed</i>						
Maximum number of weeks in which maternity benefits are payable	.	.	44	39	Non-recurrent payment ⁵⁾	Approx. 69
Benefit taxable?	.	.	Yes	Yes	5)	Yes
Leave period sharable with father?	.	.	Yes, for a max. of 26 weeks	Yes	5)	Yes

* Note: In the total number of reimbursable weeks are included the number of weeks, in which mothers may receive benefits prior to giving birth.

- 1 The common leave period of 32 weeks may be prolonged by 8 or 14 weeks to 40 or 46 weeks. The total leave period will consequently be 58 or 64 weeks. When a leave period is prolonged, the daily cash benefit will be reduced accordingly, so that the total amount for the 40 or 46 weeks will be the same as the amount payable for the 32 weeks.
- 2 Fathers who receive parental daily cash benefits during the last 12 working days of the parental daily cash benefit period are entitled to paternal daily cash benefits for another 12 working days (the so-called bonus days of leave).
- 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 unpaid leave in connection with childbirth. The two weeks may either be taken just before the child is born or immediately thereafter. Entitlement to two weeks unpaid leave 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 those two weeks.
- 5 The non-recurrent payment of NOK 33 584 is exempt from tax. A father is entitled to a non-recurrent amount if the mother has died and/or he has assumed sole responsibility for the child.

Table 4.5 Amount of income-substituting cash benefits in the event of childbirth as per December 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>Gainfully employed (employees)</i>						
Amount of maternity benefit (per week) in per cent of previous income	100 ²⁾	100	Normally ³⁾ 70	80	100/80	80
Income ceiling per week for full compensation in national currency ¹⁾	DKK 3 499	DKK 6 250			NOK 6 782	SEK 5 668
Income ceiling per week for full compensation in PPP-Euro ¹⁾	355	634			616	540
Min. amount per week in national currency			EUR 68.7	ISK 15 011 ⁴⁾	⁶⁾	SEK 420 ⁸⁾
Min. amount per week in PPP-Euro			59.5	139		40
Max. amount per week in national currency	DKK 3 203	DKK 6 250			⁷⁾	SEK 4 522
Max. amount per week in PPP-Euro	325	634				431
<i>Not gainfully employed</i>						
Amount of maternity benefit (per week), national currency			EUR 68.7	ISK 9 300	⁶⁾	SEK 1 260
Amount of maternity benefit (per week), PPP-Euro			59.7	86		120

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 according to differing principles in the various countries.

2 When the common leave period of 32 weeks is prolonged to 40 or 46 weeks, the daily cash benefit will be reduced accordingly, so that it corresponds to 80 per cent for the 40 weeks and to about 70 per cent for the 46 weeks.

3 70 per cent of an earned income up to EUR 26 720 per year, then 40 per cent for the part of the income lying between EUR 26 720 and 41 100 per year. After that 25 per cent.

4 The minimum amount is payable at an employment rate of 25-49 per cent.

5 ISK 20 988 is payable to full-time students per week.

6 A minimum amount equal to the non-recurrent payment of NOK 33 584 (PPP-Euro 3 050) is guaranteed. This amount equals the maternity benefit of NOK 800 (PPP-Euro 72.6) at 100 per cent compensation for 42 weeks, or NOK 646 (PPP-Euro 58.6) at 80 per cent compensation for 52 weeks.

7 Calculated as maternity benefits for employed mothers, the maximum amount will be NOK 6 782 (PPP-Euro 616) per week at 100 per cent for 42 weeks, and NOK 5 426 (PPP-Euro 496) at 80 per cent for 52 weeks.

8 Benefits at the lowest level (for a total of 90 days) apply to parents both in and out of employment.

Figure 4.2 Disposable incomes for a single parent with a newborn child, 2004

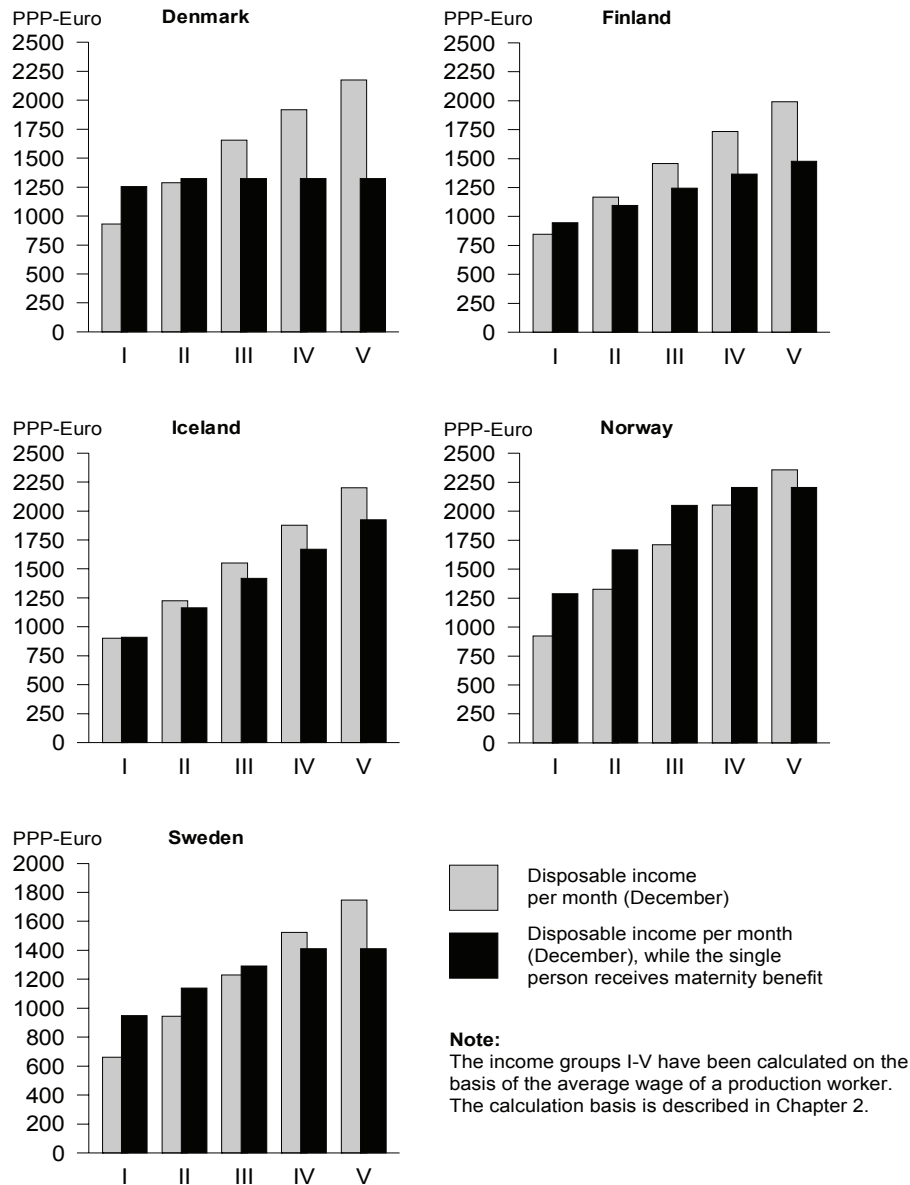
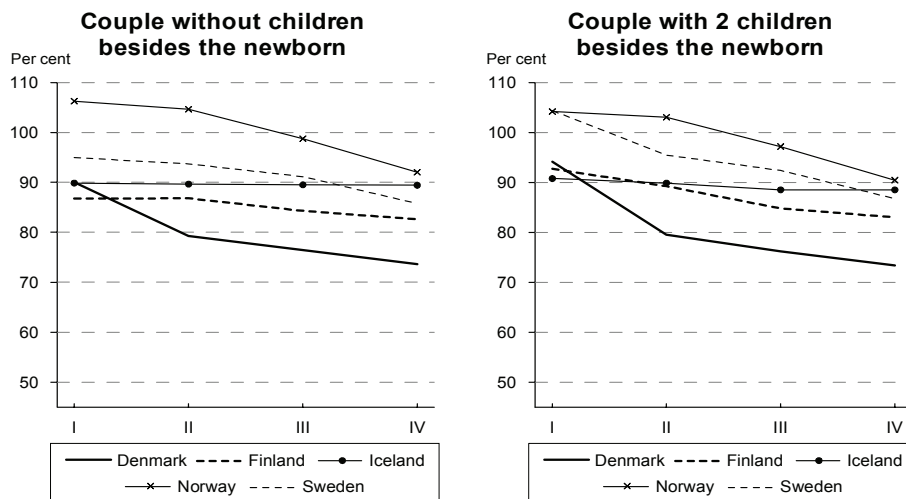


Figure 4.3 Disposable incomes during receipt of maternity benefit as percentage of disposable income from work, 2004



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 Chapter 2.

In respect of couples with two children besides the newborn, the high compensation level in the lowest income groups can be attributed to the user charges payable for places in day-care institutions for the other two children being lower when the parent earning the most receives maternity benefit.

The compensation levels also depend on the level of the daily cash benefit in relation to previous income. Daily cash benefits are lowest in Finland and highest in Denmark, measured in relation to previous income (cf. Table 4.5). In Finland and Iceland, there is, however, no upper limit to the level of the daily cash benefits, but in Finland, the compensation rate is lower at higher incomes. In the other countries, the maximum amount is highest in Norway and lowest in Denmark. The compensation level is generally high 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 is relatively low for those groups.

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

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Table 4.6 Recipients of daily cash benefits in the event of pregnancy, childbirth and adoption during the year, 1995-2004

	Denmark ¹⁾	Finland	Iceland ²⁾	Norway	Sweden
<i>Number of beneficiaries</i>					
<i>Men</i>					
1995	41 003	40 267	10	25 166	130 786
2000	45 559	42 294	1 421	33 806	166 661
2003	43 960	45 605	4 724	34 677	228 623
2004	46 447	46 947	5 625	36 214	242 572
<i>Women</i>					
1995	90 335	108 429	5 066	76 088	327 846
2000	82 657	97 359	5 097	80 368	275 214
2003	94 672	96 637	6 338	79 709	306 267
2004	100 459	98 404	6 608	81 408	318 480
<i>Number of benefit days (1 000)</i>					
1995	14 385	16 947	688	10 699	52 212
2000	13 150	15 232	698	11 152	37 100
2003	19 215	15 054	1 081	11 107	41 745
2004	19 985	14 829	1 178	11 423	43 943
<i>Of which men, percentage</i>					
1995	4.4	3.6	0.1	5.8	10.3
2000	5.5	4.1	3.3	7.2	13.7
2003	5.1	5.3	27.6	8.6	18.3
2004	5.5	5.7	31.8	9.0	19.7

1 The calculation method was revised in 2002.

2 Before 2000, the right to daily cash benefits during maternity leave did not apply to mothers, who were entitled to full wages from their employers.

and the number of days in which maternity benefit is payable 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 Iceland, the new legislation on parental leave, which took effect in 2001, was fully developed in 2003, granting fathers, like mothers, an independent entitlement to paternity leave for 13 weeks. These changes can be seen from the statistics that reveal that there are significantly more men than before receiving parental benefits.

Norway has seen a rise in the number of men receiving daily cash benefits. This is especially due to a scheme from 1993 giving men an exclusive right to four weeks of leave with daily cash benefits (father quota). As from 2000, fathers have also had an independent accumulation right. Previously, fathers

were not entitled to 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 depending on mothers being gainfully employed after childbirth; receiving publicly acknowledged education; or depending on aid to take care of the child due to illness or injury. In 2004, 34 577 fathers received the father quota. Of these, 5 745 fathers received paternity benefit for longer than the four weeks reserved for fathers.

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, parental daily cash benefits may be payable until a child reaches the age of eight years. In 2004, 84 per cent of the total number of days for which parental daily cash benefit was paid concerned children under the age of three years. As to women, about 88 per cent of the days were for children under the age of three, and as to men, about 65 per cent.

Cash Benefits to Parents Minding Children

- Entitlement to leave of absence for child-minding

In Denmark, the rules governing child-minding leave were revoked with effect from 2011 in connection with the prolongation of the maternity leave to one year in 2002. Parents of children, who were born prior to the introduction of the new maternity-leave scheme, are still entitled to go on child-minding leave until the child turns nine. Parents are entitled to a minimum of eight and a maximum of 13 weeks of leave, but a minimum of eight weeks and a maximum of 26 weeks if the child is 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 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 2004, there were about 3 500 whole-year individuals on child-minding leave, which is considerably less than in previous years.

In Finland, parents are, after having received parental daily cash benefits for a while, entitled to choose between a place in a municipal day-care institution and an allowance for minding young children. The allowance may be granted

towards child minding in the home or towards payment for private child minding. The allowance towards child minding in the home is payable if a family has a child under the age of three years. The allowance may consist of a basic amount plus a supplement. The basic amount is EUR 252 per month for a 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 (a maximum of EUR 168) will only be granted for one child and is subject to family income. At the end of 2004, child-minding allowances were being paid for 103 845 children. Allowances payable 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 awarded a partial minding allowance of EUR 70 per month. At the end of 2004, this allowance was allocated for 3 015 children. Since 1 August 2004, a partial allowance is payable to parents, who have children in the first or second grade, and who have a maximum of 30 working hours per week. The subsidy is EUR 70 per month. In 2004, subsidies were paid for 7 850 children.

In the Faroe Islands and 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 2004, 2.1 per cent of the mothers and 1.1 per cent of the fathers made use of the time account.

Cash benefits are granted for children between one and three years. In 2004, the cash benefit amounted to NOK 3 657 per month. The benefit 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 of receipt of the full amount is that no place is taken up in a state-subsidized

kindergarten. A graduated benefit is payable if a child occupies a place part-time in a kindergarten.

In Sweden, parents are entitled to a parental benefit for 69 weeks in connection with childbirth. This period may be divided into several short periods until a child turns eight or has completed its first year at school.

In all the countries, there are also schemes entitling parents to stay at home without pay to take care of their children. In Sweden, this scheme applies until a child turns 18 months. Besides, one is entitled to part-time work, 75 per cent of full time, until a child turns eight.

Minding of children suffering from short-term illness

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 Denmark, the Faroe Islands, Iceland and Finland only the public sector and part of the private sector are governed by collective agreements.

As to the majority of the private sector, no compensation will be granted in connection with the minding of sick children.

In all the countries, parents themselves decide whether the mother or the father shall stay at home to care for 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, the Faroe Islands and Iceland.

In Denmark, the Faroe Islands, 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 the sickness benefit is payable, while a compensation corresponding to 80 per cent of the income from work is payable in Sweden.

In all the countries, there are special rules concerning the minding of chronically or seriously ill children. Those rules are described in Chapter 7.

Child Allowance

In all the 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 Iceland, a fixed amount is payable irrespective of the income as from 2001, however, as an extra supplement for all children under the age of seven. In Denmark, the Faroe Islands and Norway, 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, however, if a child is receiving education. In all the countries, child allowances are financed by Central Government. In the Faroe Islands, the local authorities finance 42 per cent of the expenditure on the child allowance.

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. 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 living in the Finnmark and in certain municipalities in Troms County.

Table 4.7 Rules governing child allowance, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Child allowance means-tested?	No ¹⁾	No	No	Yes	No	No
Child allowance exempt from tax?	Yes	Yes	Yes	Yes	Yes	Yes
Same allowance granted for children of all age groups?	No	Yes	Yes	No	Yes ²⁾	Yes
Supplements for any additional children?	No	No	Yes	Yes	No	Yes
Extra child allowance to single parents?	Yes	No	Yes	Yes	Yes	No

1 The special child allowance, which is granted where one or both a child's parents receive disability pension that was granted before 1 January 2003, or retirement pension, is, however, means-tested. The special child allowance granted to children, who receive education, is also means-tested.

2 Up until 1 August 2003, children of all age groups were not granted the same allowance.

Table 4.8 Annual amount of child allowance as per December 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK ¹⁾	DKK	EUR	ISK ²⁾	NOK ³⁾	SEK ⁴⁾
<i>Couple with:</i>						
1 child	11 932	9 469	1 200	36 308	11 640	11 400
2 children	23 864	18 938	2 526	36 308	23 280	22 800
3 children	35 796	28 407	4 098	36 308	34 920	37 248
<i>Single parent with:</i>						
1 child	20 316	9 469	1 639	201 614	23 280	11 400
2 children	36 404	18 938	3 404	358 889	34 920	22 800
3 children	52 492	28 407	5 416	542 818	46 560	37 248
Average amount of child allowance per child	12 236	9 469	1 374	77 199	13 252	12 094
Average amount of child allowance per child in PPP-Euro	1 242	961	1 194	715	1 204	1 153

1 Calculations were made on the basis of a general family allowance for the 3-6 year-olds of DKK 2 938 per quarter to both single parents and couples. The allowance payable for the 0-2 year-olds amounted to DKK 3 301 per quarter and to DKK 2 347 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 aged 0-16 years is ISK 123 254 and ISK 208 288 to single parents. For each child in addition to the first one, a maximum of ISK 146 713 is payable to cohabiting couples and ISK 210 584 to single parents. Besides, a supplement of ISK 36 308 is payable for children between 0 and 6 years irrespective of income. Where a couple's annual income (in 2003) exceeds ISK 1 444 139 and that of a single parent ISK 722 070, the allowance will be reduced by 3 per cent of the earnings exceeding the maximum amount for one child, 7 per cent for two children and 9 per cent for three or more children. All calculations in the table were made for one child under 7 years and the average annual income for couples with children and for single parents. The average amount is for all children between 0 and 16 years.

3 The average amount includes the infant supplement and the supplement for Northern Norway.

4 The average amount per child was calculated by adding the amounts of child allowance, multiple-birth supplement and prolonged period of child allowance in 2004, divided by the number of children receiving child allowance and the number of children with prolonged periods of receiving child allowance in December 2004.

In all the countries, with the exception of the Faroe Islands and Sweden, a special child allowance is payable to single providers, making the allowance per child higher for single parents than for two-parent families. In Denmark, Finland and Norway, an extra child allowance is payable to single providers. In Norway, an extra infant supplement is also 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 receiving the full transition allowance

according to the Social Security Act. The supplement is awarded per single provider. The extra infant supplement amounts to NOK 7 920 per year.

In Denmark, the ordinary child allowance payable to single providers was reduced as from 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 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 an old-age pensioner or the receiver of disability (anticipatory) pension granted before 1 January 2003, or where one of the parents has died, or where paternity has not been established. The special child allowance for children of pensioners is means-tested. As from 2001, a new income-related child allowance to children receiving education was introduced. In Iceland, a benefit that is not means-tested is granted by way of maternity or paternity wages to widows and widowers and single mothers and families with two or more children. If the parents are old-age or anticipatory pensioners, the benefit will be paid as a supplement to the pension. In the Faroe Islands, the supplement is granted by way of a tax reduction. People, who have very low or no taxable incomes, will get paid the supplement.

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 the 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 Denmark, Finland and Sweden, people with high incomes may be ordered to pay a higher amount than the standard allowance.

In Denmark, the public authorities may pay the allowance in advance, if the parent liable to pay does not comply on time, irrespective of his or her income. In order for the allowance to be paid in advance, an application must be sent to the local authorities. The standard allowance, i.e. the basic amount plus supplements, may be paid in advance only until a child turns 18.

In cases, where an increased allowance has been ordered, the public authorities will not pay the supplement in addition to the standard allowance payable in advance.

The local authorities must try to recover the amount that is to be paid according to the maintenance-allowance decision from the party, who is liable to pay it.

In the Faroe Islands, the advance allowance is independent of the recipient's income. In case the party liable to pay does not do so on time, the full amount shall be paid in advance by the public authorities.

In Finland, a child is entitled to an allowance advance if the parent who is liable to pay, has not done so, or has not paid the full amount. If the parent, who is liable to pay, is unable to pay the full amount due to a poor financial position, the local authorities may upon request pay the remaining amount. Subsequently, the authorities may recover the advanced amount from the parent liable to pay.

In Iceland, advance payment of maintenance allowance is not defined as a social insurance benefit, but parents who have got an administrative resolution to the effect that they are entitled to have the maintenance allowance paid to them in advance, may apply to the social insurance fund for a fixed amount. It is, however, the local authorities that recover the missing payment from the parent, who is liable to pay.

In Norway, advanced payment of the maintenance allowance shall only be payable, where the party liable to pay does not comply on time. Besides, the advance is means-tested. Depending on a recipient's income, 100, 75 or 50 per cent of the full amount shall be awarded. Where a recipient's income is 320 times the full amount, no subsidy shall be payable. The current advanced amounts will be index-linked on 1 June every year. As a result of the fact the allowance will only be paid in advance if and to the extent that current allowances are not paid on time, the number of payments will vary considerably from month to month.

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Table 4.9 Amounts of maintenance allowance advances in 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Maximum amount per child per year, KR/EUR	11 976	10 121	1 448	192 300	14 740	14 076
Maximum amount per child per year, PPP-Euro	1 216	1 028	1 259	1 780	1 339	1 342

Table 4.10 Number of children receiving maintenance-allowance advances as percentages of the population under 18 years, 1995-2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden ¹⁾
1995	15	8	10	17	15	16
2000	14	9	10	19	11	16
2003	15	9	10	18	9	15
2004	15	9	9	19	9	15

1 Number of children under 19 years.

For parents who live separately there is in Sweden a governmental allowance system. This is to ensure that both parents contribute to the maintenance of their joint children. The allowance amount is fixed, and in case the parent with whom the child lives apply to the Insurance Fund for payment of the amount, the parent who is not living with the child is liable to pay the amount to the Insurance Fund. The due amount shall be reduced in case the parent liable to pay has a low income, and for very low incomes the amount will equal zero.

Other Benefits

In Norway, tax relief for minding 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, financial support towards child minding and education grants.

In the Faroe Islands, everyone who is liable to pay maintenance allowance is entitled to have half of the amount reimbursed by the public authorities.

In Finland, Iceland, Norway and Sweden, a child pension has been introduced by way of a basic pension and a supplementary/employment pension. In Denmark, a special child allowance is payable.

Child pension is payable to children who have lost one or both parents. The child pension is 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 adolescents, pre-school classes, family day care, child-minding in the homes as well as child and youth welfare schemes.

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

In all the countries, families with children may, in exceptional cases, be granted home help. This applies for example 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 adolescents 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 of pre-school age are received in day-care institutions. In all the countries, there are both full-time and part-time places.

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, 92 per cent of the municipalities provided a child-minding guarantee in 2004 for children aged 0-9 years, while another 5 per cent guaranteed child minding for part of that age group. Local authorities have been able to grant financial support to parents who choose private child minding over a public day-care facility. In September 2004, 3 747 children were covered by this scheme. Besides, local authorities may grant parents an

allowance towards minding their own children instead of a place in public day-care. 768 children were covered by this scheme in September 2004.

In Finland, all children under seven years are entitled to a place in a municipal day care institution or in family day care. 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 2004, subsidies were paid for private minding of 14 851 children.

In the Faroe Islands and Iceland, local authorities are not obliged by law to offer a kindergarten place to all children.

In Norway, local authorities are obliged to offer a kindergarten place to those parents who so wish. Parents have no legal right to a place, however. Day care institutions are financed by Central Government and local authorities. Besides, user (parent) charges are payable. On 1 May, a maximum user charge of NOK 2 750 was introduced.

In Sweden, pre-school activities are a common denomination for activities for children from one year to school age. The activities may be “pre-school” family day care or day-care institutions with pre-school activities. The municipalities are obliged to provide pre-school activities or family day care to:

- children, whose parents work or study
- children, whose parents are unemployed or on parental leave. In such cases, children must be offered at least three hours per day or 15 hours per week
- children, who are in need of the activities.

Places must be provided without any unnecessary delay, i.e. usually within three to four months after their parents having applied for it. The local authorities must take into due consideration the parents’ wishes as to type of minding, and the place should be provided as close to a child’s home as possible. Moreover, all children must be offered at least 525 hours free of charge at a pre-school from the autumn in which they turn four (the so-called ordinary pre-school).

Family day care

Municipal family day care exists in all Nordic countries. These schemes mainly cover pre-school children. Municipal child-minders are employed and paid by the local authorities and receive children in their own homes. As is the case with places in day-care institutions, parents pay for having their children minded in family day care. In all the countries, there is also private family day

care that is run without any subsidies from public authorities. Such child-minding options are not included in the Nordic social statistics.

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. After school hours, children may participate in after-school clubs.

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 the Faroe Islands, pre-school classes are only provided in one single facility.

In Finland, 6 year-olds are entitled to a pre-school place free of charge. The scheme comprises 700 hours per year. The scheme is not compulsory, but about 99 per cent of the 6 year-olds 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 receive 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 – the pre-school class. In the autumn 2004, 95 per cent of all 6 year-olds attended pre-school classes, whereas a few 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 be integrated in the minding of pre-school children in the day-care institutions. In Norway, the responsibility for the development of after-school clubs is placed with the school sector. This also largely applies in Denmark, Iceland and Sweden. The range of offers varies from one municipality to another.

There are different 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. In Norway, municipalities must provide after-school clubs for children in the 1st-4th grade and for children with special needs from the 1st to the 7th grade.

Children enrolled in day-care institution and public financed day-care

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.

Table 4.11 Children enrolled in day-care institutions and public financed day care (1 000) by age, 2004

	Denmark ¹⁾	Faroe Islands	Finland ²⁾	Iceland ³⁾	Norway ⁴⁾	Sweden ⁵⁾
<i>2004</i>						
<1 year	12	18	1	7	2	-
1-2 years	83	82	37	75	48	66
3-5 years	95	86	68	94	87	95
0-5 years total	77	73	46	74	61	71
6 years	87	83	67	.	.	83
0-6 years total	79	75	49	63	.	72
7-10 years	63	21	2	.	.	59

Note: Further information see appendix 4 on www.nom-nos.dk.

1 The time of calculation of the number of enrolled children has been changed from March to September as from 2004. 2000 concerns March 2001, while the number from 2002 concerns March 2002 and from 2003 March 2003.

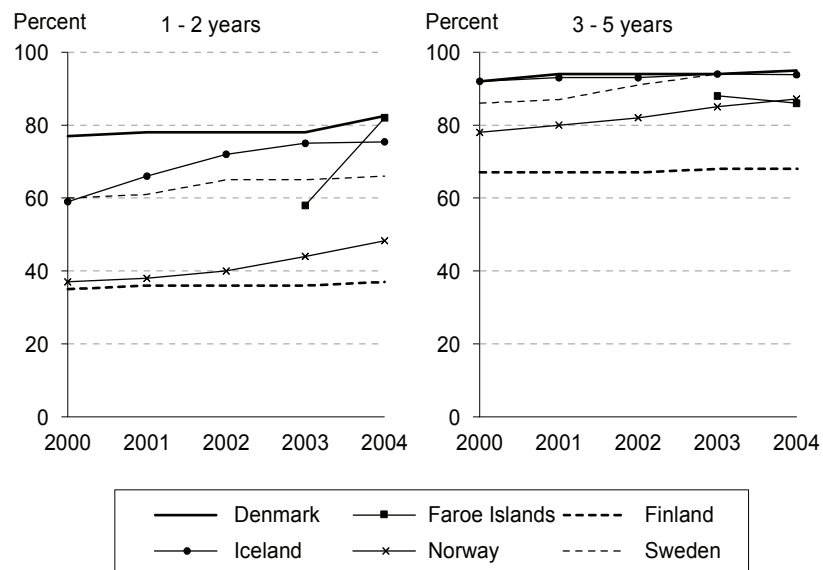
2 Figures include children in publicly subsidised private day care.

3 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).

4 As from 2000, only children between 0 and 5 years.

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

Figure 4.4 Children 1-5 years enrolled in day-care institutions and public financed day care in per cent of the age group 2000-2004



Cf. notes for Table 4.11.

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 adolescents in safe and comfortable environments. These may comprise both general measures and measures specifically aimed at individual children or adolescents.

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

Preventive measures

In Denmark, 36 323 families made use of one or more preventive measures during 2004 by way of advisory services, practical educational support in the homes, family treatment, stays in residential institutions for both parents and children, contact or support persons for the entire family, or financial support with a view to avoiding placement of children outside of their homes. Furthermore, at the end of 2004, 7 752 children and youths had been placed in residential care, with foster families or in other relevant institutions, to relieve their parents from taking care of them for a while 941 children and youths had had a personal advisor appointed to them and 2 934 children a permanent contact person. 3 241 children and youths received financial support towards staying at boarding or continuation schools without that being an actual placement outside of their own homes. Furthermore, 520 young people had been placed as trainees with an employer, and 322 young people were placed in a "halfway scheme" in the institution or home, where they had been placed.

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 by way of support staff or support families, help in getting a job, a place to live or support for hobby activities. In 2004, 59 912 people received support. 92 per cent of these were children under 18 years, whereas the remaining 8 per cent were between 18 and 20 years. In 2004, there was an addition of 16 355 new clients, corresponding to 27 per cent of all those receiving assistance.

In Iceland, 2 508 children received help in 2004 by way of preventive measures. Of those, 485 were placed outside of their homes for short or long periods. Preventive measures taken by the Child Welfare Service may be in the shape of advice to or guidance of the parents, support contacts, support families, placement of children in foster 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, their reassessment date, as well as a 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, 30 760 children made use of one or more preventive measures from the Child Welfare Service in 2004. During 2004, 6 882 children were in the care of the Child Welfare Service at the same time. At the end of 2004, about 25 children per 1 000 children under 18 years made use of one or other of the offers.

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 psychosocial support in the homes.

For young criminals, abusers and young people with other psychosocial problems, measures have been developed to the effect that an adolescent participates in a number of structured activities in the course of a day, 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 the part of the open efforts, which most children and youths had contact with in 2004. About 22 500 children and adolescents had such a contact during the year. About 20 400 children and adolescents received personal support based on need, and about 7 400 participated in a structured treatment programme (without placement) in 2004.

Placement outside of the home

In all the countries, it may become necessary to place a child outside of its home. The reason may be that parents need help to bring up the child, or that the child's health or development is threatened due to lack of minding.

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 placed outside of 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 placed outside of 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, and the ratio has gone up in recent years. One trait common to all the countries is that more preventive measures are to a high degree taken in the homes in respect of children and families.

FAMILIES AND CHILDREN

In Denmark, the number of placements is somewhat higher than in the rest of the Nordic countries. This is inter alia due to children and adolescents who are placed outside of the home in Denmark also including children and adolescents with reduced physical and/or mental abilities. Even if those disabled children and adolescents were disregarded, however, the number of placements is still larger than in the other countries. This mainly applies to the 15-20 year-olds and must be seen in connection with the fact that a relatively large number of young people in Denmark is 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.

Table 4.12 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, 2004

	Denmark ¹⁾	Finland	Island ²⁾	Norway	Sweden ³⁾
<i>Boys</i>					
0-6 years	3.9	6.7	4.5	4.2	4.2
7-14 years	13.7	11.5	7.9	9.1	8.1
15-17 years	33.3	19.0	5.2	17.2	16.4
18-20 years	20.4	14.9	..	17.5	14.8
0-20 years	13.9	11.6	6.1	10.0	9.2
<i>Girls</i>					
0-6 years	4.0	6.3	3.2	3.9	3.7
7-14 years	10.7	9.9	5.3	8.2	7.3
15-17 years	28.7	20.5	13.4	19.3	18.1
18-20 years	18.0	14.1	..	15.0	12.4
0-20 years	11.8	11.0	5.6	9.4	8.6
<i>Total</i>					
0-6 years	3.9	6.5	3.8	4.0	4.0
7-14 years	12.3	10.7	6.6	8.7	7.7
15-17 years	31.1	19.8	7.7	18.2	17.2
18-20 years	19.2	14.5	..	16.3	13.6
0-20 years	12.9	11.3	5.9	9.7	8.9

Note: Further information see appendix 4 on www.nom-nos.dk.

1 Including children and young people with reduced physical and/or mental capabilities.

2 Until the year 2002 the age-group division was 0-6 years, 7-14 years, 15-18 years and 0-18 years. For 1995, however, only 0-16 years. The distribution on age and sex is based on estimates.

3 As from 1999, figures include the group of 18-20 year-olds who receive treatment according to the Social Service Act. This group of mainly 19-20 year-olds was previously included in the statistics as adult abusers.

Figure 4.5 Children and youths aged 0-20 years placed outside of their own homes per thousand of total number, 1995-2004

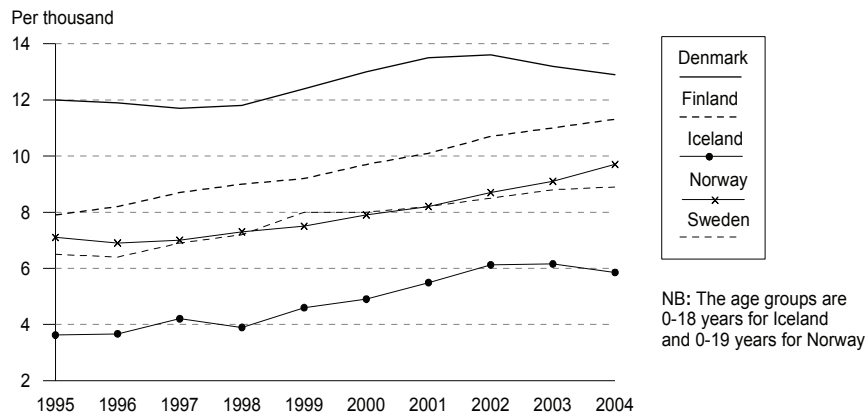


Table 4.13 Placed children and youths per 31 December in the year broken down by placement facility in per cent, 2004

	Denmark	Finland	Iceland ¹⁾	Norway	Sweden ²⁾
	Ratio in per cent	Ratio in per cent	Ratio in per cent	Ratio in per cent	Ratio in per cent
Foster care	46	61	34	79	76
Residential institution	24	24	47	21	22
Other facility	30	15	19	-	2
Total	100	100	100	100	100

1 Iceland during the year, however.

2 Only 0-18 year-olds. Other facility also includes placements, where the place has not been stated.

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.

In Denmark, there is a variety of placement facilities, and almost one third of the children and youths are placed at other facilities than foster care and residential institutions. These other facilities mainly consist of socio-educational facilities, but also boarding schools and the like, own room, etc.

That also applies to a certain degree to Finland and Sweden. In the category *Other facility* is also included the possibility of placement in one's own home (the parents' home) and in one's own room with support in Finland and in one's own home, own room or child-psychiatric clinic in Sweden.

Expenditure on and Financing of Cash Benefits and Services to 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 child 0-17 years. Denmark and Norway spend the most and Finland, the Faroe Islands and Iceland the least. It should be mentioned, however, that only Finland 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 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.

Norway and Denmark spends the most on child allowances and Iceland the least due to the income adjustment. Expenditure on other cash benefits mainly consists of the public authorities' advance payment of maintenance allowances to children, where Iceland spends the most.

When it comes to services, Denmark spends the most and the Faroe Islands and Finland the least, measured in PPP per child 0-17 years.

In Denmark and the Faroe Islands, the expenditure on day-care institutions and residential institutions, preventive measures, etc., is considerably higher than in the other countries, while Finland and Sweden spend the least. 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.

Changes in the social expenditure on families and children from 2003 to 2004

In Denmark, the expenditure on cash benefits to families and children increased by about 2 per cent from 2003 to 2004. As a result of the prolongation of the maternity-leave period to 1 year in 2002, the expenditure on maternity benefits has continued to increase, just as the expenditure on child-minding leave has continued to decrease. The expenditure on services increased by about 0.5 per cent. The expenditure on day facilities stayed almost the same, while there was a slight increase in the expenditure on both preventive measures for children and young people and on residential institutions, foster care, etc., for children and young people who have been placed outside of their homes.

In the Faroe Islands, there was an increase in the social expenditure on families and children of 5.7 per cent. The cash benefits, which account for one third of the total expenditure, increased by about 1.8 per cent, whereas social services increased by about 10.5 per cent. The increase in the cash benefits was mainly due to the municipal share of the child allowance, which increased by about DKK 200 per child, corresponding to 5.4 per cent. The increase in social services was due to a marked expansion of the day-care institution area.

In Finland, the expenditure on families and children at constant prices was 4.8 per cent higher in 2004 than it was in 2003. This was mainly due to the child allowance being increased. Besides, the number of newborns increased by 1 128, for which reason the paid parental daily cash benefit increased. The expenditure on child minding remained at the same level as the previous year, and the number of children in day care declined by 4 135. On the other hand, the expenditure on child care increased as the number of children and young people placed outside of their own homes is still increasing.

In Iceland, the social expenditure on families and children increased by 8.6 per cent from 2003 to 2004 at constant prices. The expenditure on cash benefits increased by 4.2 per cent, which was mainly due to an increase in the expenditure on maternity leave as the number of recipients of daily cash benefits has increased, especially among men. On the other hand, the expenditure on child allowance at constant prices decreased as the income

adjustment follows the wage development. The expenditure on social services increased by 12.7 per cent at constant prices, the majority of which being due to the expenditure on day-care institutions, as parent charges decreased from 30 to 27 per cent. Equally, more children have been enrolled full-time in day-care institutions. Another part of the increase was due to the youth and leisure-time activities.

In Norway, the expenditure on families and children increased by 5.0 per cent at constant prices. The increase is partly due to an increase in the expenditure on births and adoptions, while there on the other hand was a decline in the expenditure on subsidies to maintenance of children. The expenditure on day-care institutions and family day care increased the most. In 2004, about 8 300 more children had places in day-care institutions compared with 2003. The average increase in the maternity benefits was about 6.8 per cent from 2003 to 2004.

In Sweden, the expenditure on families and children increased by 4.5 per cent at constant prices. The increase is mainly due to an increase in the number of births and the expenditure in connection with births and adoptions having increased by almost 10 per cent. Moreover, the expenditure on placements of children and youths at institutions has continued to increase considerably.

Table 4.14 Expenditure on and financing of cash benefits and services to families and children, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
<i>Cash benefits, million</i>						
A. Daily cash benefit in the event of childbirth and adoption	8 310	77	645	6 626	9 313	17 638
B. Birth grants	-	0	11	-	420	38
C. Parental leave benefits	342	-	333	-	3 125	-
D. Family or child allowances	14 717	136	1 429	5 731	14 220	20 879
E. Supplements	-	-	-	-	-	-
F. Other	240	20	80	808	3 438	2 026
a. Of which advance on maintenance allowance to children	240	1	80	808	501	2 026
Cash benefits, total	23 608	233	2 498	13 166	30 515	40 581
<i>Services, million</i>						
A. Child day care	23 120	160	1 394	10 407	13 292	22 758
B. Accommodation	7 345	27	278	2 269	2 468	8 269
C. Home help	20	0	31	104	154	-
D. Other	2 895	19	295	3 007	6 072	4 836
Services, total	33 380	206	1 997	15 787	21 986	37 759
Total expenditure, million	56 988	438	4 495	28 953	52 501	78 340
Expenditure as percentage of GDP	4.1	4.4	3.1	3.6	3.1	3.2
<i>Financed by (per cent)</i>						
- Public authorities	89.5	92.8	91.4	84.2	83.7	76.8
- Employers	0.3	3.7	4.7	15.8	9.4	22.6
- The insured (contributions and special taxes)	10.2	3.5	3.9	0.0	6.9	0.6
<i>Changes 2002-2003 in terms of 2003 prices</i>						
- Million	724	24	206	2 304	2 521	3 339
- Per cent	1.3	5.7	4.8	8.6	5.0	4.5

Table 4.15 Expenditure on cash benefits and services to families and children, PPP 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	445	493	415	421	607	432
Per child 0-17 years of age	2 016	1 770	1 941	1 560	2 577	1 994
Services, total per capita	629	436	332	505	438	402
Per child 0-17 years of age	2 851	1 564	1 552	1 870	1 857	1 855
Families and children, total per capita	1 074	929	747	927	1 045	834
Total per child 0-17 years of age	4 867	3 334	3 493	3 430	4 434	3 849

User charges payable for child-minding

In all the 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 the Faroe Islands, there are centrally laid down rules on the maximum amount payable and places free of charge. 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 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. 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. The maximum user charges are laid down by governmental rules. Within that framework, local authorities may freely make their own rules. 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 23 per cent of the running costs in 2004 for day care and day-care institutions. In the Faroe Islands, user charges amounted to about 29 per cent of the running costs 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 about 27 per cent of the total running costs, and user charges for after-school-club schemes amounted to 49 per cent of the total running costs.

In Norway, user charges payable for places in private kindergartens amounted to about 31 per cent and for municipal kindergartens 22 per cent of the total running costs. Private and municipal kindergartens do, however, calculate their total running costs in different ways. Although private kindergartens on average are more expensive than the municipal ones, the price differences are in reality not as large for the parents as the percentages suggest. 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 part parents pay themselves.

In Sweden, parents' user charges amounted to about 8 per cent of the total running costs in 2004 in pre-school, while it was 10 per cent in family day-care and 16 per cent in youth centres.

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 and 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 percentages of the total social expenditure in the EU, the Faroe Islands, Iceland and Norway, 2003

Denmark	9.8	Austria	6.0	Italy	1.8
Faroe Islands	2.9	Belgium	13.1	Luxembourg	4.2
Finland	9.9	France	7.9	The Netherlands	6.2
Iceland	2.5	Germany	8.6	Portugal	5.5
Norway	3.2	Greece	5.7	Spain	13.3
Sweden	5.9	Ireland	8.4	United Kingdom	2.7

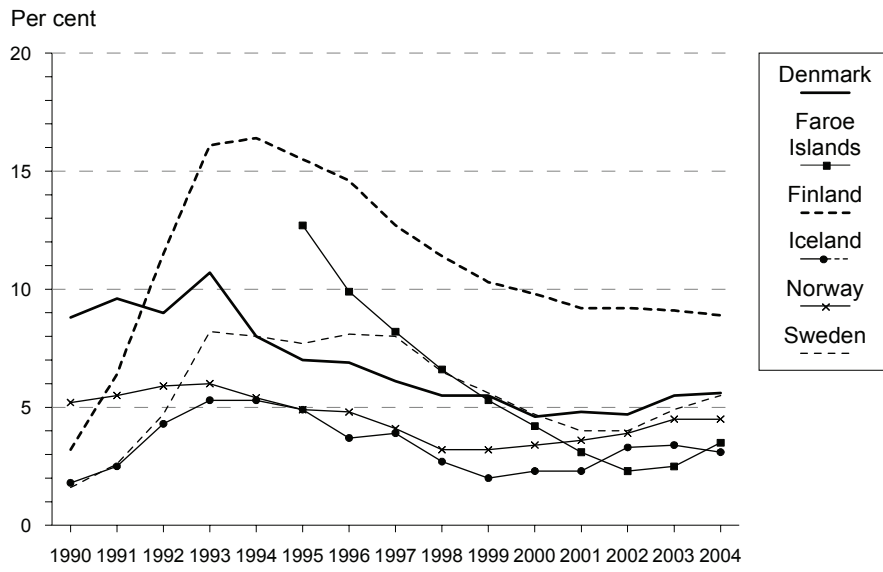
Note: Cf. Table 4.1.

Generally, there are high participation rates in the Nordic countries, but there are significant dissimilarities among the countries, cf. Table 5.2.

The unemployment rate was very high in some of the Nordic countries during the 1990s, but there has been a marked decline in all the countries, of which Finland still has the highest unemployment rate. 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.

In all the Nordic countries, the labour market is undergoing a radical transformation, for which reason enhanced demands are made on the qualifications, flexibility and mobility of the labour force.

Figure 5.1 Development in the unemployment rate, 1990-2004



UNEMPLOYMENT

Table 5.2 Population aged 16-64 years, broken down by sex and activity, 2004

	Denmark	Finland ¹⁾	Iceland ²⁾	Norway	Sweden
<i>Men</i>					
Men aged 16-64 years (1 000)	1 776	1 763	91	1 501	2 913
Of whom (per cent):					
Employed, total	80	69	86	78	75
- Full-time	72	63	79	69	67
- Part-time	8	6	8	9	8
Unemployed	4	7	3	4	6
Outside of the labour force	15	25	11	18	20
Total	100	100	100	100	101
<i>Women</i>					
Women aged 16-64 years (1 000)	1 742	1 726	90	1 454	2 823
Of whom (per cent):					
Employed, total	72	66	79	73	72
- Full-time	48	54	50	41	47
- Part-time	24	12	29	31	25
Unemployed	5	6	2	3	5
Outside of the labour force	23	28	18	24	24
Total	100	100	100	100	101
<i>Men and women</i>					
Men and women aged 16-64 years (1 000)	3 518	3 489	181	2 955	5 736
Of whom (per cent):					
Employed, total	76	67	83	75	73
- Full-time	60	58	65	55	57
- Part-time	16	9	18	20	16
Unemployed	5	7	3	4	6
Outside of the labour force	19	26	15	21	22
Total	100	100	100	100	101

1 Population aged 15-64 years.

2 Data based on the labour-force surveys. Until 2003, surveys were conducted twice a year (spring and autumn), but since then continuous surveys have been conducted throughout the year.

Table 5.3 Unemployment rate broken down by sex, 2004

	Denmark ¹⁾	Faroe Islands	Finland ²⁾	Iceland ³⁾	Norway	Sweden
Average number of unemployed	163 000	950	229 000	4 900	106 000	246 000
<i>Unemployed in per cent of labour force</i>						
Total	5.6	3.5	8.9	3.1	4.5	5.5
Women	6.1	4.5	9.0	2.9	4.0	5.1
Men	5.2	2.9	8.8	3.2	4.9	5.9
<i>16-24 year-olds</i>						
Total	8.4	..	20.7	8.1	11.6	12.3
Women	7.8	..	19.4	6.8	10.6	11.0
Men	8.9	..	22.0	9.3	12.5	13.5

Note: Further information see appendix 4 on www.nom-nos.dk.

1 Data based on labour-force surveys covering 15-66 year-olds.

2 15-24-year-olds.

3 Data based on labour-force surveys.

Table 5.4 Number of people (1 000) who received cash benefits for at least one day in connection with unemployment, 2004

	Denmark	Faroe Islands	Finland	Iceland ¹⁾	Norway ¹⁾	Sweden ²⁾
<i>2004</i>						
Insured	491	2	340	14	196	543
Non-insured	82	0.4	249	..	-	90
Total	573	3	589	14	196	633
Total in per cent of the labour force	21	9	22	9	8	14

Note: Further information see appendix 4 on www.nom-nos.dk.

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

2 Double registration may appear, as a person during one year may have been registered as being both insured and non-insured. In 2004, 19 000 people were calculated as being both insured and non-insured.

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 lengths of the unemployment periods also vary from one country to another.

Cash Benefits in the Event of Unemployment

With the exception of the Faroe Islands, it is a common trait to all the Nordic countries that the labour-market policy has played an important part in the general economic policy, where a high employment rate and a low unemployment rate have been an important goal as well as a prerequisite for the Nordic welfare states. When unemployment arises, it is either due to a generally low demand in the economy or the fact that the labour market does not function well enough, a phenomenon known as structural unemployment. The labour-market policy in the Nordic countries must especially contribute to the reduction of the structural unemployment via active measures rather than passive provision for the unemployed. However, the ways in which the individual countries have designed their labour-market measures concerning active measures (employment measures, etc.) and passive measures (unemployment benefit and the like) vary considerably.

Unemployment benefit is in all the Nordic countries a statutory benefit payable to people who become unemployed. The benefit is to compensate for lost income and to contribute to the maintenance of a reasonable standard of living for people, who have lost their jobs. The compensation level and the limited payment period will ensure that unemployed people are encouraged to seek and take on a new job. Consequently, the benefit schemes also have a labour-market policy function. In all the countries, obligations are connected with the reception of benefits. Recipients must be available to take on work, must be active in their job search, and must accept offers of activation and work provided for them.

Benefits in Case of Unemployment

In the Nordic countries, most unemployed people are entitled to cash benefits when they become unemployed. In the Faroe Islands and Norway, unemployment insurance is compulsory for wage earners. In Iceland, all wage earners and self-employed people are statutorily insured against unemployment. Both in the Faroe Islands, Iceland and Norway, there are, however, certain requirements that must be met in order for a person to receive the benefit. Those not meeting the requirements may be awarded income-tested social assistance. In Denmark, Finland and Sweden,

unemployment insurance is voluntary. In those countries, non-insured unemployed people are, however, entitled to a cash benefit that is usually lower than the unemployment benefit.

In Denmark, unemployment insurance is voluntary and is administered by the unemployment funds. The unemployment benefit is financed by member contributions and by the labour-market contribution payable by all employed people. Non-insured people will be awarded cash assistance (social assistance) if they meet certain requirements. It is also possible to retire early from the labour market by way of voluntary early retirement, cf. Chapter 7, but this does not depend on whether the person in question has been or is expected to become unemployed.

In the Faroe Islands, unemployment insurance is compulsory for employees, while the self-employed and others may take out voluntary insurances. The unemployment benefit is administered by a fund, which is financed by the employees, the self-employed and the employers, who pay 0.75 per cent of their income from work and the payroll costs to the insurance fund, respectively. Everyone complying with the requirement as to previous income is entitled to daily cash benefits.

In Finland, unemployment benefit consists of a basic amount (basic daily cash benefit) and a benefit that is based on previous income (income-related daily cash benefit). The income-based benefit is payable by the unemployment insurance funds whereas the basic amount is payable by the Social Insurance Institution. Non-insured people in Finland and people who have received income-related daily cash benefits or the basic amount for the maximum period of two years, and who are still unemployed, are entitled to a so-called labour-market assistance, which is based on need, but basically the amount is the same as the basic amount of the daily cash benefit scheme. A pension is payable to people in their sixties who have been unemployed. This benefit is calculated in the same way as is disability pension. In 2004, 52 898 individuals received an average unemployment pension of EUR 1 120 per month.

In Iceland, the unemployment insurance is compulsory and is administered by the labour market department. The unemployment insurance scheme is completely financed by the employers.

In Norway, the unemployment insurance is also compulsory and everyone meeting the requirements as to previous income is entitled to daily cash benefits. The unemployment-insurance scheme is financed via the national budget and administered by the labour-market department.

In Sweden, the unemployment insurance consists of basic insurance and voluntary unemployment insurance.

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Non-insured people, who otherwise meet the requirements (and who are 20+ years old), are entitled to a basic amount. Both the basic amount (the basic insurance) and the income-dependent amount (the unemployment insurance) are administered by the unemployment insurance funds.

Entitlement to Daily Cash Benefits

Entitlement to receiving 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 is four years within a period of six years. Members of unemployment-benefit funds, who at the end of their benefit period have reached the age of 55 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. Members of unemployment-benefit funds who have turned 60 years are entitled to daily cash benefits for a maximum of two and a half years. Entitlement to unemployment benefit cannot be (re)gained through publicly subsidised employment but only through regular employment. Regaining of entitlement to unemployment benefits is subject to at least 26 weeks of work as an employee or as a self-employed person within the past three years.

In the Faroe Islands, the unemployment benefit is based on the average salary or wages from the previous 12 months, and thus no membership or period of employment is required. The total benefit period is 798 days within the past five years, after which one is not entitled to unemployment benefits for the subsequent 24 months. Employees in the fishing industry on land are subject to special conditions to the effect that they will be paid unemployment benefit in case of temporary unemployment in special cases.

In Finland, it is required that one must have worked for at least 43 weeks during the previous two years and four months and at the same time have been a member of an unemployment-insurance fund prior to becoming unemployed in order to be entitled to unemployment benefits. The total benefit period is as a rule 500 days. Individuals, who reach the age of 57 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 unemployment pension.

Table 5.5 Rules applying to payment of cash benefits in the event of unemployment as per December 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>Insured individuals</i>						
Age limit for entitlement to unemployment benefit	19-64 years ¹⁾	16-66 years	17-64 years	16-69 years	16-66 years	16-65 years ⁵⁾
Waiting period	-	1-10	7	-	5	5
Maximum number of days of unemployment benefit	1 040 within 6 years (5 benefit days per week for 4 years) ²⁾	798 within the past five years (5 benefit days per week)	500 within 4 years ⁴⁾ (5 benefit days per week)	260 days per year for 5 years	520 (104 weeks of 5 working days)	300/600
Benefit reobtainable?	Yes	Yes	Yes	Yes	Yes	Yes
On which conditions?	By complying with the requirement of 26 weeks' work within the past 3 years	Will only be awarded benefits after two years and after having worked for the last one of those two years.	By complying with the requirement of 34 weeks' work within 2 years	By complying with the requirement of 10 weeks' full-time work within the past 36 months.	By complying with the requirement of a minimum income	By complying again with the requirement of 6 months' work prior to becoming unemployed
Benefit taxable?	Yes	Yes	Yes	Yes	Yes	Yes
Supplement for children?	No	No	Yes	Yes	Yes	No
<i>Non-insured individuals</i>						
Age limit for entitlement to unemployment benefit	18-64 years ³⁾		17-64 years	.	.	20-65 years
Maximum benefit period	.	.	.	.	.	300/600

1 Individuals between the ages of 18 and 63 years are entitled to join an unemployment-insurance fund, 65 years, however, for people born on 1 July, 1939, but entitlement to unemployment benefit applies to people between 19 and 64 years.

2 Members of an unemployment-insurance fund, who have reached the age of 55 at the end of the total unemployment benefit period, and who would be entitled to the voluntary early retirement benefit from their 60th year, maintain their entitlement to unemployment benefits till they reach the age of 60. Members who have turned 60 years are entitled to unemployment benefits for a maximum of 30 months.

3 Young people under 18 years and people of 65 years or more may in certain cases be entitled to cash assistance.

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

5 Entitlement to unemployment benefits is based on compliance with the employment requirement and a 12 months' membership of an unemployment insurance fund.

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Table 5.6 Amount of cash benefits in the event of unemployment as per December 2004

	Denmark	Faroe Islands	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 a week ²⁾	70 per cent of personal income from work in the past 12 months	Income-related benefit: on average 58 per cent of previous income from work. Basic amount: EUR 115.80 + child supplement: EUR 21.95 – 41.55 per week	Fixed amount + child supplement ⁵⁾	62.4 per cent of the calculation basis	80 per cent of the income from work, maximum SEK 730/day the first 100 days and then SEK 680/day 5 days a week
Maximum income per week for full compensation ¹⁾	DKK 3 888	DKK 4 073	.	.	NOK 6 782	SEK 4 653
Maximum income per week for full compensation in PPP-Euro ¹⁾	395	409	.	.	616	444
Min. amount per week	DKK 2 630	.	EUR 115.80	ISK 4 990	NOK 705	SEK 1600
Min. amount per week in PPP-Euro	267	.	EUR 100.69	46	64	153
Max. amount per week	DKK 3 205	DKK 2 851	.	ISK 19 961	NOK 4 232	SEK 3 650 for 100 days, then SEK 3 400
Max. amount per week in PPP-Euro	325	289	.	185	384	348/324
<i>Non-insured individuals</i>						
Amount of benefit per week	Young people under 25 years: DKK 604/1 251 ³⁾ ; others: DKK 1 941/2 579+ special assistance ⁴⁾	Social assistance based on need	EUR 115.80 + child supplement: EUR 21.95 – 41.55	Social assistance according to need.	.	SEK 1 600 ⁶⁾

1 The income ceiling is the income limit (previous income) in relation to 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 benefits of DKK 641 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 3 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.

6 Minimum age 20 years. 6 months' work is required prior to becoming unemployed.

In Iceland, one must have been employed full-time for at least 10 weeks during the past 36 months to be entitled to unemployment benefit. The benefit is payable for working days. Unemployment benefit is payable for a maximum of 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 labour-market training, 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 the unemployment benefit is that one has earned an income of at least 1.5 times the basic amount, corresponding to NOK 88 167 during the previous calendar year, or at least 3 times the basic amount during the past three years, corresponding to NOK 176 334, prior to becoming unemployed. The basic amount is adjusted once a year and was as at 1 May 2004 NOK 58 778. The maximum benefit period varies according to the amount of any previous income. A previous income of at least twice the basic amount, corresponding to NOK 117 556 results in a benefit period of 104 weeks, whereas an earned income of less than twice the basic amount results in a benefit period of 78 weeks. Individuals over 64 years are ensured daily cash benefits until they reach the pensionable age of the national social security fund, which is 67 years. To be entitled to unemployment benefit, one must have worked hours that were reduced by at least 50 per cent of the normal working hours prior to becoming unemployed.

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

Since February 2001, daily cash benefits will be payable for a maximum of 300 days during the unemployment period, irrespective of a recipient's age. When the benefit period expires, daily cash benefits may under certain circumstances be payable for another 300 days. Consequently, the maximum period in which daily cash benefits may be received is 600 days.

Apart from the rules mentioned above, entitlement to unemployment benefits is in all 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 waiting period during which

unemployment benefits are not payable. In Denmark and Iceland, there is no waiting period; in the Faroe Islands, there is a waiting period of 1-10 days depending on previous income, in Norway, the waiting period is five days, and seven in Finland and five in Sweden.

Compensation Levels 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 incomes in the event of unemployment in per cent of the incomes earned from work for single people with and without children, respectively, 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 from the figures, there are marked differences in the compensation levels for insured and non-insured people, respectively. This applies in particular to single people who have previously earned a high income and for single childless people. 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 Norway. In Iceland, a fixed amount is payable, irrespective of previous income. Secondly, the compensation level depends on the maximum amounts, which is highest in Norway. In Finland, there is no upper limit to the amount of daily cash benefits, but where an income exceeds a certain level, the compensation will only be 20 per cent, however.

As to families with children, it makes a difference whether a supplement for children is payable, which is the case in Finland, Iceland and Norway. In addition, the amount of both housing benefits and charges payable for day-care institutions are adjusted in relation to income. This is important in relation to the compensation level for both insured and non-insured people and contributes in particular to providing single parents with a high compensation level.

Figure 5.2 Disposable incomes for an insured childless couple, 2004

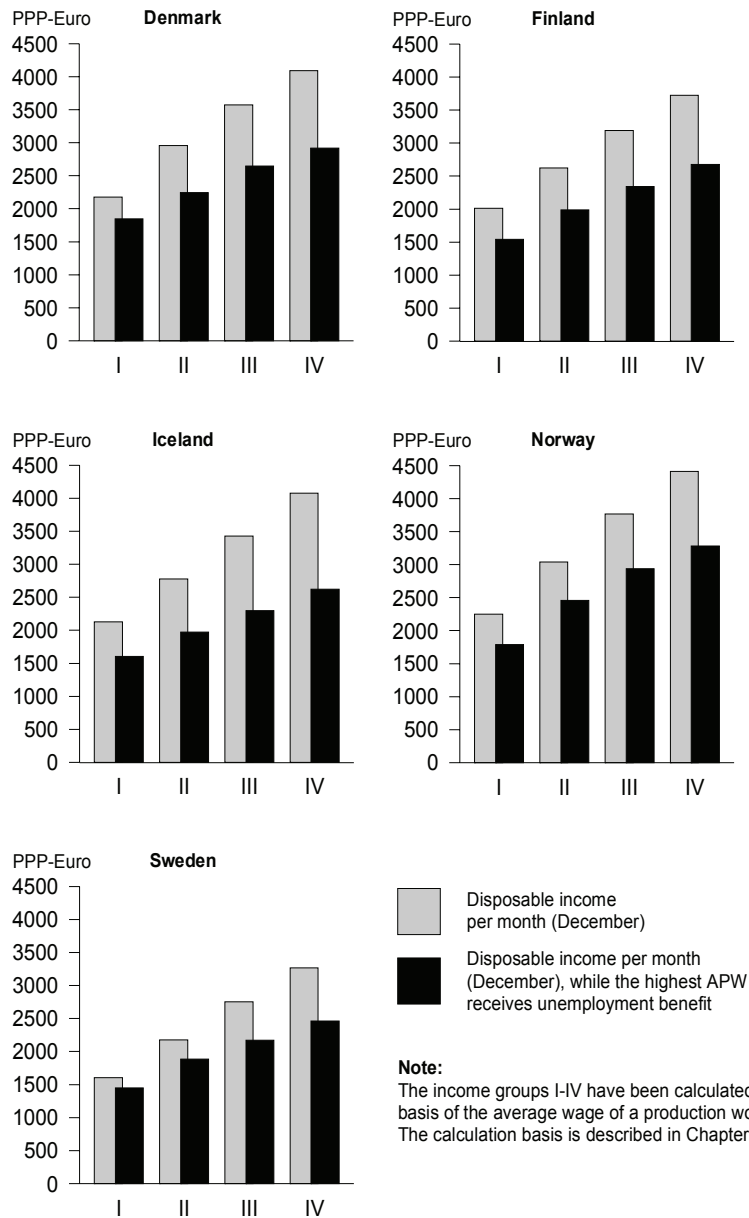
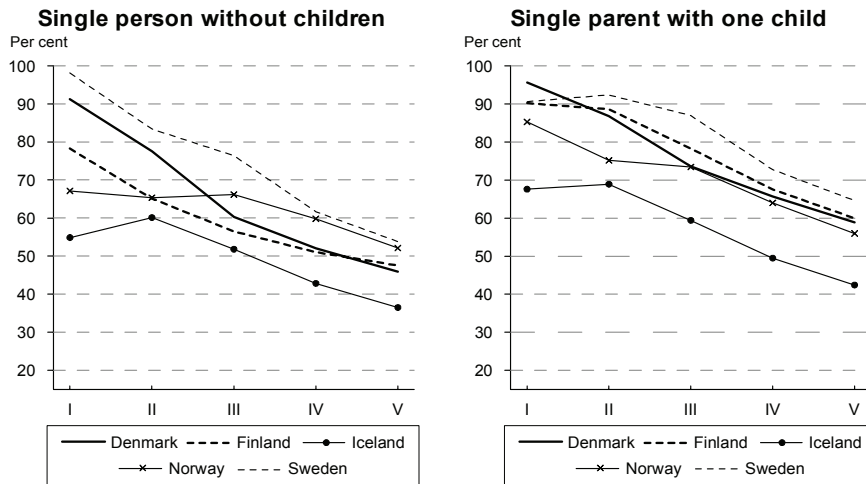
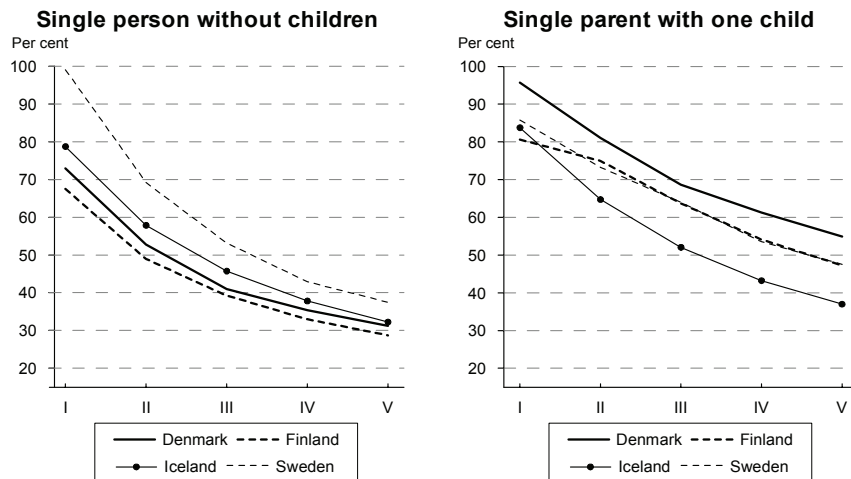


Figure 5.3 Disposable incomes while receiving unemployment benefits as percentages of disposable incomes while being employed, 2004



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 Chapter 2.

Figure 5.4 Disposable incomes for non-insured individuals as percentages of disposable incomes from work, 2004



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 Chapter 2.

Job Training and Activation

In all the Nordic countries focus is on activation. 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 aspects 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, who have not completed vocational training qualifying them for the labour market, are, after no later than 6 months of unemployment, entitled and obliged to receive an offer of education or training for a minimum of 18 months. The offer may be combined with other types of guidance and qualifying activities or with a traineeship. The benefit payable during the activity corresponds to half the amount of the daily cash benefit. Other unemployed recipients of daily cash benefits under the age of 25 and daily cash benefit recipients between 25 and 30 years have a right and an obligation to accept activation after no later than six months of unemployment by way of education, guidance and qualifying activities, traineeship or job training.

Unemployed recipients of daily cash benefits between 30 and 60 years are entitled to and obliged to accept activation after no later than one year of unemployment by way of education, job training, etc. Unemployed recipients of daily cash benefits over 60 years are entitled to and obliged to accept activation after six months of unemployment. All recipients of unemployment benefits are furthermore entitled and obliged to accept a new offer of activation when they have received public benefits for a total of six months after termination of the first offer of activation.

Activation early in the benefit period is based on need and is flexible, partly aimed at groups at risk of becoming long-term unemployed and partly to prevent lack of qualified manpower ("bottle necks").

After a maximum of 13 weeks, unemployed recipients of cash assistance under the age of 30 are entitled to and obliged to accept an offer of activation or training for 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. All recipients of cash assistance, apart from those over 30 years, who receive benefits, not only due to unemployment, are furthermore entitled to and

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obliged to accept a new offer of activation when they have received cash assistance for six months after termination of the first activation offer.

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 the Faroe Islands, activation has not been available since the mid 1990s, where the unemployment rate was over 12 per cent.

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 enhanced and the possibilities of the young getting into the labour market are improved. Besides, these 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 businesses 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 career, 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 benefits, undertaken to grant unemployed people subsidies towards various courses and special municipal employment measures.

In Norway, increasing support has been given the active labour-market policy during the 1990s. However, there has been a change in recent years in the use of measures in connection with job provision, in that focus to a higher degree than before has been put on the groups that are most at risk in the labour market, and which are most in need of assistance. During the first part of the unemployment period, focus is on one's own activation and motivation for work. If this proves insufficient, jobseekers that are in need of more comprehensive assistance will be offered individual follow-up and guidance in his or her search for a job. Only after an unemployment period of six months will offers of labour-market measures be given as a rule. The individual's possibilities in the labour market will be enhanced through job training and qualification. The level and composition of the labour-market measures will be adapted to the labour-market situation. In 2004, some 17 000 special jobs of this kind were established for regular job seekers. Groups with special

difficulties in the labour market, such as the long-term unemployed, immigrants and adolescents are given priority to those special jobs.

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

There is an activation guarantee for those who are, or who are at risk of becoming, long-time unemployed. The aim is considerably to improve 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 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 inter alia 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 how 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 both.

Moreover, support is given to employers, aimed at motivating them to hire an unemployed person by partly covering their expenses in connection with the employment of a person who needs extra introduction or training. In addition, people who are unemployed or at a risk of becoming so may in some cases be granted subsidies to start their own businesses.

There are measures for people with reduced working capacities, enabling them to work in subsidized jobs either with a public or a private employer.

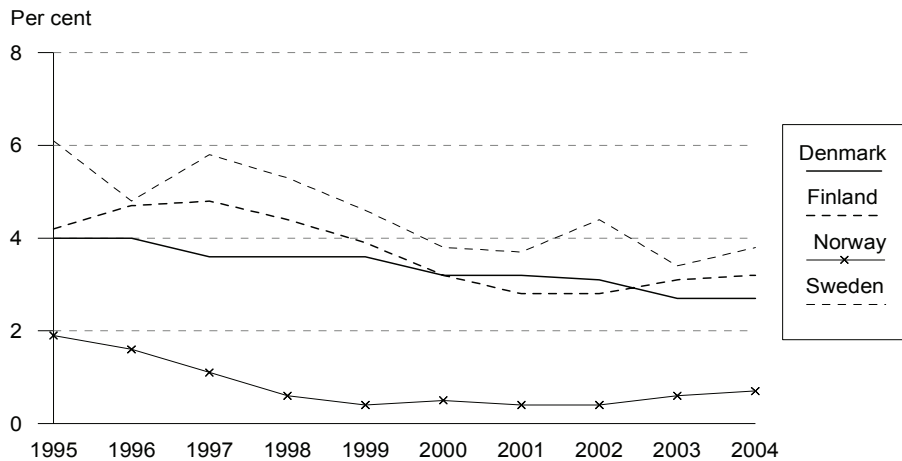
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Table 5.7 Number of activated people in 2004

	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>						
Total	240 102	34 340	74 732	8 443	2.7	2.4
Of whom:						
- Subsidized employment	85 983	12 387	30 879	3 143	1.1	0.9
- Education and training	101 761	6 996	26 274	1 543	0.9	0.4
- Other	107 981	22 735	17 580	3 757	0.6	1.1
<i>Finland</i>						
Total	211 857	54 411	81 972	16 413	3.2	5.3
Of whom:						
- Subsidized employment	90 301	12 643	35 970	4 586	1.4	1.5
- Education and training	62 026	93 48	30 701	4 502	1.2	1.4
- Other	59 530	32 420	15 301	7 325	0.6	2.3
<i>Iceland</i>						
Total	6 780	1 369	..	..	..	..
Of whom:						
- Subsidized employment	295	125	..	..	..	..
- Education and training	4 096	783	..	..	..	..
- Other	2 421	461	..	..	..	..
<i>Norway</i>						
Total	69 388	..	16 958	5 093	0.7	1.7
Of whom:						
- Subsidized employment	..	..	2 913	..	0.1	..
- Education and training	..	..	7 021	..	0.3	..
- Other	..	..	7 024	..	0.3	..
<i>Sweden</i>						
Total	408 670	..	168 851	..	3.8	..
Of whom:						
- Subsidized employment	133 738	..	88 760	..	2.0	..
- Education and training	219 433	..	57 612	..	1.3	..
- Other	55 499	..	22 480	..	0.5	..

Note: Further information see appendix 4 on www.nom-nos.dk.

Figure 5.5 Development in the activation in per cent of labour force at the time of calculation, 1995-2004



Services in Connection with Unemployment

The services provided in connection with unemployment are first and foremost job provision, but in all the countries, also mobility-promoting benefits are available by way of inter alia removal assistance and assistance in connection with dual housekeeping.

Employment Service

In all the 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.

The main tasks of the employment services are guidance concerning employment and training/education, provision of work to the unemployed and other job seekers as well as service provision to enterprises in connection with recruitment of labour.

As a rule, the unemployed must be members of the employment service, be actively seeking employment and in general be available to the labour market.

The unemployed must thus participate in activating measures and accept jobs provided by the employment service in order to maintain entitlement to unemployment benefits or other similar benefits. To the extent that the unemployed are unable to find work, the employment service will assist them in the job seeking by for example providing job-seeking courses. The employment service also provides jobs for the unemployed and manages the activation of the unemployed according to the rules applying in the various countries.

As mentioned, it is also an important task of the employment services to help enterprises find individuals with the proper qualifications for the vacant positions.

Today most of the job provision between employer and employee takes place partly by means of the employment centres' IT based job databases, where job seekers may enter their job profiles, partly by means of private job databases with similar job-seeking options.

The vast majority of the job provision takes place, however, directly between enterprises and employees without the involvement of the employment centres.

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 benefits, and partly the extent of the activating measures provided for the unemployed. Measured in PPP per person of working age, Denmark spends the most, followed by Finland, while the Faroe Islands and Iceland spend the least.

It should be mentioned, however, that several subsidies are payable to the employers for activation in Finland. Such costs have not been included as social expenditure in this report. Sweden, where the unemployment rate is a little lower than it is in Denmark, spends considerably less measured in PPP per capita and per person of working age. 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. The Faroe Islands and Iceland have the lowest unemployment rate, followed by Norway, which also reflects low costs, cf. Table 5.9.

Changes in the Expenditure on Unemployment from 2003 to 2004

In Denmark, the expenditure on unemployment benefits increased by well over 1 per cent as a result of a minor increase in the number of full-time recipients of daily cash benefits from 2003 to 2004. Besides, the maximum daily cash benefit rate was adjusted by 2.9 per cent, while consumer prices increased by only 1.2 per cent. There was a large decrease in the expenditure on cash benefits to activated daily cash benefit recipients from 2003 to 2004 as a result of an alteration in the calculation of the expenditure. While the expenditure on young recipients of daily cash benefits during the referral period before activation so far has been registered under activation, it will as from 2004 be registered together with the other daily cash benefits during passive periods under Other Social Benefits.

In the Faroe Islands, the expenditure on unemployment increased by 57.6 per cent. The distinctive percentage increase should be seen in the light of the expenditure on unemployment making up a relatively small part of the total social expenditure, and a slight increase in the unemployment results in a steep percentage increase in the expenditure. The average unemployment rate increased by about 1 per cent from 2003 to 2004.

In Finland, the expenditure on unemployment increased by 3.5 per cent at constant prices. The unemployment situation has improved slightly with a decrease in the unemployment rate by 6 000 people. The number of recipients of income-related unemployment benefits declined by 1 660, while the number of recipients of the basic amount of the daily cash benefit increased by 3 430. The number of people receiving unemployment pension declined by 2 800 people, and the expenditure decreased by 1.6 per cent at constant prices. Moreover, 12 per cent more were spent in 2004 than in 2003 measured at constant prices on labour-market related adult education and training.

In Iceland, the expenditure on unemployment increased by 5.2 per cent from 2003 to 2004, which was due to an increase in the unemployment rate by 12 per cent at current prices. The number of days, in which unemployment benefits were paid, on the other hand decreased by 7 per cent.

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Table 5.8 Expenditure on and financing of cash benefits in connection with unemployment, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
<i>Cash benefits, millions</i>						
A. Unemployment benefit	22 793	109	2 465	4 259	11 461	34 327
B. Partial unemployment benefit	-	-	64	-	-	-
C. Pension for labour market reasons	-	-	728	-	315	-
D. Cash benefits payable during vocational training	16 834	-	224	166	-	8 690
E. Compensating benefits	-	-	2	-	-	1 395
F. Other	-	-	-	-	-	-
Cash benefits, total	39 627	109	3 483	4 425	11 776	44 412
<i>Services, millions</i>						
A. Mobility and resettlement	-	-	-	-	-	122
B. Vocational training	-	1	224	-	358	3 286
C. Other	1 771	-	138	666	1 744	2 833
a. Of which employment services	960	-	138	666	2 196	-
Services, total	1 771	1	362	666	2 103	6 241
Total expenditure, millions	41 399	110	3 845	5 091	13 879	50 653
Expenditure as percentage of GDP	3.0	1.1	2.6	0.6	0.8	2.1
<i>Financed by (per cent)</i>						
- Public authorities	31.8	0.0	52.6	6.1	46.5	28.4
- Employers	0.0	50.0	38.0	93.9	31.3	65.0
- The insured (contributions and special taxes)	68.2	50.0	9.4	0.0	22.1	6.5
<i>Changes 2002-2003 in terms of 2003 prices</i>						
- Millions	-420	40	131	208	313	4 029
- Per cent	-1.0	57.6	3.5	4.3	2.3	8.6

Table 5.9 Expenditure on cash benefits in connection with unemployment in PPP 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	747	230	579	142	234	473
- Per capita of working age	1 146	376	883	222	367	745
Services, total per capita	33	3	60	21	42	66
- Per capita of working age	51	4	92	33	66	105
Unemployment, total per capita	781	233	639	163	276	539
- Per capita of working age	1 197	380	974	256	433	850

In Norway, the expenditure on unemployment benefits increased slightly by 2.3 per cent at constant prices. The increase was mainly a result of an increase in the expenditure on the employment services. The number of people participating in employment-service measures increased from about 8 000 in 2003 to 8 800 in 2004. The average unemployment rate was 3.9 per cent both in 2003 and 2004. The average number of daily cash benefit recipients was in 2004 90 000. That was 1.3 per cent more recipients than in 2003.

In Sweden, there was an increase in the expenditure on unemployment of 2.3 per cent at constant prices, which was due to an increase in the unemployment rate from 2003 to 2004. There was an increase in the expenditure on cash benefits in connection with unemployment of 10 per cent, while there was a decrease in the expenditure on services to the unemployed.

Chapter 6

Illness

The ratio of the expenditure on illness to the total social expenditure 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, the Faroe Islands, Iceland and Norway, 2003

Denmark	20.5	Austria	24.8	Italy	25.7
Faroe Islands	28.2	Belgium	28.5	Luxembourg	24.8
Finland	25.1	France	30.5	The Netherlands	31.4
Iceland	36.1	Germany	27.7	Portugal	28.8
Norway	34.5	Greece	26.5	Spain	30.7
Sweden	26.3	Ireland	41.8	United Kingdom	29.6

Note: See Table 4.1.

Paid Absence in Connection with Illness

- Everyone employed is in Principle Ensured Daily Cash Benefits or Wages in Case of Illness

The structures of the wage and daily cash benefit schemes concerning illness vary considerably from one country to another. In principle, everyone in 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 special rules apply to the unemployed.

Table 6.2 Rules governing payment of cash assistance* to employees in connection with illness as per December 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Maximum period of sickness benefit/sick pay	52 weeks ¹⁾ within 18 months	40 weeks within a year	52 weeks within two years	52 weeks within two years	52 weeks within three years	No time limit
Waiting period?	No	No	No ²⁾	Yes ³⁾	No	Yes
Length of waiting period	-	-	-	..	-	1 day
Employer period?	Yes	Yes	Yes ²⁾	Yes	Yes	Yes
Duration of employer period	2 weeks	2 days	10 working days	1 month ⁴⁾	16 days	3 weeks ⁵⁾
Wages/Salaries payable during illness?	Yes	Yes	Yes	Yes	Yes	Yes
Statutory payment of wages/salaries during illness?	Yes	No	Yes ²⁾	Yes	Yes	No
Payment of wages/salaries during illness according to agreement?	Yes	Yes	Yes	Yes	Yes	Yes

* By cash assistance, sickness benefits or wages are meant.

- 1 The benefit period may be prolonged under special circumstances. This applies, for instance, where it is deemed likely that rehabilitation may be implemented, or where an application for disability pension has been submitted for consideration. In addition, a benefit period may be prolonged by 2×26 weeks in case of serious illness or an 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.
- 3 In the public sickness insurance scheme.
- 4 In accordance with 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 waiting period of one day. This also applies to people who are not employed. The employer period is 3 weeks from 1 July 2003 to 31 December 2004.

ILLNESS

Table 6.3 Amount of sickness benefits payable to employees in connection with illness as per December 2004

	Denmark	Faroe Islands	Finland	Norway	Sweden
Amount of sickness benefit as percentage of income from work	100	100	Normally ²⁾ 70	100	77.6 ⁴⁾
Maximum income per week for full compensation ¹⁾	DKK 3 499	DKK 4 032	.	NOK 6 782	SEK 5 668
Maximum income per week for full compensation in PPP-Euro ¹⁾	355	409	.		
Min. amount per week in national currency	.	.	EUR 68.7 ³⁾	NOK 565	SEK 141
Min. amount per week in PPP-Euro	.	.	59.7	51	13
Max. amount per week	DKK 3 203	DKK 3 225	.	NOK 6 782	SEK 4 399
Max. amount per week in PPP-Euro	325	327	.	616	419
Sickness benefit taxable?	Yes	Yes	Yes	Yes	Yes
Supplement for children?	No	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 70 per cent of the income from work up to EUR 26 720 per year, after which the compensation will be gradually reduced.

3 People, who have a small or no income, may receive minimum daily cash benefits for periods of incapacity for work exceeding 55 days.

4 From 1 July 2003 to 31 December 2004.

Statutory Wages/Salaries or Employer Period at the Beginning of a 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 statutory sick pay or of sickness benefits 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 the Faroe Islands, the public authorities pay sickness benefits from the first day of illness, after which employers reimburse the State the two first days of sickness.

In accordance with the Act on Employment Contracts, employers in Finland pay wages 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 sick pay in the event of illness.

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

In Sweden, statutory sick pay is payable for 21 days. However, sick pay will not be payable on 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 will normally be payable to the employer.

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 in the collective agreements.

In the Faroe Islands, public employees and the majority of the white-collar workers in the private sector will be paid in full during their absence due to illness.

In Finland, employees in the public sector are paid in full during the first two months of illness, and then 66-75 per cent of their wages/salaries. In the private sector, full pay is payable according to collective agreements for a period of 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 various unions. From those schemes, daily cash benefits are payable after the employer period, 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 to compensate 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 wages/salaries according to collective agreements as a supplement to the sickness benefit. The sickness benefit corresponds to 77.6 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 almost 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 about 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 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 schemes. 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 3 203 per week.

For self-employed people, the sickness benefit is calculated on the basis of their income from work, and just as for wage earners, it must not exceed DKK 3 203 per week.

In the Faroe Islands, sickness benefits are payable to wage/salary earners and voluntarily insured people (self-employed people or people working from home). The income basis for employees is usually the average income from the past five weeks before the absence, however, a maximum of DKK 3 225 per week. For the self-employed, the income basis is the income from work in their businesses the past year and must at most amount to DKK 3 225 per week, as is the case for employees.

In Finland, sickness benefits shall be paid both to those in work and those who work for themselves (e.g. work in the home or study). No income-related sickness benefits shall be payable if the annual income from work amounts to less than EUR 1 027. Up to an annual income of EUR 26 720, the compensation rate is 70 per cent, after which, the compensation is gradually reduced. People with low or no incomes are granted minimum sickness benefits after a waiting period of 55 days.

As mentioned above, the public sickness benefit schemes are of little significance in Iceland. Employees working from home and students have a special right to public sickness benefits. Self-employed people have the same right as have wage earners to sickness benefits payable by the public authorities but may also take out insurance against sickness, normally for a period of six months. After such a period, payments may be made by the pension schemes.

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 four 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 29 489. This income limit does not apply to sickness benefits payable during the employer period. The maximum amount of sickness benefits is NOK 352 668 per year.

Self-employed people have the same right as have wage-earners to sickness benefits if they lose any pensionable income due to lack of working capacity, sickness or injuries. A compensation will be payable from the 17th day of sickness at 65 per cent of the sickness benefit basis. When sickness benefits have been paid for 250 days within the past three years, entitlement will cease.

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 2004 was SEK 39 300. The compensation is 77.6 per cent, but only for an earned income of maximum SEK 294 700.

Waiting Periods

The rules governing waiting periods also vary from one country to another. In Denmark and Norway, there are no waiting periods for employees if a paid employer period exists. As to self-employed people and people who work freelance, there is a waiting period of two weeks, which may, however, be reduced by a voluntary insurance. In Denmark, voluntary insurance may be taken out in order for a self-employed person to be entitled to sickness benefit from the first or the third day of absence. The insurance premium is higher for self-employed people, who wish to receive daily cash benefits from the first day of absence, than it is for self-employed people, who wish to receive daily cash benefits from the third day of absence. For self-employed people, who have taken out insurance, the daily cash benefits will amount to at least two thirds of the maximum amount of DKK 3 203 per week. Self-employed people may take out insurance (at a higher premium) that entitles them to the full maximum amount.

In the Finnish sickness insurance scheme, there is a waiting period 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 Finland, self-employed people are entitled to sickness benefits according to the same principles as apply to wage earners.

The difference is, however, that where wage-earners are entitled to the statutory wages during the waiting period of the sickness insurance scheme, self-employed people do not receive any benefits for the day on which they fall ill and the following nine working days.

Farmers, who are insured in accordance with the Act on Pension to Farmers, are entitled to sickness benefits from and including the fifth working day following the day on which they fall ill.

In the Faroe Islands, there is no waiting period.

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

In Sweden, there is a minimum of one waiting day, both in connection with sick pay and sickness benefits. There may, however, be no more than 10 waiting days in a period of 12 months. Self-employed people may choose

a waiting period of one, three or 30 days, depending on the nature of the insurance they have taken out.

Miscellaneous

In Denmark, Finland, Iceland and Norway, sickness benefits will normally be payable for a maximum of one year (52 weeks), and a period may consist of several separate sickness-benefit periods. In the Faroe Islands, sickness benefits will be payable for a maximum of 40 weeks within a 12 months period, after which social assistance may be payable on the basis of need.

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 local authorities their expenditure on sickness benefits for the first four weeks at 100 per cent, while the expenditure after the four weeks and up to and including 52 weeks will be reimbursed at 50 per cent. After 52 weeks, local authorities themselves defray the expenditure on sickness benefits in full.

In the Faroe Islands, sickness benefits are paid by the Faroese Social Administration.

In Finland, sickness benefits are payable by the Social Insurance Institution; in Iceland, public sickness benefits are payable by the Social Insurance Scheme; in Norway by the National Social Insurance Scheme and in Sweden, by the insurance funds. In Norway, an activation requirement was introduced in 2004 in order for people to be entitled to sickness benefits. The sick person must as early as possible be tested in work-related activities, either in case of part-time absence due to illness or of an active report of sickness. If an employee is reported sick for more than eight weeks, there must be decisive medical reasons hindering activity. If the reason for lack of activity is not included in the statutory exceptions, payment of sickness benefits must be stopped. Physicians who repetitively fail to comply with the new rules governing report of sickness and documentation of the lack of working capacity may risk losing their entitlement to write out medical certificates on the basis of which social benefits are granted. If an employee continues to be reported sick, the National Social Insurance Scheme may after no later than 12 weeks request a follow-up plan, which the employer must prepare in cooperation with the employee according to Working Environment Act. Where an employer fails to comply with such a request, the National Social Insurance Scheme may impose a fine on the business.

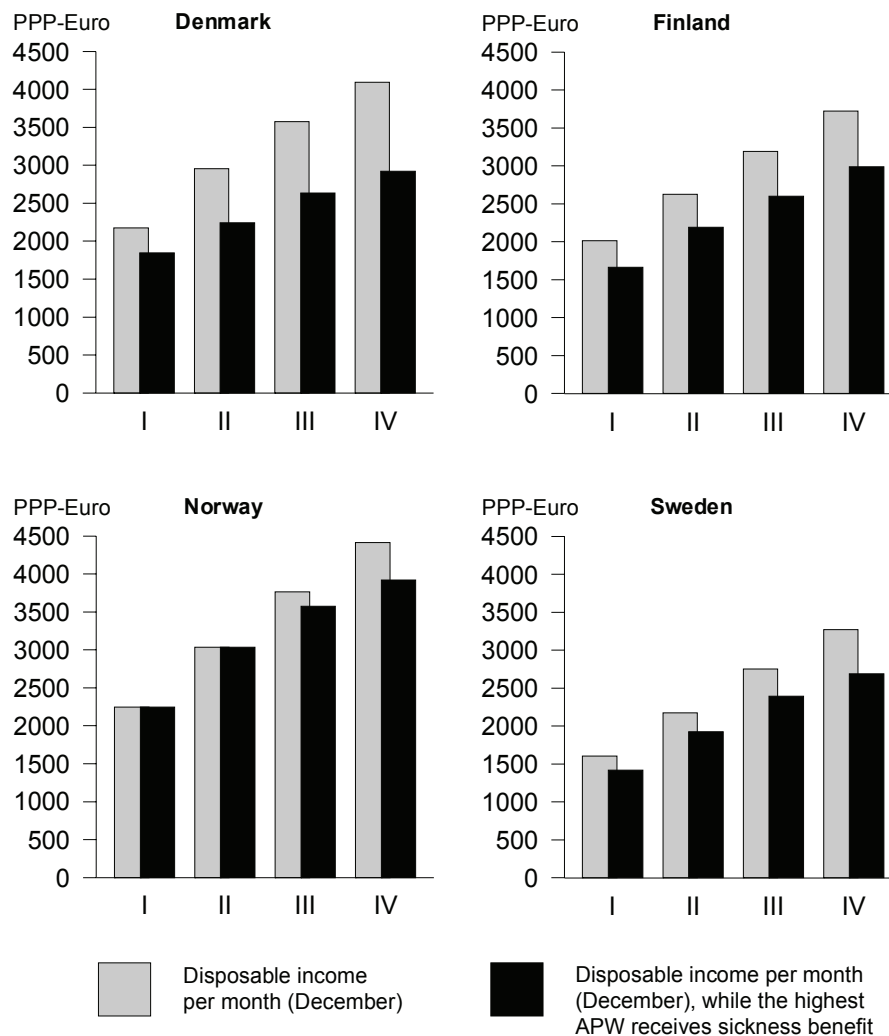
Degrees of Compensation

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.

As can be seen from the figures, the compensation levels in connection with illness differ considerably. For single childless people in the lowest income brackets, compensation is highest in Denmark and Norway and lowest in Finland, whereas it for single people in the highest income brackets is lowest in Denmark and highest in Norway. 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. There is, however, only a compensation level of 25 per cent in connection with an annual income exceeding EUR 26 720.

The higher compensation levels in Denmark and Finland for single parents with one child in relation to single childless people are mainly a result of the fact that the price of 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.

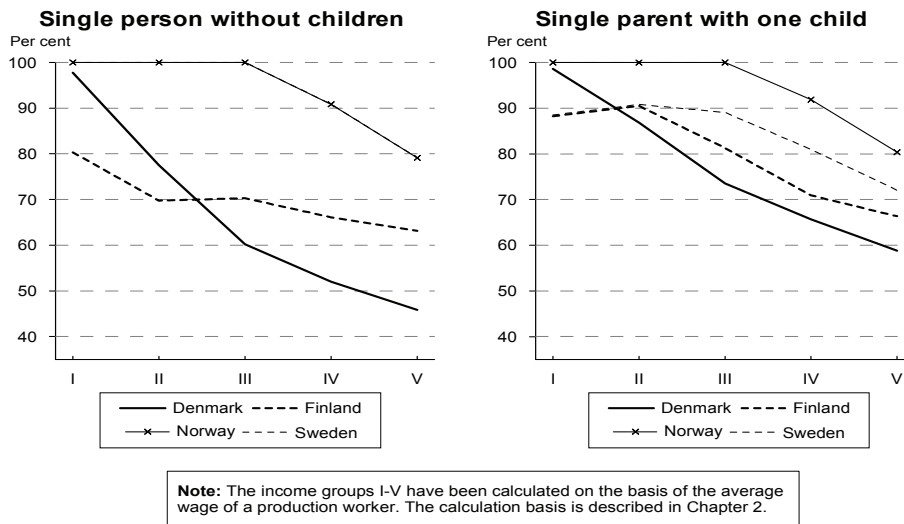
Figure 6.1 Disposable incomes for a childless couple, 2004



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 Chapter 2.

Figure 6.2 Disposable incomes while receiving sickness benefit as percentages of disposable income from work, 2004



Length of Absence Periods

The extent of the absence due to illness varies considerably from one country to another; it is least pronounced in Iceland, followed by Denmark, and most so in Norway and Sweden, where the absence in both countries has increased considerably since 1995, but with a slight decrease during recent years. In Denmark and Finland, the absence patterns were by and large unaltered. In 2004, there was a considerable decrease in the absence due to illness in Norway and Sweden. The decrease is related to the amendment of the rules and the introduction of a requirement for activity in the sickness-benefit scheme. The amendment has resulted in an increase in part-time absence due to illness.

In Table 6.5, the number of days for which sickness benefit has been paid, converted into full-time equivalents and in per cent of the labour force, has been included. The differences among the countries are substantial, with the fewest full-time equivalents of absence in relation to the workforce in the Faroe Islands, Finland and Denmark and the relatively most in Norway and

Sweden. Converted into full-time equivalents, women receive sickness benefits to the largest extent.

There are differences among the countries in how the sickness-benefit payments are calculated. In some countries, sickness benefits are payable for 5 days per week, in other countries for 6 or 7 days per week. This has been taken into consideration in the calculations. In some countries, “part-time illness” also exists, but as this is not registered in the statistics of all the countries, the calculation of full-time equivalents was made from the number of days when sickness benefits were received, regardless of whether the individual was considered ill “full-time” or “part-time”.

As furthermore only days in which sickness benefits will be payable are included, the number of days that can be included varies, as the length of the employer period (in which no sickness benefits shall be payable) varies from one country to another. Besides, the Danish, Norwegian and Swedish data also contains sick days in connection with industrial injuries, while industrial injuries and accidents in the Faroe Islands and Finland are registered in a separate system.

In Denmark part-time illness was 5.1 per cent of all current sickness-benefit cases in 2004, of which 5.7 per cent for women and 4.6 per cent for men. In Norway, 23.4 per cent of all concluded sickness-benefit payments from the National Insurance Scheme in 2004 were part-time absences. In Sweden, the absence is about 18 per cent less, calculated as net days. In the other countries, it is not possible to be absent due to illness on a part-time basis.

Table 6.4 Employees' calculated absence due to illness for at least one week as percentages of all employees, 2004¹⁾

	Denmark ²⁾	Finland	Iceland	Norway	Sweden
Men	1.2	2.2	..	2.9	2.8
Women	2.2	2.8	..	4.3	4.7
Total	1.7	2.4	..	3.6	3.7

Note: Further information see appendix 4 on www.nom-nos.dk.

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

2 15-66-year-olds.

ILLNESS

Figure 6.3 Development in the calculated absence due to illness for at least 1 week among employees in per cent of all employed, 1995-2004

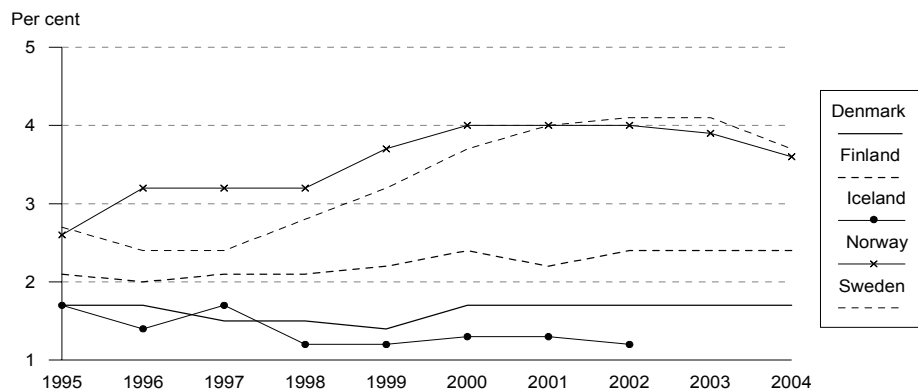


Table 6.5 Number of recipients of sickness benefits calculated as full-time equivalents, total and as percentages of the labour force broken down by sex, 2004

	Denmark	Faroe Islands	Finland	Norway	Sweden
<i>Total</i>					
Men	32 300	205	24 801	50 823	96 736
Women	41 700	137	26 723	68 673	165 629
Men and women	74 000	342	51 524	119 496	262 364
<i>Per cent of the labour force</i>					
Men	2.2	1.3	1.9	4.2	4.1
Women	3.2	1.2	2.2	6.4	7.6
Men and women	2.7	1.3	2.0	5.3	5.8

Figure 6.4 Number of recipients of sickness benefits converted into whole-year persons in per cent of labour force, 2002-04

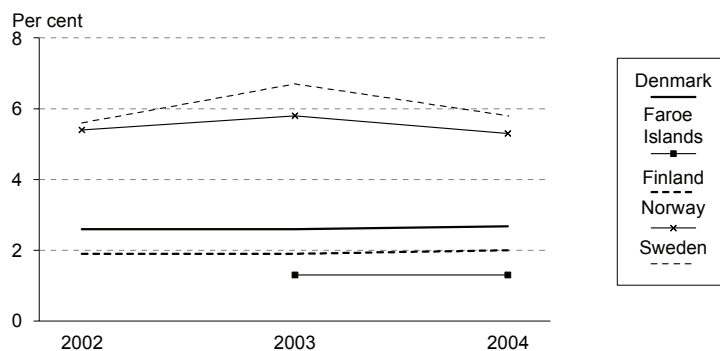


Table 6.6 Number of terminated sickness-benefit periods of at least 15 days (per cent), 2004

	Denmark	Faroe Islands	Finland	Norway ¹⁾	Sweden ²⁾
<i>Men</i>					
Duration (days)					
15-29	33.0	40.8	39.5	32.3	14.0
30-89	35.4	38.8	37.9	33.0	37.5
90-179	14.0	10.5	10.0	13.7	14.9
180-359	9.4	9.9	9.9	12.5	11.0
360+	8.1	0.0	2.7	8.5	22.7
Total	100.0	100.0	100.0	100.0	100.0
<i>Women</i>					
Duration (days)					
15-29	29.9	41.8	43.0	31.8	13.5
30-89	35.7	39.8	39.3	33.7	38.1
90-179	14.6	11.6	8.3	14.2	14.8
180-359	10.1	6.8	8.0	12.4	10.2
360+	9.8	0.0	1.5	7.8	23.4
Total	100.0	100.0	100.0	100.0	100.0
<i>Men and women</i>					
Duration (days)					
15-29	31.3	41.3	41.5	31.4	13.7
30-89	35.6	39.3	38.7	34.2	37.9
90-179	14.3	10.9	9.0	14.6	14.8
180-359	9.8	8.6	8.8	12.4	10.5
360+	9.0	0.0	2.0	7.4	23.1
Total	100.0	100.0	100.0	100.0	100.0

1 The figures for Norway include the sickness benefit periods for all groups of sickness-benefit recipients. For employees, only periods of at least 17 days have been registered. For other groups, all sickness-benefit periods have been included. These were mainly payable from and including the 15th day of illness.

2 The differences in the distribution in relation to 2002 are due to the introduction of a third waiting week on 1 July 2003. Consequently, there are less people with short sickness periods.

There are certain differences as regards the patterns of long-term absence due to illness (for more than two weeks) in the various countries. This reflects inter alia 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 disability 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 7.4 per cent in Norway of over 360 days also cover people who are ill for more than one year (365 days). They are not entitled to sickness benefits for more than one year, but will qualify for a rehabilitation benefit.

Men and women's absence due to illness shows a rather unequal 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 range somewhat higher than do men as to periods of absence of more than 180 days. The large number of people with an absence period exceeding one year in Sweden is due to the reform of the disability-pension scheme, where many cases were closed, and many of the people concerned were thus transferred to other benefits than sickness benefits, or got well.

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

In all 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 the affected person's normal wages.

Services

Common to the Nordic countries is 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 and Sweden, local and/or county authorities are responsible for the organization of the health sectors, while it in Iceland is Central Government and in the Faroe Islands the Government. In Norway, Central Government is responsible for the specialized health sector (first

and foremost the hospitals) whereas local authorities are responsible for the primary health sector. In the present system within the primary health sector, everyone is attached to a specific general practitioner, as is the case in Denmark and the Faroe Islands.

Occupational health services have been established in Denmark, Norway and Sweden. The purpose of these services is to initiate preventive measures and exercise health control within the framework of the individual work places. In Finland, there is also a statutory occupational health service, which is responsible for preventive measures. This service may be supplemented by voluntary schemes, which may be preventive measures or general treatment of illness, subsidized by the sickness insurance scheme. For the statistical data on this area, please see the NOMESCO publication *Health Statistics in the Nordic Countries*, which can be downloaded from www.nom-nos.dk.

Hospitals

- The Hospital Sector is Principally a Public Matter

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. There is, however, a general tendency towards the length of hospitalization becoming still shorter and towards more and more patients being treated at the outpatient clinics.

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

Medical Treatment, Etc.

- Preventive and General Medical Treatment Takes 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 the Faroe Islands, all practitioners are public employees, but are paid a basic amount and according to services.

In Norway, about 90 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 in sparsely populated areas 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 services. Most children are immunized according to the recommended immunization programme. Screening programmes, to detect e.g. breast cancer, etc., exist to a certain degree in all the countries. In Finland and Iceland, the health centres perform these tasks.

In all five countries, transport expenses are subsidized in connection with illness.

Dental Treatment

- Children and Youths Entitled to Dental Treatment Free of Charge

Dental treatment is a well-developed service in all the Nordic countries. With the exception of Iceland, treatment of children and youths is performed at public clinics, where the treatment is completely or partly free of charge. In most of the countries, there are also special rebate schemes for the older part of the population. As to the remaining part of the population, citizens pay for the majority of the treatment themselves. Dental treatment of adults is mainly handled by private dentists. In Finland, the population is entitled to dental treatment, and people may choose between municipal and private dental treatment. The sickness insurance fund reimburses the expenditure on private treatment. The amount that the patients have to pay themselves for municipal dental treatment is smaller than that payable for private treatment.

In Sweden and Norway, the counties organise the public dental care services.

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 the Faroe Islands and Finland spend the least and Norway the most.

In respect of expenditure on paid absence due to illness, Norway spends considerably more than the other Nordic countries, measured in PPP per capita. This is mainly due to the amount of the sickness benefits (cf. Table 6.3), but the low unemployment rate in Norway also affects the absence due to illness.

As regards the expenditure on services (medical treatment), measured as PPP per capita, it 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 differing ways in the various countries.

Changes in the Social Expenditure on Illness from 2003 to 2004

In Denmark, the expenditure on sickness benefits defrayed by the local authorities increased from 2003 to 2004. The maximum rate of the daily cash benefit was adjusted by 2.9 per cent, whereas consumer prices increased by only 1.2 per cent. Besides, there was a slight increase in the average duration of the sickness-benefit periods, while the number of sickness-benefit recipients decreased slightly. This decrease should be seen in connection with the fact that small employers, who have taken out voluntary insurance, as from 2004 can only have their expenditure on sickness benefits covered by the local authorities after the first day of illness. The expenditure on services in the health sector increased by almost 4 per cent from 2003 to 2004. In particular, the expenditure on the hospital sector increased.

In the Faroe Islands, the expenditure in connection with illness increased by 6.4 per cent. The increase was mainly due to increased expenditure on the Faroese hospital sector increasing by some 10 per cent, whereas the expenditure on specialized treatment of illness abroad declined by some 3 per cent.

In Finland, the expenditure on illness increased by 6.3 per cent at constant prices. Payments of sickness benefits increased by 5.1 per cent. The expenditure on general medical treatment increased by 5.3 per cent, and the expenditure on specialized treatment increased by 7 per cent. Especially the hospitals aimed to reduce the waiting time for operations, and the number of operations increased. The expenditure on medicines increased by 7 per cent at constant prices.

In Iceland, the social expenditure on illness increased by 1.7 per cent at constant prices broken down by 3.1 per cent on cash benefits and 1.3 per cent on services. The increase in the cash benefits was due to the wage increases that result in higher expenditure on daily cash benefits in the employer period.

The rather moderate increase in the expenditure on services was due to a cost squeeze in the hospital sector.

In Norway, the expenditure in connection with illness decreased by 0.4 per cent at constant prices, which was mainly due to a decline in the absence due to illness. Sickness benefits payable by the National Social Security Scheme were in 2004 13 days per employee as against 14 in 2003. An increasing use of part-time illness reports and a decrease in the average length of the individual sickness period also contributed to reducing the costs.

In Sweden, the expenditure on illness decreased by 0.5 per cent at constant prices. This decrease was based on two contrary tendencies in parts of the cost area. One tendency was a reduction of nearly 10 per cent in the expenditure on sickness benefits, while the other was a continued increase in the expenditure on health-care services of about 3 per cent. As the cash benefits make up a considerable part of the health-care expenditure, the net result will be a decrease.

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Table 6.7 Expenditure on and financing of cash benefits and services in connection with illness, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
<i>Cash benefits, millions</i>						
A. Paid sick leave	14 009	66	1 888	14 149	50 492	54 544
Of which:						
a. General sickness benefit	10 998	52	670	1 016	26 808	39 615
b. Daily cash benefits in employer period	3 011	4	1 063	12 880	23 684	13 700
c. Special insurance in the event of industrial injury or occupational disease	-	10	127	253	-	1 229
B. Other	426	-	-	-	-	74
Cash benefits, total	14 436	66	1 888	14 149	50 890	54 618
<i>Services, millions</i>						
Services, total	75 566	662	8 117	57 909	95 763	152 497
Total expenditure, millions	90 001	728	10 005	72 059	146 653	207 115
Expenditure as percentage of the GDP	6.5	7.4	6.9	9.0	8.7	8.5
<i>Financed by (per cent)</i>						
- Public authorities	91.9	98.8	70.2	79.9	63.3	67.1
- Employers	3.5	1.1	22.1	20.0	28.1	32.3
- The insured (contributions and special taxes)	4.6	0.1	7.7	0.0	8.6	0.6
<i>Changes 2003-2004 in terms of 2004 prices</i>						
- Millions	2 871	44	589	1 196	-621	-1,108
- Per cent	3.3	6.4	6.3	1.7	-0.4	-0,5

Table 6.8 Expenditure on cash benefits and services in connection with illness, in PPP 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Cash benefits, total per capita	272	139	314	453	1 013	581
Cash benefits per person aged 16-64 years	417	227	478	711	1 588	916
Services, total per capita	1 425	1 402	1 349	1 854	1 906	1 623
Illness, total per capita	1 697	1 541	1 663	2 306	2 919	2 205

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 free from paying. In Denmark, such rules apply only to medicine.

Maximum User Charges

In Denmark, a new subsidy system based on need was introduced on 1 March 2000, where the subsidy granted depends on an individual's consumption of subsidized medicine. In 2004, subsidies to a consumption of medicine of less than DKK 520 per year shall not be granted, after which the subsidy will gradually be increased to 85 per cent of expenses exceeding DKK 2 950 per year. User charges must not exceed DKK 3 805 per year.

In the Faroe Islands, subsidies may be granted towards medicine to people with disabilities or permanent illnesses or weaknesses due to old age. No subsidy is payable to an expenditure of less than DKK 400 per quarter. After that the subsidy will amount to 100 per cent of the expenditure. As to pensioners, user charges payable will be DKK 200, 400 or 600 per quarter, depending on income.

In Finland, there is a so-called expenditure ceiling of EUR 590 in the municipal social and health sector. When the ceiling has been reached, treatment is free of charge. The ceiling applies to medical treatment in the primary health sector at the health clinics, physiotherapy, on-going treatment, visits to out-patient clinics, day surgery and short-term stays at institutions within the social and health-care sector. Transport expenses in connection with treatment will be reimbursed in full, if they exceed EUR 157 per year.

In Iceland, the maximum user charge payable for out-patient treatment at hospitals in the primary health-care sector and at specialists' is ISK 18 000 per year for people in the age group 18-66 years and ISK 6 000 for children under 18 years. For pensioners between 67 and 69 years who receive full basic pension, and for pensioners who are 70 years old or more and recipients of disability pension and people who have been unemployed for more than six months, the maximum user charge payable is ISK 4 500. When a patient reaches 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 and travel expenses in connection with examination and

treatment as well as medicine was NOK 1 550 in 2004. Other expenses are covered by the State. The Social Security Scheme financed about 60 per cent of the total expenditure on pharmaceutical products in 2004.

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 free from paying user charges if the purchase of pharmaceutical products for them in total exceeds the maximum amount fixed for user charges. As to the municipal care schemes, there are no government rules concerning maximum user charges.

Medical Treatment, etc.

In Denmark, medical treatment and home nursing are free of charge. A small group of people, who is at liberty to choose doctors freely, must pay a minor amount for medical treatment. In the other Nordic countries, patients pay an amount for treatment themselves.

In the Faroe Islands, medical treatment and home nursing are free of charge.

In Finland, the amount will not exceed EUR 22 per year or EUR 11 per visit for the first three treatments in an outpatient clinic in the primary health sector. For temporary home nursing, EUR 11 is payable per visit by a doctor, and EUR 7 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. As a rule, children and pensioners pay only one third of the normal user charges. For a visit to a specialist, user charges normally vary from ISK 3 227 to ISK 18 000, and for children and pensioners from ISK 1 315 to ISK 18 000. For visits to the primary health-care sector, ISK 600 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 visits to an emergency medical service during the day, user charges are NOK 125, whereas charges are NOK 245 for treatment by a specialist. For treatment outside of the daytime hours by the medical emergency service, user payment is NOK 210. No user charge is payable for home nursing.

In Sweden, user charges vary from one county to another from SEK 0 to SEK 250. For medical treatment and for visits to a physiotherapist, psychologist, chiropractor, etc., user charges are between SEK 50 and SEK 250. As a rule, user charges are highest in connection with visits to a spe-

cialist (from SEK 150 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 2004 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 the Faroe Islands, patients' payments amounted to about 55 per cent of the total expenditure exclusive of dental care for children and adolescents, which is free of charge.

In Finland, adults' payment of user charges for municipal dental treatment made up 23 per cent of the expenditure. Treatment of children under 18 years is free of charge. The sickness insurance fund reimburses part of the costs for dental treatment in the private sector. On average, patients' user charges totalled 64 per cent of the expenditure.

In Iceland, people over 67 years and disabled people are reimbursed between 50 and 100 per cent of the expenses, depending on their incomes. Children under the age of 18 are reimbursed between 60 and 65 per cent of the expenses.

In Norway, adults usually pay the full amount for dental treatment. Young people under the age of 18 and certain other groups, such as the elderly, the long-term ill and the disabled, will be treated free of charge.

In Sweden, everyone aged 20 or more will receive a subsidy from the dental insurance scheme. In 2004, this subsidy amounted to 15 per cent of the total costs. Elderly and disabled people, who are covered by the local authorities' treatment schemes, pay the same as for any other outpatient treatment. This cost will amount to no more than SEK 900 per year for medical and dental treatment, after which all other treatment will be free of charge.

Medicine

In Denmark, patients' share of the costs for medicine, including over-the-counter products, amounted to about 40 per cent. The National Health Insurance Service (the counties) financed about 56 per cent, and the local authorities financed the remaining 4 per cent of the expenses.

In Finland, user charges amounted on average to about 58 per cent of the expenses for medicine with basic reimbursement. For specially subsidized

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medicine, patients pay 30 per cent or 3 per cent depending on the seriousness of the illness.

In Iceland, patients pay a certain amount for prescribed medicine up to a maximum amount. The calculated user charges for this was 35.2 per cent in 2004, but pharmacies may give a number of discounts, for which reason the actual user charges cannot be calculated.

In Norway, user charges for reimbursed medication were in 2004 36 per cent of the subscription amount up to a maximum of NOK 450 per prescription. Patients' actual user payment for pharmaceuticals (including pharmaceuticals that are not reimbursable) was about 30 per cent in 2004.

In Sweden, user charges for subsidized medicine amounted to 24 per cent of the total expenses for pharmaceuticals.

Hospitalization

In Denmark, the Faroe Islands, Iceland and Norway, hospitalization is free of charge. In Finland, a maximum of EUR 26 per day is payable for short-term hospitalization and EUR 72 for day surgery. Besides, EUR 15 are payable for each medical visit to the primary sector and for out-patient treatment. 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

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 part 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, the Faroe Islands, Iceland and Norway, 2003

Denmark	50.7	Austria	56.8	Italy	68.1
Faroe Islands	49.2	Belgium	53.9	Luxembourg	50.6
Finland	52.9	France	48.1	The Netherlands	51.3
Iceland	44.8	Germany	50.7	Portugal	57.6
Norway	47.4	Greece	55.9	Spain	51.2
Sweden	54.3	Ireland	28.2	United Kingdom	54.3

Note: See Table 4.1.

The Structure of this Chapter

While the other chapters have followed the chapter structure of ESSPROS, the descriptions of the elderly, 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 partly been possible to separate home nursing from the rest.

The structure of this chapter is as follows: first, a description is given of 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, the disabled and survivors, respectively. 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

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 in the age group 50-66 years in 2004, and Figures 7.2 and 7.3 show the development in the employment rate for 60- and 64-year-old men and women, respectively, for the period 1990-2004.

As it appears from Figure 7.1, men have a higher employment rate in general than have 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 from one country to another. Both in respect of men and women, the highest employment rate is found in Iceland, and the lowest in Finland. These differences are mainly to be found in different occupational structures, with the resulting different damages to the health of 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 so in Iceland, where there are no other public retirement schemes than health-related disability 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.

There are distinct differences amongst 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.

The development during that same period also differs from one country to another. While there was a decline in the employment rate for men in Denmark, Finland and Sweden until the middle of the 1990s, the rate has risen again. 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 employment as percentages of the population, broken down by age and sex, 2004

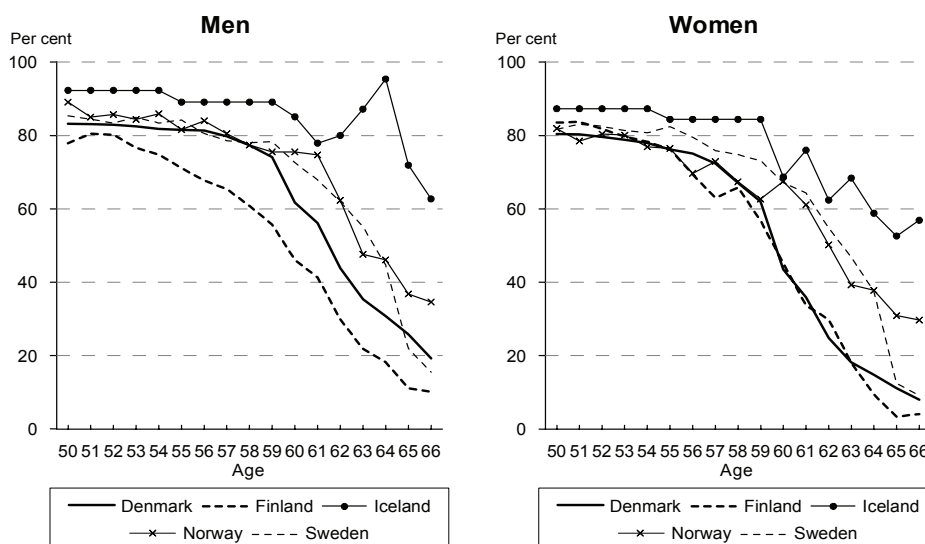
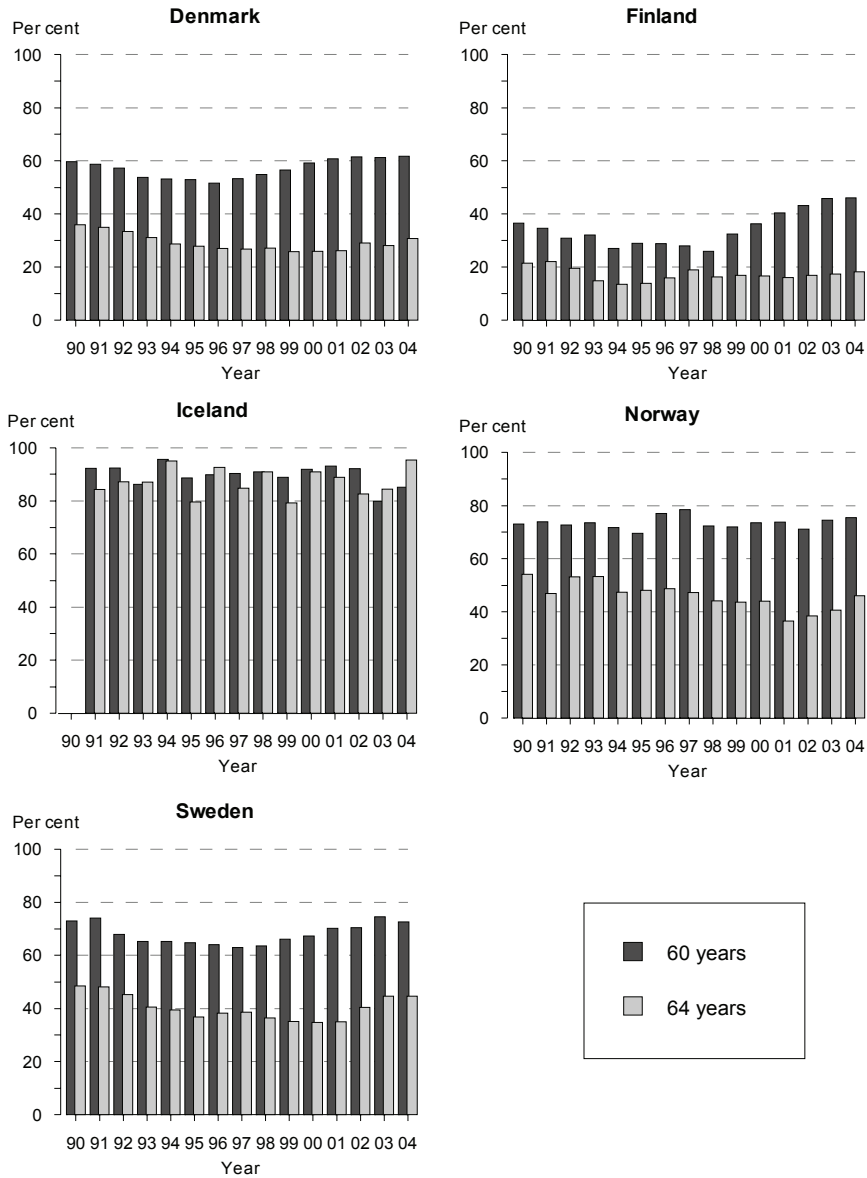
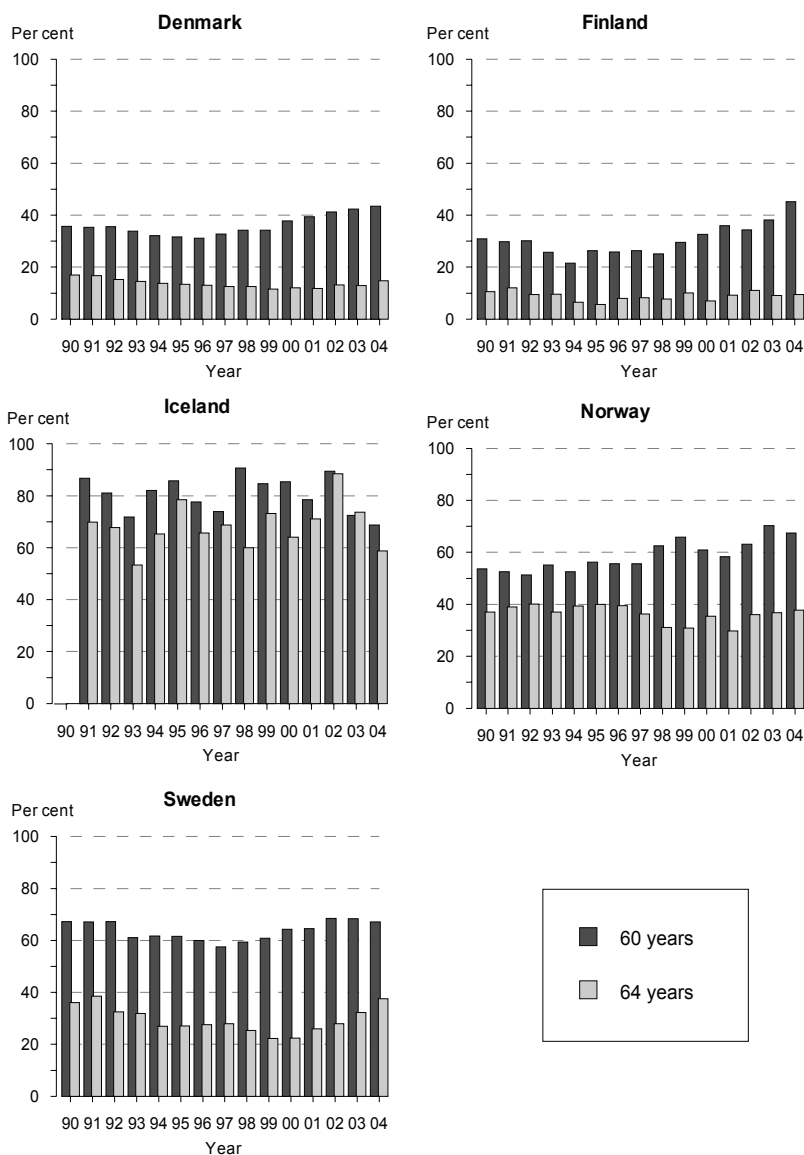


Figure 7.2 Men of the ages 60 and 64 years in employment. Per cent, 1990-2004



Note concerning Denmark: Calculation method changed as from 2002.

Figure 7.3 Women of the ages 60 and 64 years in employment. Per cent, 1990-2004



Note concerning Denmark: Calculation method changed as from 2002.

Pensioners' Incomes

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 (income from work + capital income) plus social cash benefits less tax.

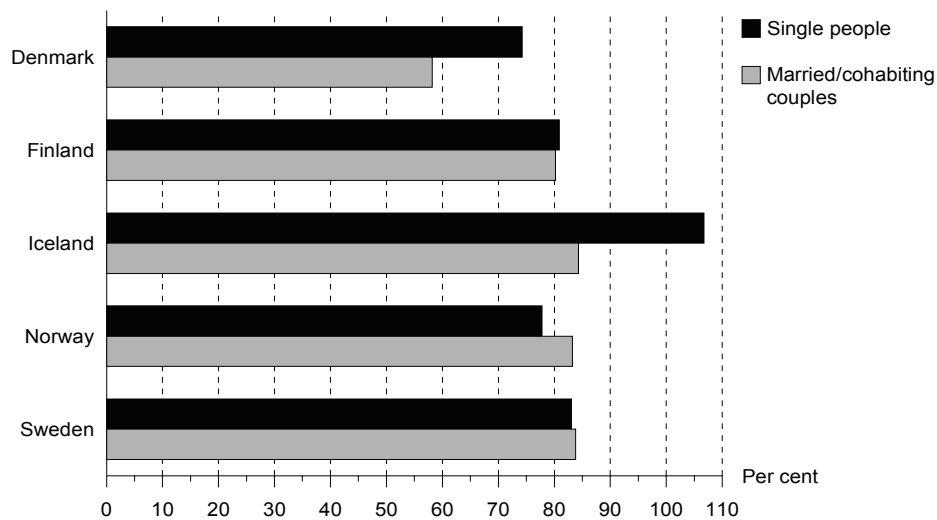
A different family definition is used in Iceland, where children under the age of 17 living at home count as independent families in the statistics, which is not the case in the other four countries, and consequently the result in Figure 7.4 will be different.

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 over 67 years do, however, have a slightly higher income. This should be seen in relation to the fact that a different family definition. Besides, the actual pensionable age is very high in Iceland.

In Denmark and Iceland, single people over 65/67 years have a relatively higher disposable income than have 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.

As to couples, the difference is most significant in Denmark and least so in Finland. This is due to the employment pension being relatively small in Denmark. Income from supplementary pension schemes, included in Figure 7.4 (but not in Figure 7.6), 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 considerable 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, 2003



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 retirement pension: the so-called special retirement pensions.

The various pension types are in this publication divided as follows: Pensions, where health criteria are predominant, are described under disability pension. As from 2003, the disability pension was replaced by an activity or sickness allowance. These have been included here instead of the previous disability pensions. The allowance may be granted from the age of 19 years and is reduced in relation to the previous disability pension. The rules governing the award of disability pension have furthermore become more restrictive.

The special retirement pensions cover many different types of pensions, which ease the transition from work to retirement. In respect of the Danish

disability pensions (anticipatory pensions), it applies that the ordinary and the increased ordinary disability pensions, according to the rules applying until 1 January 2003, are regarded as special retirement pensions. As to the Faroese disability pensions, it applies that the intermediate and the highest amounts of disability pensions are regarded as disability pensions, whereas the lowest disability pension is regarded as special retirement 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. Surviving spouses may in the Faroe Islands be awarded intermediate or lowest disability pension. In all the countries, a pension is payable to children, in Denmark and in the Faroe Islands by way of a special child allowance, however.

Pension Structures and Income-Adjustment

A common feature in the pension systems of the Nordic countries is 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 laid down 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.

No clear distinctions can be made between the three pension systems, especially not between the employment pensions and the supplementary pensions.

The Nordic statistics consequently differ somewhat from the European statistics, where the basic and the employment pensions are described together as the first pillar in the pension system and the supplementary pensions as the second pillar, while the private pensions, which are not included in this report, are described as the third pillar in the pension system.

In this report, the basic pensions in Denmark, the Faroe Islands and Iceland and the guaranteed minimum pension in Finland, Norway and Sweden are described together. Similarly, the supplementary pensions and employment pensions are described together.

In Denmark and Iceland, the statutory basic pension may be discontinued, if a recipient has any other income exceeding a certain level, in Denmark, however, only by way of income from work in respect of retirement pensioners.

In the Faroe Islands, the statutory basic pension may be discontinued for disability pensioners as a result of other incomes, while everyone over the age of 67 is guaranteed the statutory basic pension irrespective of any other income. Individuals, who stay in nursing home, receive a special reduced pension towards payment for special needs, however.

In Finland and Sweden, reforms have been made to the effect that the basic and employment pensions form a whole.

The Finnish reform has been implemented, where the Swedish one is still in the making.

Instead of differentiating between basic pension and employment pension everyone is guaranteed a minimum pension, irrespective of their affiliation to the labour market. People who have accumulated sufficient employment pension through work will not be awarded the guaranteed minimum pension. Although this basic principle is the same in the Finnish and in the Swedish systems, the pension schemes are structured in very different ways.

In Finland, the employment pension is the most important part of the pension system as 80 per cent of the pension expenditure stem from the employment pensions.

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, the Faroe Islands, Iceland and Norway; whereas the supplementary pension schemes continue to apply in all the Nordic countries.

The supplementary pension schemes play a rather insignificant part in Finland, however.

OLD AGE, DISABILITY AND SURVIVORS

Table 7.2 Pension recipients by type of pension, 2004¹⁾

	Denmark	Faroe Islands ²⁾	Finland	Iceland ³⁾	Norway ³⁾	Sweden
<i>Recipients of:</i>						
Basic pension/ guaranteed minimum pension	Everyone resident in the country for at least 3 years	Everyone resident in the country for at least 3 years.	Everyone resident in the country for at least 3 years	Everyone resident in the country for at least 3 years	Everyone resident in the country for at least 3 years	Everyone resident in the country for at least 3 years
Length of residence to obtain full basic pension	40 years	40 years	40 years	40 years	40 years	40 years
Employment pension	Employees	.	Employees and self-employed people	Employees and self-employed people	Employees and self-employed people	Employees and self-employed people
Supplementary pensions	Statutory for public-sector employees (civil servants)	Statutory for public-sector employees (civil servants)	-	-	Statutory for public-sector employees (civil servants)	-
	Public collective agreements	Public collective agreements	-	-	Public collective agreements	Public collective agreements
	Private collective agreements	Private collective agreements	-	-	-	Private collective 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 in order to become 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 account in the calculation of compliance with the residence requirement. The rules governing employment pension in Denmark apply only to retirement pensioners.

2 In the Faroe Islands, the employment pension scheme is financed and administered by the labour-market parties, but this part of the pension is solidary, and everyone over the age of 67 is paid the same amount. In principle, it has the same effect as the basic amount of the retirement pension, and so it is in this report regarded as a basic pension and is called special basic pension.

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

Table 7.3 Supplements to the basic pension/guaranteed minimum pension, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>Child supplement</i>	No/Yes ¹⁾	Yes	Yes	Yes	Yes	No ⁷⁾
- Income-tested?	No/Yes ²⁾	No	No	No	Yes	-
- Taxable?	No	No	Yes	No	Yes	-
<i>Supplements to people receiving only the basic pension/guaranteed minimum pension</i>	Yes/No ³⁾	Yes	. ⁵⁾	Yes	Yes	No
- Income-tested?	Yes	Yes	. ⁵⁾	Yes	Yes	Yes
- Taxable?	Yes	Yes	. ⁵⁾	Yes	Yes	Yes
<i>Housing benefit</i>	Yes ⁴⁾	No	Yes	No ⁶⁾	Yes	Yes
- Income-tested?	Yes	-	Yes	Yes	Yes	Yes
- Taxable?	No	-	No	Yes	No	No
<i>Spouse supplement where only one spouse receives pension</i>	No	No	No	No	Yes	No
- Income-tested?	-	-	-	-	Yes	-
- Taxable?	-	-	-	-	Yes	-
<i>Wife/spouse supplement</i>	No	No	No	No	No	No ⁷⁾

* Besides, there is a relieve and nursing supplement to the disabled in all the countries, which is neither taxable nor income-adjusted, with the exception of Iceland, where the supplement is both income-adjusted and taxable.

- 1 Parents, who are retirement pensioners, or who have been awarded disability pension before 1 January 2003, are entitled to ordinary and special child allowances. According to the new rules from 2003, disability pensioners are only entitled to child allowance, if they are single providers (similar to all other citizens).
- 2 The ordinary child allowance is not income-adjusted as is the special child allowance.
- 3 Retirement pensioners and people who have been awarded disability pension before 1 January 2003 may be awarded a pension supplement in addition to the basic pension. Disability pension consists according to the new rules from 2003 of one total amount, which will be income-adjusted and is subject to tax.
- 4 Retirement pensioners and people who have been awarded disability pension according to the rules in force before 1 January 2003 may be awarded housing benefits depending on their income, the size of their accommodation and the rent. The benefit is not part of the pension. Disability pensioners do not qualify according to the new rules from 2003 for housing benefits, but for rent subsidies. Rent subsidy is less favourable than housing benefits.
- 5 The retirement 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.
- 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 interim provisions.

In Denmark, the employment pension depends solely on the length of the contribution period and the extent of the employment, whereas it in the other countries depends on the pension creditable period and the amount of income from work.

The statutory retirement pension in Finland depends on the amount of the employment pension and the supplementary pensions. The basic pension will not be payable if the employment pension exceeds EUR 1 017 per month.

Income-substituting benefits, other than pensions, entitle recipients to pensions in some countries in relation to the supplementary/employment pensions, and in other countries only in certain cases.

In Denmark, the basic amount of the statutory retirement pension is income-adjusted/income-tested on the basis of a recipient's own income.

Retirement pensioners and disability pensioners, who were awarded disability pension before 1 January 2003, may be awarded a pension supplement and personal supplements, which will both be income-adjusted in relation to the household income. The supplementary pension to retirement pensioners will also be income-adjusted in relation to the household income. The total basic amount, which is awarded to disability pensioners, will be income-adjusted in relation to a household's income, however with the limitation that the income of a spouse or partner only contributes to a reduction of the pension until a certain level. The special child allowance and housing benefit to pensioners will be income adjusted, also according to a household's income. The various supplements awarded to the disabled will not be income-adjusted.

In the Faroe Islands, there is no income-adjustment of the basic amount of the retirement pension, while the basic amount of the disability pension will be income-adjusted in relation to any personal income. This also applies to pension supplements and the special supplement to retirement pensioners. Other personal supplements will not be income-adjusted. The basic pension will for all pensioners be fixed according to marital status.

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 1 017 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 a pensioner's and any spouse's accommodation is, however, not taken into account, if they are owner-occupiers.

There are no income-tested 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 2004, there were 103 604 recipients of the front supplement.

In Iceland, the basic amount payable to retirement and disability pensioners is adjusted both in relation to their own income from work and to half of their household's income from capital. 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 income. As from 2001, only 60 per cent of a disability pensioner's own income shall be included in the adjustment. The aim is to have more disability pensioners participate in the working life. The pension supplement will be stopped completely, if an income exceeds a certain level.

In Norway, retirement pension is income-tested in relation to income from work for pensioners aged 67-70 years. Income testing ceases when a pensioner reaches the age of 70. The early retirement pension will also be income-tested in relation to income from work over a certain level. For all pensioners, the basic pension will be fixed according to marital status and the income from work and 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-tested. In accordance with the new legislation from 2003, the housing supplement will be payable to those living in Sweden, who receive a benefit by way of full retirement pension, activity or sickness allowances, widower's pension, special survivor's pension or wife supplement. Even those, who have a pension or a disability allowance from another EU state, may be awarded housing benefits.

Taxation of Pensions

In Denmark and Sweden, pensioners are taxed according to the same rules as apply 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, the Faroe Islands and Iceland, but subject to tax in Finland and Norway.

Number of Pension Recipients

The figures in Table 7.4 do not include child pensioners, widow/widower pensioners or partial retirement pensioners. In respect of Denmark, the total number of pensioners includes recipients of voluntary early retirement benefit (178 447 people) aged 60-66 years, as well as recipients of transition benefit (5 276 people) aged 57-59 years. As the widow's pension is abolished in Denmark and the Faroe Islands, the number of pension recipients in Denmark and the Faroe Islands is overestimated in relation to the other Nordic countries.

One reason for the high rates of pension in Finland to 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 retirement 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, 36 438 people in 2004 aged 58-64 years who received partial retirement pension. Were they to be included in the calculations, 72.9 per cent of the 60-64 year-olds and 24.5 per cent of the 55-59 year-olds would be pensioners.

In Sweden, there were 190 persons aged 61-64 years in 2004, who received partial retirement pensions. Individuals receiving sickness and activity benefits are included in the total number of pension recipients.

The age and sex compositions of the pension recipients differ somewhat from country to country. Especially as regards the 60-64 year-olds, there are significantly more both men and women who are pensioned off in Denmark and Finland than is the case in Norway and Sweden.

OLD AGE, DISABILITY AND SURVIVORS

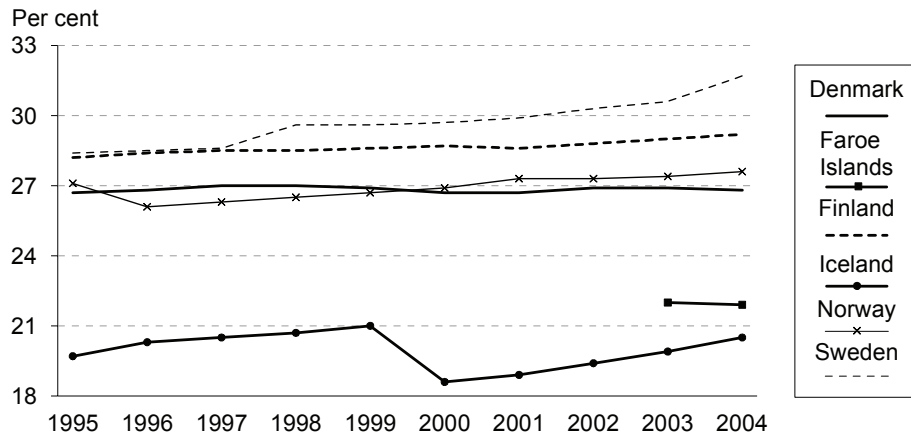
Table 7.4 Pension recipients by age and as percentages of the age group as at December 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
<i>Men</i>						
16-39 years	1.8	1.4	2.0	3.1	2.3	2.3
40-49 "	5.6	3.2	5.9	6.2	6.9	6.5
50-54 "	8.9	5.7	12.5	7.5	11.7	11.0
55-59 "	11.7	9.2	21.7	9.3	18.2	15.9
60-64 "	50.2	15.6	64.1	13.6	38.9	33.8
65-66 "	79.3	22.7	104.6	45.3	66.2	98.8
67+ "	102.7	102.4	104.6	99.4	104.1	105.9
Total	23.6	18.3	26.1	17.7	23.8	27.3
<i>Women</i>						
16-39 years	1.5	1.8	1.5	4.7	2.6	3.2
40-49 "	6.3	5.8	4.8	9.4	10.0	11.2
50-54 "	11.2	10.9	10.1	12.0	18.1	19.3
55-59 "	16.8	16.0	19.0	15.4	27.5	28.1
60-64 "	66.6	28.3	67.7	23.4	46.5	48.9
65-66 "	86.5	36.7	105.1	55.7	66.1	97.9
67+ "	101.6	102.6	103.7	100.7	103.3	103.8
Total	29.9	25.9	32.0	23.3	31.2	36.0
<i>Men and women</i>						
16-39 years	1.6	1.5	1.8	3.9	2.4	2.7
40-49 "	5.9	4.4	5.4	7.8	8.4	8.8
50-54 "	10.1	8.2	11.3	9.7	14.8	15.1
55-59 "	14.2	12.3	20.4	12.3	22.8	22.0
60-64 "	58.4	21.6	65.9	18.6	42.7	41.3
65-66 "	83.0	29.4	104.9	50.4	66.1	98.3
67+ "	102.1	102.5	104.0	100.1	103.6	104.7
Total	26.8	21.9	29.2	20.5	27.6	31.7

Note: Further information see appendix 4 on www.nom-nos.dk.

Remarks: As it is possible in all the countries to live outside the country in question and receive pension at the same time, the number of recipients may exceed 100 per cent.

Figure 7.5 Pension recipients by age and as percentages of the age group 16+, 1995-2004



Old Age

Pensions to the Elderly

- Various Forms of Transition to Retirement

The qualifying age for basic pension/guaranteed minimum pension is 65 years in Finland and Sweden and 67 years in Denmark, the Faroe Islands, Norway and Iceland. In Denmark, the statutory pensionable age has been lowered from 67 to 65 years. The lowering of the qualifying age will be introduced gradually from 1 July 2004 to 1 July 2006. For individuals born before 1 July 1939 the pensionable age will remain 67 years, while it is 65 years for individuals born after 1 July 1939.

In Denmark, Finland, Norway and in the old Swedish system, the qualifying age for employment pension is the same as for basic pension, whereas 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. As from 2005, the retirement age is optional between the ages of 63 and 68 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 the countries, retirement pension is payable both by way of a basic and a guaranteed minimum pension and of an employment pension, with the exception of the Faroe Islands.

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

In the Faroe Islands, there is no adjustment of the basic amount of the retirement pension, whereas all pension supplements and personal supplements will be augmented by 4 per cent per year. Besides, the special basic pension will be adjusted once a year.

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

In Denmark, it has since 1 July 2004 been possible to postpone the time of pensioning for up to 10 years and thus accumulate a life-long supplement to the retirement pension. In order to get the supplement, one must work for at least 1 500 hours a year corresponding to 29 hours per week during the period, in which the pensioning is postponed.

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. In Norway, people between the ages of 67 and 70 will have their retirement pension means-tested against any income from work, and it is still possible to accumulate further pension points. In Sweden, the annual pension amount will increase, the longer one waits to claim the pension.

Basic Pension/Guaranteed Minimum Pension to the Elderly

In Denmark, the Faroe Islands, Iceland and Norway, the basic pension consists of a basic amount and a supplement.

In Denmark, the basic amount to all pension recipients is adjusted in relation 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 besides the basic pension.

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Table 7.5 Income for single people and couples, who have never had any income from work, at the time of pensioning, 2004

	Denmark	Faroe Islands	Finland	Iceland ²⁾	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
<i>Single people</i>						
- Basic amount	4 648	4 169	496	21 249	4 898	4 648
- Supplement	5 104 ¹⁾	3 656	-	82 984	3 886	4 679
- Housing benefit	1 532	-	227	-	-	1 532
- Total before tax	11 284	7 825	773	104 233	8 784	10 859
- After tax	8 691	7 459	-	91 135	8 784	8 266
- After tax in PPP-Euro	883	757	672	843	798	788
<i>Married couples (both pensioners)</i>						
- Basic amount	9 296	6 626	873	42 498	8 082	9 296
- Supplement	5 218 ¹⁾	5 750	-	121 131	7 772	4 368
- Housing benefit	1 812	-	311	-	-	1 812
- Total before tax	16 326	12 376	1 184	163 629	15 854	15 476
- After tax	13 076	11 942	1 184	154 694	15 854	12 226
- After tax in PPP-Euro	1 328	1 212	1030	1 432	1 440	1 165

1 The supplement includes supplementary pension allowances of DKK 425 for single people and DKK 850 for couples.

2 The benefit payable to single people, who live alone, includes a supplement of ISK 18 197.

Moreover, pensioners with low incomes besides their pensions and high expenses for inter alia heating and medicine may be granted a personal supplement. In 2003, a supplementary pension allowance was introduced (pensioners' cheque) to retirement pensioners, which is payable once every year in January. The supplementary pension allowance is income-adjusted and taxable. In 2004, the scheme has been improved as a basic personal allowance was introduced in the income before the supplementary pension allowance will be phased out.

In the Faroe Islands, there is no income-adjustment of the basic amount of the retirement pension and the special basic pension. The ordinary pension supplement is adjusted in relation to a household's income. Pensioners, who live in nursing homes, receive a special, reduced pension towards coverage of personal needs. This benefit amounted in 2004 to DKK 821 per month.

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). The basic pension plays a less significant part after the reforms in 1996.

In Iceland, the basic/minimum pension is adjusted according to special rules in relation to any other taxable income, such as one's own and any

spouse's incomes. A supplement is payable in addition to the basic amount. The amount of this supplement depends on a pensioner's other income and on any spouse's income.

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 Sweden, a completely new pension system has gradually been 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 is payable as from 2003.

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. The condition for being awarded employment pension is in all the countries that the insured person has previously been affiliated to the labour market.

In Finland, the employment pensions are insurance based and cover all employees and self-employed individuals without any income ceiling. The pension is calculated on the basis of the past 10 years' earnings.

The pension is financed through contributions from employees and employers. In 2004, the average contribution was 4.6 per cent of the income from work from employees and 16.8 per cent from the employers.

In Iceland, the employment pension funds paid out more than what was payable as basic pension by the public authorities in 2002. 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, to which all employees and recipients of various transfer incomes contribute. Payment into this pension scheme was suspended in 2004.

As it appears from Table 7.6 and 7.7, there are large differences from one country to another as to how many people receive both basic and employment pension and how many receive only a basic pension. As it appears from Figure 7.6, the number of retirement pensioners increased from 2003 to 2004 as a result of the lowering of the pensionable age from 67 to 65 years.

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Table 7.6 Pensioners receiving retirement pension, in total, and pensioners receiving basic pension/guaranteed minimum pension at the end of the year 2004

	Retirement pensioners, total			Retirement pensioners who only receive basic/ minimum pension				
	Total (1 000)	Men (1 000)	Women (1 000)	Total (1 000)	Men (1 000)	Women (1 000)	Men, per cent	Women, per cent
Denmark	746	316	431	205	44	161	21.4	78.6
Faroe Islands	6	3	3	.	.	.	.	.
Finland ¹⁾	917	369	549	69	12	57	17.4	82.6
Iceland	31	14	17	3	1	2	30.9	69.1
Norway	626	260	366	200	25	175	12.5	87.5
Sweden	1 650	725	925	171	20	151	11.7	88.3

Note: Further information see appendix 4 on www.nom-nos.dk.

1 The figures comprise people who have been awarded retirement pension before time as well as retirement pensioners under 65 years.

Table 7.7 Pensioners receiving retirement pension by way of basic pension/guaranteed minimum pension and employment pension at the end of the year 2004

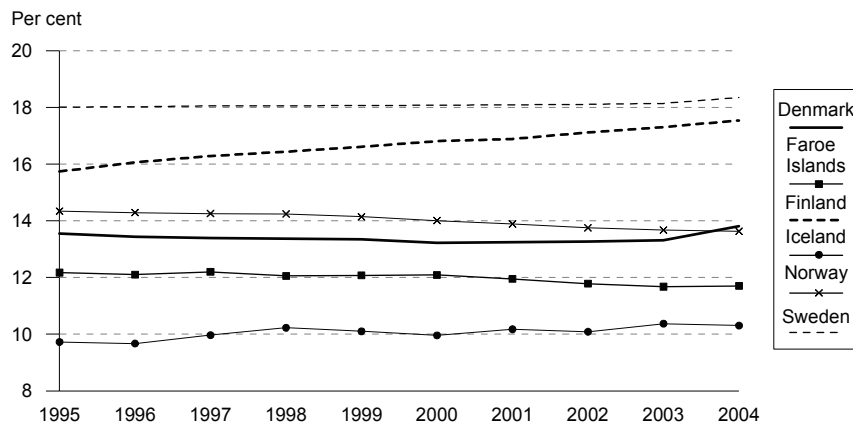
	Retirement pensioners who receive both basic/ minimum and employment pension					Retirement pensioners who only receive employment pension (new Finnish and Swedish system)				
	Total (1 000)	Men (1 000)	Women (1 000)	Men, per cent	Women, per cent	Total (1 000)	Men (1 000)	Women (1 000)	Men, per cent	Women, per cent
Denmark	541	272	269	50.2	49.8	..	..	..	..	..
Finland ¹⁾	421	134	287	31.8	68.2	428	223	205	52.1	47.9
Iceland	26	12	15	44.2	55.8	..	..	..	..	..
Norway	426	235	191	55.2	44.8	..	..	..	..	..
Sweden ²⁾	1 280	602	678	47.0	53.0	199	103	96	51.8	48.2

Note: Further information see appendix 4 on www.nom-nos.dk.

1 The figures comprise people who have been awarded retirement pension before time as well as retirement pensioners under 65 years.

2 Pensioners with basic and employment pensions are pension recipients according to the old system, while pension recipients according to the new Swedish system are the income-based pension plus any other kind of pension.

Figure 7.6 Development in retirement pensioners in percent of population, 1995-2004



In Norway, the decrease is due to the demographic composition of the population. In 2000, the number of retirement pensioners was about 629 000, while the number was about 626 000 in 2004. During that same period, there was an increase in the population of 2.2 per cent.

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 90 per cents of all full-time employees and in Norway about 60 per cent 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

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 larger accumulation of employment pension, men in Denmark and the Faroe Islands receive the least, which is a result of more men receiving supplementary pensions, which has a bearing on the basic pension.

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Table 7.8 Average payment of statutory retirement pensions per month, 2004

	KR/EUR			PPP-Euro		
	Men	Women	All	Men	Women	All
Denmark ¹⁾	7 553	8 077	7 859	767	820	798
Faroe Islands ²⁾	6 125	6 287	6 215	622	638	631
Finland ³⁾	1 329	837	1 035	1 146	728	900
Iceland ⁴⁾	126 636	..	..	1 172
Norway ³⁾	13 137	9 604	11 071	1 193	872	1 006
Sweden ⁵⁾	11 748	8 365	9 851	1 120	797	939

1 Average payment of statutory retirement pension in January 2004 and calculated payment of own pension by way of ATP in 2004 per recipient of statutory retirement pension.

2 Average payment of retirement pension in May 2004 and payment of special basic pension. People in nursing homes, who receive a special, reduced pension, are not included.

3 Average payment of pension in December.

4 Expenditure on both basic and employment pensions, divided by the number of recipients of basic pension have been included. About 90 per cent of those receiving basic pension also receive employment pension.

5 Average payments in December, including housing supplements. As from 2003 pensioners are taxed in the same way as are people with earned incomes.

Figure 7.7 Disposable incomes when receiving retirement pension (including employment pension) as percentages of disposable income from work, 2004

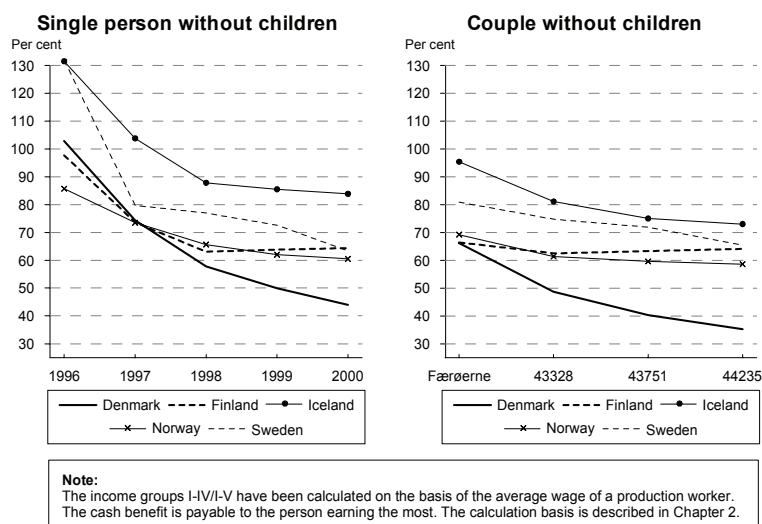


Figure 7.7 first and foremost shows the disposable income at five different compensation levels (including the maximum amount of employment pension) for a single retirement pensioner, in per cent of the disposable income from work. It also shows the disposable income at four income levels (including employment pension) for a married couple of pensioners, in per cent of disposable income from work.

As can be seen from the figures, there are considerable differences in the compensation levels in relation to the transition to pension. 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 the old Swedish pension system. This also applies to some extent 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 and Norway, 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. As from 2003, pensioners in Sweden pay tax according to the same rules as apply to people, who have an earned income.

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 (not included in the figures). These schemes are most important in Denmark and Norway.

Special Retirement and Partial Retirement Pensions

- Schemes Facilitating the Transition from Working Life to Life as a Pensioner

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

In Denmark, such pensions are first and foremost the ordinary and increased ordinary disability pension (anticipatory pension), which until 2003 was awarded to people aged 18-66 years whose working capacity was

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reduced by at least 50 per cent for health and/or social reasons. In Denmark, the number of new recipients of the ordinary and increased ordinary disability pension has decreased steeply during recent years, which is mainly due to an enhanced effort to maintain people with reduced working capacities in employment, possibly on special conditions.

As a result of the reform of the disability-pension scheme, the number of recipients of ordinary and increased ordinary disability pension decreases from 2003, as this scheme is being phased off. Ordinary and increased ordinary disability pension may only still be awarded, if the application was handed in before 1 January 2003.

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 disability pension scheme were introduced to make it more advantageous financially 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.

Table 7.9 Average monthly amounts of the special retirement/partial retirement pensions as per December 2004

	KR/EUR	PPP-Euro
<i>Denmark</i>		
Ordinary and increased ordinary disability pension ¹⁾	8 656	879
Voluntary early retirement pay ²⁾	10 979	1 115
Partial retirement pension ³⁾	6 290	639
Transition allowance ²⁾	10 895	1 106
<i>Faroe Islands⁴⁾</i>		
Lowest disability pension	5 387	547
<i>Finland³⁾</i>		
Partial retirement pension	551	479
Special pensions to farmers	783	681
<i>Norway⁴⁾</i>		
Pension fixed by collective agreement	13 669	1 142
Special pension to sailors	4 956	450
Special pension to fishermen	4 846	440
Special pension to woodsmen	5 595	508
<i>Sweden⁵⁾</i>		
Partial retirement pension	1 718	164

1 Average pension paid out in January 2004.

2 Average benefit amount paid out in 2004.

3 Average pension paid out in December 2004.

4 Average monthly amount, December 2004 (average annual amount in 2004 divided by 12).

5 Average pension paid out in November, the last month in which partial retirement pension was payable.

Accession to this scheme was 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 partly to retire from the labour market. Fifthly, flexi-benefit, which is a voluntary retirement scheme for people in flexi-jobs of the age group 60-66 years in line with the voluntary early-retirement scheme. By the end of 2004, 900 people received flexi-benefit.

In the Faroe Islands, people between the ages of 18 and 66 years, whose working capacities have been reduced by at least 50 per cent, and where social and health circumstances so warrant, may be granted the lowest disability pension.

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 on retirement 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. Farmers, who stop running their farms before reaching the pensionable age, may receive a special pension. The Finnish unemployment pensions are described in Chapter 5.

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Table 7.10 Pensioners receiving special retirement/partial retirement pensions, by sex and age, 2004

	Total	-49		50-59		60-64		65+		
		M	W	M	W	M	W	M	W	
<i>Denmark</i>										
Ordinary and increased ordinary disability pension	58 137	6 096	6 575	8 279	13 195	5 082	11 930	1 840	5 140	
Voluntary early retirement pay ¹⁾	183 723	.	.	1 594	3 682	57 350	75 026	22 807	23 264	
Partial retirement pension	1 207	.	.	.	.	380	107	614	106
<i>Faroe Islands</i>										
Lowest disability pension	440	16	47	35	85	41	113	30	73	
<i>Finland</i>										
Partial retirement pension	36 438	.	.	7 864	9 197	9 327	10 050	.	.	
Special pensions to farmers	33 759	.	.	1 232	2 094	3 535	4 705	9 394	12 799	
<i>Norway</i>										
Pension fixed by collective agreement	35 613	.	.	.	.	10 333	8 145	9 646	7 489
Special pension to sailors ²⁾	15 743	..	..	..	..	..	..	..	..
Special pension to fishermen	1 816	..	..	..	..	..	..	..	..
Special pension to woodsmen	21	..	..	..	..	..	..	..	..
<i>Sweden³⁾</i>										
Partial retirement pension	190	..	..	..	..	..	..	..	..

1 Including 5 276 people in the age group 50-59 years receiving transition allowance. The transition allowance was introduced in 1992 as a temporary measure. Access to the scheme was discontinued at the end of 1995.

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

3 Number of partial retirement pension in November 2004. The last month in which partial retirement pension was payable.

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 people in work may retire on certain terms before the statutory retirement age of 67 years. The pensionable age of the scheme has been lowered several times and was lowered to 62 years as from 1 March 1998. About 60 per cent of people in work 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 the age of 67. In the pension schemes for sailors and fishermen, retirement pension may be obtained from the age of 60, and in the pension scheme for woodsmen, pension may be obtained from the age of 63.

In Sweden, it has not been possible to award new partial pensions since 2000. The pensions already awarded shall be payable until the recipient becomes a retirement pensioner. The number of people receiving partial pension will therefore gradually decrease until the scheme will be completely abolished in 2004.

Services to the Elderly

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

The statistics concerning home help in the Nordic countries are not easily compared. While the figures for Denmark, the Faroe Islands, Norway and Sweden are situation-statements, the Icelandic and Finnish data contain information on how many people received help during the 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. The decrease in the ratio of elderly, who live in nursing homes, housing for the elderly, etc., and in the ratio of elderly,

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who receive home help from 2002 in Denmark (cf. Figure 7.8) is a result of changes in the statistics. Up until and including 2002, the statement thus includes persons aged 67 years and more, while it from 2003 includes persons aged 65 year and more.

Figure 7.8 People living in institutions or service housing and people receiving home help in percent of the age groups 65 years or more, 2004

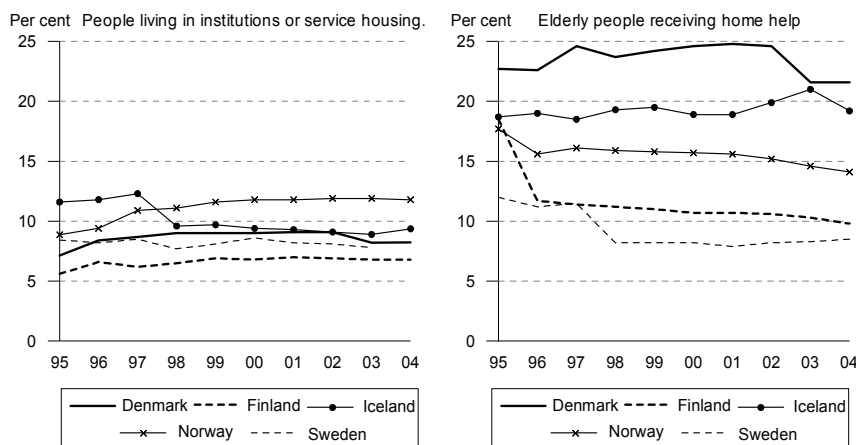


Table 7.11 People aged 65 and over living in institutions or service housing, total and as percentages of the total number of elderly, December 2004

	Denmark	Faroe Islands ¹⁾	Finland	Iceland	Norway ¹⁾	Sweden ²⁾
<i>People of the ages</i>						
65-74 years	10 554	27	8 343	383	7 733	8 733
75-79 years	10 437	47	9 645	545	11 077	12 763
80+ years	45 867	380	38 686	2 314	52 284	83 291
Total, 65/67+ years	66 858	454	56 674	3 242	71 094	113 826
<i>As percentage of the respective age groups</i>						
65-74 years	2.4	1.0	1.9	2.1	3.1	1.2
75-79 years	6.6	3.5	5.4	7.5	7.9	4.1
80+ years	20.8	21.4	19.0	25.7	24.5	17.3
Total, 65/67+ years	8.2	8.0	6.8	9.4	11.8	7.3

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

2 Calculation as per 1 October 2004. Besides, people staying on a short-term basis are included in the age group 65+ years.

Table 7.12 Elderly, who receive home help, 2004

	Denmark ¹	Faroe Islands ²⁾	Finland ³⁾	Iceland	Norway ⁴⁾	Sweden ⁵⁾
<i>Recipients of home help</i>						
65-74 years	} 66 208	98	13 757	..	10 805	16 799
75-79 years		155	39 310	..	15 176	20 218
80+ years	109 454	505	28 140	..	59 232	95 300
Total 65+ years	175 662	758	81 207	6 663	85 213	132 317
<i>Recipients of home help as percentage of the age group</i>						
65-74 years	} 11.2	3.8	3.1	..	4.3	2.2
75-79 years		11.7	13.2	..	10.8	6.4
80+ years	49.6	28.5	33.9	..	27.8	19.8
Total 65+ years	21.6	13.3	9.8	19.2	14.1	8.5

1 People of the age groups 65-79 and 80+ years.

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

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

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

5 People who as at 1 October 2004 had been granted home help and who live in their own house or flat.

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.

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 Pension

- Social Grounds are Evaluated in Different Ways in Respect of Award of Disability 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 pension (anticipatory pension in Denmark, but called disability pension in the following), which in Sweden is called activity or sickness allowance as from 2003. These benefits form part of the sickness-insurance scheme, whereas they were previously part of the ordinary pension scheme.

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.

Disability Pension Basis

In Denmark, the statutory retirement pension (retirement pension), disability pension, widow's pension and disability pension were integrated in a coherent set of rules. Disability pensioners were awarded basic pension according to the same rules as apply to retirement pensioners. Besides, pensioners who were granted the intermediate amount of disability pension also received a disability allowance, and pensioners who had been granted the highest amount of disability pension also received an unemployables amount in addition to the disability allowance. The disability allowance and the unemployables amount are not earnings-related, and besides, the disability allowance is exempt from tax.

In 2003, however, a new disability pension scheme entered into force. The disability pension now consists of one coherent benefit, which for single people almost corresponds to the unemployment benefit, and for married/co-habiting couples corresponds to 80 per cent thereof. The new rules apply to applications for disability pension submitted after 1 January, which means that people, who have been awarded disability pension in accordance with the previous rules, will still receive pension according to those rules and for a number of years to come

will make up the majority of disability pensioners in Denmark. In Denmark, disability pensioners do not receive employment pension.

In the Faroe Islands, retirement pension, disability pension and widow's pension are integrated in a coherent set of rules. Disability pension is composed of a basic amount, a supplement and a disability allowance. Pensioners who receive the minimum amount of disability pension receive the basic amount and a small supplement. Pensioners who receive the intermediate and maximum amount of disability pension receive the basic amount, the intermediate or maximum supplement and a disability allowance. The disability amount is not income-adjusted and is exempt from tax. People, who suffer severe physical or mental disabilities and who live in institutions, do not receive disability pension. Their personal needs are covered via the institutions' operating costs.

In Finland, Iceland and Norway, disability pension is granted by way of a basic pension/guaranteed minimum pension and an employment pension according to the same rules as apply to retirement pensions. As from 2003, the disability pension has been changed in Sweden to the effect that an activity or sickness allowances will be awarded in future. The sickness allowance is a temporary allowance. The disability pension was part of the ordinary pension system, while the activity or sickness allowances are part of the sickness insurance system. People of the ages 30 to 64 years may receive the allowance for a limited period, depending on for how long one's working ability is estimated to be reduced. People of the ages 19 to 29 years may be awarded an allowance due to reduced activity. This allowance is always limited to one to three years. For the calculation of the employment pension, which is done on the basis of any previous income from work, the time up to the statutory pensionable age is usually included in Finland, Iceland and Norway. In Finland, the percentage for the disability pension for the period from the early retirement pension to the statutory pensionable age is, however, lower than it is for retirement pensioners.

In Iceland, a new age-conditioned benefit to disability pensioners was introduced on 1 January 2004. The aim is for people who become disability pensioners at an early age will be granted an increased basic pension, as the person in question has not had the opportunity to participate in the working life and thus has not been able to accumulate employment pension. The benefit may be payable from the 18th year of age and will be reduced in relation to age, when one becomes a disability pensioner. Those, who are 18 or 19 years of age when they are granted disability pension, will receive twice the basic amount, which will be gradually reduced until the age of 66 years.

As from 2004, the disability pension scheme in Norway was divided into two benefits, a temporary benefit and a permanent disability pension. Temporary disability pension may be granted for a period of one to four years, when there is a certain possibility that the recipient may get back into the labour market either full time or part time. The benefit will be calculated as rehabilitation and disability benefits. The permanent disability pension will be calculated as before.

Circumstances Influencing the Number of Disability Pensioners

In the Nordic countries, there are a number of alternative benefits that affect both the award of disability pension and the number of disability 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 Sweden, the disability pension has as from 2003 been replaced by a sickness and reduced activity allowance.

In Norway, a rehabilitation/disability benefit is normally payable before disability pension and any temporary disability pension will be awarded.

Also the other disability pension schemes (which in this report are referred to as special retirement pensions) may affect the number of disability pensioners. 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 pensioners than would otherwise have been the case in those countries. In Norway, the AFP scheme (pensions fixed by collective agreements) affects the number of disability pensioners. Several surveys have shown that about 20 per cent of the AFP pensioners would have been disability pensioners, had the scheme not existed.

The amount of the disability pension, including pension supplements, is in principle either higher or equal to the pension awarded to retirement pensioners in all the countries. In addition, a number of special supplements may be payable in Denmark, prior to the disability pension reform in 2003, and in the Faroe Islands as well as an employment pension in the other countries, as mentioned above.

Compensation Levels

Figure 7.9 shows the compensation level for a single 50 year-old disability pensioner who has previously been in work, and who has completely lost his working capacity. The highest level is found in Sweden and the lowest in Finland and Norway for people who previously had a low income. As to higher incomes, the compensation level is lowest in Denmark, where the disability pension is independent of any previous income. The disability pension in the other countries is calculated in relation to previous income from work.

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.

Table 7.13 Average monthly amount of statutory disability pension, 2004

	KR/EUR			PPP-Euro		
	Men	Women	All	Men	Women	All
Denmark ¹⁾	11 252	10 701	10 963	1 142	1 086	1 113
Faroe ²⁾						
Islands	9 187	8 757	8 967	972	889	910
Finland ³⁾	1 060	856	965	922	744	839
Iceland ⁴⁾	120 176	..	..	1 113
Norway	12 894	9 681	11 056	1 171	879	1 004
Sweden ⁵⁾	9 846	8 412	8 999	939	802	858

1 Amount of highest and intermediate disability pension on average and new disability pension in January 2004.

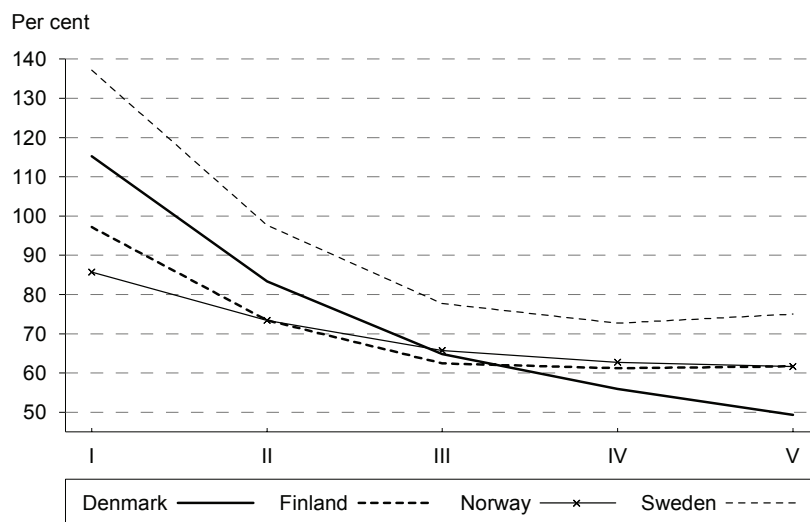
2 Average payment per month (average annual amount in 2004, divided by 12 in respect of the maximum and intermediate disability pension).

3 Average pension amount as per December.

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

5 Average pension amount in December, including housing supplement. Sickness/activity allowance replaced the disability pension as from 2004.

Figure 7.9 Compensation level for a single 50 year-old disability pensioner with no working capacity left, 2004



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 Chapter 2.

Number of Disability Pension Recipients

There has been an increase in the number of new awards of the intermediate and the highest disability pension in Denmark in recent years, while the number of new awards of the general disability pensions (special retirement pensions) declined. In 2002, the number of new awards increased as a result of the fact that local authorities closed many cases before the new disability pension reform entered into force on 1 January 2003.

After the reform only one kind of disability pension may be awarded. The new disability pension may be awarded to people who suffer from a permanently reduce working capacity to such a degree that the person in question cannot maintain him/herself through employment on the usual terms or in a flexi job. The number of new awards in 2003 and 2004 in Table 7.14 thus comprises all awards of the new pension as well as new awards of the intermediate and maximum disability pension according to the old scheme, for which applications had been submitted prior to 1 January 2003. The

increase in the number of new awards is thus related to the fact that all new awards of disability pensions are now included here.

In the Faroe Islands, no major legal changes have taken place, which have influenced the number of new awards. The number of disability pensions has also been stable during the period.

In Finland, there has been a decline in the number of disability pension recipients. This is a result of 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 increasing number of disability pensioners in Iceland in recent years is a result of changes implemented in the assessment of the disability degree to the effect that it will be based on medical data only. Moreover, there have been changes in the labour market.

As from 1 September 1999, the disability degree has been assessed solely on the basis of medical criteria, where previously also social criteria were taken into account. The number of disabled people has, however, increased more than expected in 1999.

This may be a result of the social-insurance institute having neglected to summon applicants to a medical examination, which may have resulted in an incomplete basis for assessment.

OLD AGE, DISABILITY AND SURVIVORS

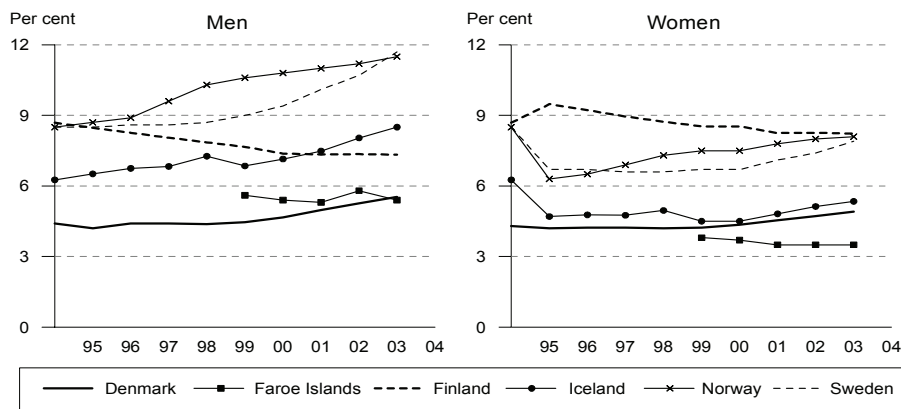
Table 7.14 Recipients of disability pension and new accession of disability pensioners, by sex, 1995-2004

	Denmark ¹⁾		Faroe Islands ²⁾		Finland		Iceland ³⁾		Norway ⁴⁾		Sweden ⁵⁾	
	M	W	M	W	M	W	M	W	M	W	M	W
<i>1995</i>												
Recipients	82 166	83 871	..	..	165	144	4 250	5 769	103	132 185	223	
					348	156			401	900 413	163	
New accession	5 941	5 087	..	..	..	..	502	723	12 006	13 299	18 639	20 565
New accession as percentage of population of qualifying age	0.3	0.3	..	..	..	..	0.6	0.9	0.9	1.0	0.7	0.8
<i>2000</i>												
Recipients	81 426	83 367	820	1181	147	129	4 172	6 108	119	160	189	248
					022	247			160	413	727	216
New accession	4 332	4 237	126	97	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	0.8	0.8	0.7	0.4	0.9	1.0	1.3	0.8	1.1
<i>2003</i>												
Recipients	87 900	94 790	783	1 134	142	124	4 928	7 460	128	173	211	296
					775	365			202	012	166	123
New accession	6 339	6 588	72	120	15 043	13 013	512	873	13 398	15 445	26 800	38 600
New accession as percentage of population of qualifying age	0.4	0.4	0.5	0.9	0.9	0.8	0.5	0.9	1.0	1.2	0.9	1.4
<i>2004</i>												
Recipients	91 190	100 128	593	765	142	124	5 203	7 896	132	178	220	318
					611	361			202	682	988	654
New accession	7 456	8 078	44	58	15 089	13 297	425	714	13 706	16 742	29 120	44 041
New accession as percentage of population of qualifying age	0.4	0.5	0.3	0.5	0.9	0.8	0.4	0.8	1.0	1.3	1.0	1.6

Note: Further information see appendix 4 on www.nom-nos.dk.

- 1 The number of recipients in this table calculated as at the beginning of the year; in the other pension tables, as at year-end.
- 2 Also included recipients of the lowest disability pension, who belong under special retirement pensions.
- 3 Pensionable age 16-66 years.
- 4 Pensionable age 16-67 years.
- 5 Activity and sickness allowance replaces the disability pension as from 2003.

Figure 7.10 Pensioners receiving disability pension by way of basic/minimum pension and/or employment pension as percentages of population 16/18-64 years, 1995-2004



As from March 2003, most of the applicants have been examined by the social insurance fund's physicians. The result of this altered practise can be seen in the near future.

Both in Norway and Sweden, the rules governing award of disability pension have been tightened. In Norway, there was an increase in the number of new awards. In Sweden, there was an increase in the number of awards throughout the period.

In Table 7.14 and Figure 7.10, the Danish figures are inclusive of disability pensioners according to the new rules as a result of the disability-pension reform from 2003. In Sweden, the activity and sickness allowance replaces the disability pension as from 2003. New benefits are awarded to people of the age group 19-64 years.

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 to 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/salaries or wage/salary supplements. In addition, special support may be granted towards acquisition of tools, etc., and towards setting up 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, the rehabilitation allowance is half the maximum amount. With a view to maintaining and integrating weak groups in the labour market, an enhancement of the work-related rehabilitation scheme took place in 1999.

In the Faroe Islands, rehabilitation benefit is payable when it is deemed necessary out of consideration for a person's risk of becoming ostracized from the labour market. The rehabilitation benefit is covered by the Act on Public Welfare, and the benefit is normally granted on the basis of need.

In Finland, about 86 per cent of the 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 industrial injury 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 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 being paid.

Since 1 January 2000, the social insurance fund has paid a rehabilitation benefit to people who are at risk of being excluded from the labour market due to illness or accidents. Especially in Iceland, there are many social institutions offering jobs to people undergoing rehabilitation. At the moment, endeavours are made to gather the activities in this area with the aim of enhancing the work-related rehabilitation.

In Norway, two different kinds of benefit may be granted to people undergoing rehabilitation. One is granted in connection with medical rehabilitation. This benefit is granted to people, who have exhausted their

entitlement to sickness benefits, and whose working capacity is still reduced by at least 50 per cent. In order to be entitled to this benefit, the recipients must be undergoing active treatment with a view to improving their working capacity. The other benefit is connected with occupational rehabilitation. The benefit will be granted in connection with measures that are deemed necessary and expedient for the recipient to be able to get or maintain a job. Rehabilitation may be schooling, work training, wage subsidies, etc. Both benefits are short-term benefits and will be calculated on the basis of any pensionable income paid during the past year, or as an average of the last three years prior to the working capacity becoming reduced by at least 50 per cent. Both benefits amount to a maximum of 66 per cent of the calculation basis up to six times the basic amount, which was NOK 56 861 as per 1 January 2004. The medical rehabilitation is administered by the social security authorities, while the occupational rehabilitation is administered by the labour-market authorities. The rehabilitation proper, both the medical and the occupational may be carried out in a co-operation between *inter alia* the health, labour-market, and social-insurance authorities.

In Sweden, a number of compensations and benefits are payable 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 expenses. The occupational rehabilitation measures may for example be job training, analysis at a labour market institute and education/training.

Table 7.15 People receiving rehabilitation benefit during the year and as at December 2004

	Denmark ¹⁾	Faroe Islands	Finland ²⁾	Iceland ³⁾	Norway ⁴⁾	Sweden ⁵⁾
<i>People receiving rehabilitation benefit during the year</i>						
Men	11 922	77	23 267	229	46 053	17 822
Women	21 524	114	37 135	433	63 535	38 243
Total	33 568	191	60 402	662	109 588	56 065
<i>People receiving rehabilitation benefit as at December 2004</i>						
Men	8 015	24	5 384	255	20 874	5 579
Women	15 272	31	6 779	484	29 750	12 210
Total	23 299	55	12 163	739	50 624	17 789

- 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/salary subsidized job. Total during the year includes 122 not stated, and total per December includes 12 not stated in respect of sex.
- 2 Includes only rehabilitation benefit payable by the Social Insurance Institution (86 per cent of all payments).
- 3 Include only rehabilitation benefits that were paid by the Social Insurance Institute.
- 4 People, who have only received rehabilitation benefits. Besides, 62 536 people received occupational rehabilitation on average in 2004. 67 226 received rehabilitation benefit as per December 2004.
- 5 Includes only people receiving rehabilitation benefit. The number of people receiving special benefits cannot be calculated. People, who received rehabilitation benefit as at 31 December 2004.

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 their working capacities. In case of long-term or permanent loss of working capacity, disability 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 permanent injuries and for lost ability to work, either by way of a non-recurrent payment or of monthly payments. Normally, the industrial injury insurance fund also covers expenses for treatment that are not covered by the general sickness insurance scheme.

In Denmark, compensation is granted for the 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. Compensation is calculated on the basis of 80 per cent of an injured person's previous annual income.

In the Faroe Islands, disability compensation will be granted where the industrial injury has reduced an injured person's ability to work by 5 per cent or more. The compensation is as a rule calculated on the basis of two thirds of a fisherman's guaranteed minimum wage.

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/salaries, or in the event that the period in which one is entitled to receive wages/salary has expired, the people concerned are entitled to daily cash benefits from the general industrial injury insurance fund. This benefit is a fixed amount independent of the wages/salary earned prior to the accident. The benefit is usually payable for a maximum of 52 weeks.

In Norway, one may be granted disability 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 disability 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 an 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, Home Help, 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 7.16 People under 65 years living in institutions or in service housing, December 2004

	Denmark ¹⁾	Faroe Islands ²⁾	Finland	Iceland	Norway ³⁾	Sweden ⁴⁾
Under 65 years, total	27 599	90	29 669	3 384	26 854	16 376
Under 65 years as percentage of the age group	0.8	0.3	0.7	1.3	0.7	0.2

1 Including special housing for the elderly.

2 Persons under 67 years

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

4 Persons with permanent residence and short-term stays.

Table 7.17 People under 65 years receiving home help, 2004

	Denmark	Faroe Islands ¹⁾	Finland ²⁾	Iceland	Norway ³⁾	Sweden ⁴⁾
Recipients of home help under 65 years, total	16 156	146	19 620	969	17 460	27 302
Recipients of home help as percentage of the age groups under 65 years	0.5	0.5	0.4	0.4	0.4	0.4

1 People under 67 years.

2 Households. Out of the 29 669, 5 682 were disabled.

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

4 Includes people in their own homes who had been granted home help as at 1 October 2004.

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 all five countries, home help is provided to disabled people. The extent of the help 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.

As mentioned above, it is difficult to compare statistics on home help in the Nordic countries. Whereas the figures concerning Denmark, the Faroe Islands, Norway and Sweden are situation statements, the Icelandic and Finnish data contain information on the number of people who received assistance during the year. Besides, the Finnish statistics cover households, whereas they in the other countries cover people.

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 65 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, 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 2004, 2 259 people were covered by the schemes for employment of assistants.

Local authorities also grant 15 hours of accompaniment per month to persons under 65 years, who are unable to get about by themselves 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 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 2004, 12 602 people were covered by the accompaniment and contact-person schemes.

In the Faroe Islands, child-minding needs in families with disabled children, whose needs cannot be met in the general day-care institutions, has been solved by the employment of personal support persons. Support persons also serve as relief to the family and therefore meet a more comprehensive need than the one a traditional institution may provide.

People between 18 and 66 years who suffer from a permanently reduced physical or mental capacity may be granted personal help and assistance. The aim is that the disabled person may be given an opportunity to live an independent and active life. The disabled person and his/her support person jointly determine the purpose of the support and lay down an action plan with the contents of the hours of support.

In Finland, local authorities may improve a severely disabled person's 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 2004, 4 029 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 assistant 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 2004, local authorities received subsidies for 565 people. For those who do not wish to receive 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. Moreover, there is a function-assistants scheme. The assistants are to provide practical help, during working hours, to people who are severely disabled, and are managed by the recipient. 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 assistance 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 2004, about 17 000 people received personal assistance.

Rehabilitation

In all the 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 2004, these measures covered 22 637 people. People with permanent limited working capacities may furthermore find employment with private or public employers in flexi jobs or wage-subsidized sheltered jobs. Flexi jobs are given to persons who are not receiving any social pension whereas sheltered jobs are given to disability pensioners. At the end of 2004, there were 33 165 people in flexi jobs and 6 026 in sheltered jobs.

People, who have been approved for a flexi job and who are unemployed, and people, who will become unemployed after employment in a flexi job, may according to special rules be granted a temporary benefit. At the end of 2004, 10 655 people received a temporary benefit for unemployed persons who have been admitted to the flexi job scheme.

In the Faroe Islands, people with reduced working capacities are offered assessment of working capacity, training, supplementary training courses, sheltered employment, etc., at a rehabilitation institution. The rehabilitation institution also provides short-term vocational courses. Furthermore, people with permanently reduced working capacities may as in Denmark be employed by private or public employers in wage-subsidized jobs.

In Finland, the Social Insurance Institution offers rehabilitation including assessment of working capacity. The health sector provides the largest part of the medical rehabilitation. The employment-pension funds initiate rehabilitation in order to prevent a person from becoming incapacitated for work or to improve his ability and capacity for work and to ease his return to the labour market. The accident and traffic insurances furthermore offer rehabilitation to their clients. War veterans may also undergo 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. The health sector is responsible for the medical rehabilitation and technical aids.

In Norway, the labour-market and social-insurance authorities 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. 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. Besides, there are permanent, sheltered work places. In 2004, about 57 000 people on average were making use of the various vocational measures.

In Sweden, people with reduced working capacities may participate in various labour-market measures via the employment service. 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. 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 clearing. There are also schemes for washing and mending clothes. There are no centrally agreed policies regarding payment, but usually a fee is charged for the provision of meals, pedicure and gardening. In all the countries there are so-called daytime measures aimed at various target groups, such as people with mental disabilities, to provide help by way of rehabilitation, employment and sense of community.

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

The increased participation by women in the labour market and changes in the distribution of income between spouses have contributed to the survivor's pension becoming less important. In Denmark and the Faroe Islands, pension to widows and widowers has been abolished. Pensioners, who cohabit with another pensioner, may in the event of their partner's death be paid a short-term survivor's pension consisting of both pensioners' total pension for three months. In the Faroe Islands, it is, however, necessary to be married to receive this benefit. The number of recipients of survivor's pension is not re-

gistered separately. A survivor's allowance is payable to non-pensioners in Denmark whose spouse or partner dies. The survivor's allowance is income and property-adjusted and will be granted as a non-recurrent payment. In 2004, 697 people were granted survivor's allowance, of whom 577 people were under the age of 67.

In Finland, a prerequisite for being awarded survivor's pension is that the partners were married, and that the marriage had taken place before the age of 65. Registered partnership may also entitle to survivor's pension, if the partners have a child. 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. Within the employment-pension system, pension may also be awarded, if the survivor is under 50 years of age and if the survivor has received disability pension continuously for at least three years prior to the spouse's death.

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/her.

In Norway, pension is granted to surviving spouses, registered partners and cohabitants. Pension may also be granted to survivors if they have either previously been married to each other or have had joint issue. In Sweden, the current widow's pension shall lapse on a long-term basis for most survivors. In the old system, a condition for being awarded widow's pension was that one had been married no later than 1989. 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 disability pension. Pension is payable to a survivor by way of an employment pension or a supplementary pension.

In Norway, there are favourable rules governing the employment pension in the Social Security Scheme's retirement and disability-pension system for survivors. They may choose between 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 will also be granted.

Table 7.16 Pensioners aged 18-64/66 years receiving statutory survivor's pension, 1995-2004

	Denmark ¹⁾		Faroe Islands ¹⁾		Finland ²⁾		Iceland ³⁾		Norway ⁴⁾		Sweden ⁵⁾	
	M	W	M	W	M	W	M	W	M	W	M	W
1995	5 814	52 767	171	735	1 854	30 023	2 147	64 423
2000	7 945	46 292	1 459	2 176	2 001	25 086	1 617	53 254
2003	8 797	42 641	1 766	2 350	2 041	23 205	1 782	49 181
2004	8 926	41 219	1 804	2 456	2 112	22 520	2 047	47 586

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

2 Widows/widowers over 64 years may be granted survivor's pension by way of employment pension. In 2004, the number of pensioners over 64 years receiving survivor's pension was 186 898 women and 23 240 men.

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

4 Not including widows and widowers receiving disability pension.

5 Includes widow's pension to people under 65 years as well as transition pension and special pension to survivors. The transition period has varied during the period and was in 2004 10 months. Survivor's pension was income-adjusted from 1997-2002. As from 2003, all pensioners pay tax according to the same rules as apply to income from work.

Table 7.17 Average monthly amount of statutory survivor's pension, 2004

	KR/EUR			PPP-Euro		
	Men	Women	All	Men	Women	All
Denmark	.	.	.	.	.	.
Faroe Islands	.	.	.	.	.	.
Finland ¹⁾	178	480	442	155	417	384
Iceland	..	..	..	..	..	..
Norway	4 515	6 713	6 524	410	610	593
Sweden ²⁾	6 773	6 529	6 539	646	622	623

1 Amount paid on average as at December.

2 Average amount as at December 2004 to pension recipients under 65 years by way of widow's pension, transition pension and special pension to survivors, including guaranteed pension and retirement pension supplements.

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 and the Faroe

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Islands, a special child allowance is granted to orphans and to children who have lost one of their parents.

In Finland, Iceland, Norway and Sweden, child pension may be payable until a child turns 20 years if the child/youth receives education. In Iceland, a fixed amount is granted by the public authorities, which is payable to those providing for the children, but the pension varies from one labour-market pension fund to another. If both parents have died, the double amount is payable. The Employment Pension Fund also pays child pension to the providers. In Norway, this applies only if both parents are deceased. 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, the Faroe Islands, 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.

Table 7.18 Children receiving child pension by way of basic pension and/or employment pension, total, 1995-2004¹⁾

	Denmark	Faroe Islands	Finland	Iceland ²⁾	Norway	Sweden ³⁾
<i>Number of children receiving child pension</i>						
1995	17 590	213	29 338	1 325	13 658	31 208
2000	17 278	201	28 476	1 300	14 074	29 570
2003	17 680	215	26 871	1 306	13 995	31 708
2004	17 701	167	26 109	1 321	14 039	31 927
<i>As percentage of children of the qualifying age groups</i>	1.5	1.2	2.0	1.7	1.3	1.5

1 Entitled were, in 2003, 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 and the Faroe Islands, 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 7.19 The average monthly statutory amount of child pension, 2004

	Denmark	Faroe Islands	Finland	Iceland ¹⁾	Norway ²⁾	Sweden
KR/EUR	892	877	279	16 025	1 866	2 602
PPP-Euro	90	89	243	148	169	248

1 Amount paid on average per month from public authorities.

2 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. Denmark and Sweden spend the most on cash benefits to the elderly, and the Faroe Islands and Iceland spend the least. Regarding expenditure on retirement pensions, calculated in PPP per pensioner, Denmark spends the most and the Faroe Islands and Finland the least. As regards services, calculated as PPP per person aged 65 years or older, expenditure is highest in Iceland 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 and Sweden spend the most and the Faroe Islands and Iceland the least on the elderly, calculated as PPP per capita. The low expenditure in Iceland is due to the high employment rate among the elderly compared with the other Nordic countries.

In respect of cash benefits per capita to the disabled, Norway spends the most, which is due to the fact that medical rehabilitation is included under rehabilitation, but under illness in the other countries (included in the sickness benefits). The Faroe Islands and Finland spend the least on cash benefits per capita. In return, Denmark spends the most on disability pension per disability pensioner, while Finland spends the least. The expenditure on services to the disabled is highest in the Faroe Islands and in Sweden and lowest in Finland. In total, Norway spends the most and Faroe Islands the least on the disabled, calculated as PPP per capita. As to survivors, Finland spends the most and Denmark the least.

Changes in the Social Expenditure on the Elderly, the Disabled and Survivors from 2003 to 2004

In Denmark, the expenditure on retirement pensions increased as a result of the gradual lowering of the pensionable age from 67 to 65 years as from 1 July 2004 and the improvement of the supplementary pension (pensioners' cheque). There was also a considerable increase in the expenditure on the ATP and the employment pensions. The expenditure on the voluntary early retirement scheme increased as a result of an increase in the number of recipients of 6 700 from 2003 to 2004. This was counterbalanced by a decrease in the expenditure on the transition allowance, as the closing of the access to this scheme resulted in a further decline in the number of recipients of about 4 200 from 2003 to 2004. To this should be added a decrease in the expenditure on the ordinary and increased ordinary disability pensions under special retirement pensions as a result of a decline in the number of pensioners of 9 400 from 2003 to 2004. There has also been a shift from these disability pensions to the maximum and intermediate disability pensions.

The total expenditure on the maximum and the intermediate disability pensions and on the new disability pension after the reform thus increased from 2003 to 2004 as a result of an increase in the number of pensioners of almost 7 500. As a result of the disability pension reform from 2003, the maximum and the intermediate disability pensions have also gradually being discontinued. The expenditure on industrial-injury insurance furthermore increased from 2003 to 2004.

Moreover, there was an increase in the expenditure on care and nursing, etc., for both the elderly and the disabled, and on the expenditure on institutions, collective housing units, etc., for the disabled. There was also an increase in the expenditure on measures concerning people with reduced working capacities, including people in flexi jobs.

In the Faroe Islands, the expenditure on the elderly increased by 3.4 per cent from 2003 to 2004. The increase in the cash benefits was about 2 per cent, which was mainly a result of an increase in the averagely paid pension. The expenditure on services increased by 6 per cent. More institutional places were provided for the elderly, which increased the running costs. The increased number of places in institutions has not made itself felt in the expenditure on home help, which also increased by 5.7 per cent.

The expenditure on the disabled remained almost the same with an increase of 0.7 per cent. The disability pension was adjusted by 4 per cent, but as the access to the scheme was limited, the expenditure on cash benefits increased by only 0.1 per cent. The expenditure on care and the non-

institutionalized treatment of the disabled increased by about 8 per cent, while there was a marked decline in the expenditure on technical aids. The increased expenditure on survivors was mainly due to an increase in the pension to survivors.

In Finland, the expenditure on the elderly increased by 4.8 per cent from 2003 to 2004 at constant prices. The number of retirement pensioners (including early retirement pensioners) increased by 15 345 people. The average retirement pension was 2.6 per cent at constant prices, which was a result of the averagely paid disability pension amount being higher in 2004 than in 2003. Enhanced efforts were made in the care for the elderly in their own homes, and this expenditure increased by 13.6 per cent. The expenditure on institutions increased by 8.2 per cent at constant prices. The expenditure on the disabled increased by 4 per cent at constant prices, while the number of disability pensioners declined by 168 people. The expenditure on disability pensions increased, however, by 2.3 per cent at constant prices, as the average disability pension was a little higher in 2004 than in 2003. The expenditure on care for the disabled increased by 6.3 per cent at constant prices, and especially the expenditure on general treatment and rehabilitation increased. The expenditure on survivors increased by 2 per cent due to the number of recipients of survivor's pension increasing by 1.240 people. On the other hand, the number of recipients of child pension decreased by 762.

In Iceland, the expenditure on the elderly increased by 6.5 per cent at constant prices. The expenditure on the basic pension decreased due to a decline in the number of people who receive only basic pension. The explanation is technical changes in the way in which the basic pension is paid to those, who live in nursing homes, where one previously had to pay directly for one's stay. As from 1 January 2004, those living in nursing homes will no longer have the basic pension paid out to them, rather it will be paid to the nursing home. The scheme includes about 800 pensioners with an expenditure of about ISK 1.8-2 billion, which were transferred from cash benefits to services. The expenditure on employment pension from the pension funds continues to increase due to a higher wage/salary development and an increase in the number of people being entitled to employment pension. The expenditure on services increased by 19.5 per cent, where the expenditure on institutions increased by 22 per cent. This was due to the fact that more nursing home places for the elderly have been provided.

The expenditure on the disabled increased by 8.4 per cent at constant prices, while the expenditure on services increased by 3 per cent and the

cash benefits by 11.2 per cent. The basic pensions increased by 11.7 per cent, which was partly due to a new age-limited benefit to those that are young when becoming disabled and thus not accumulating any right to employment pension, and partly by the number of disability pensioners having increased. Finally, part of the increase was due to a higher wage/salary level. The expenditure on survivors decreased by 0.5 per cent.

In Norway, the expenditure on the elderly increased by 4.9 per cent at constant prices, while the expenditure on the disabled increased by 8.0 per cent and on survivors by 6.4 per cent. The increase in the expenditure on the elderly was first and foremost a result of the expenditure on the retirement pension and especially an increase in the number of retirement pensioners, who were entitled to employment pension. While the number of recipients of retirement pension increased by 1 946 from 2003 to 2004, the number of pensioners who are entitled to employment pension increased by 5.142 during the same period. The amount payable on average increased by 4.8 per cent from 2003 to 2004 at constant prices. The increase in the expenditure on the disabled was first and foremost due to an increase in the cash benefits. Payment of disability pension increased by 4.2 per cent on average from 2003 to 2004 at constant prices. The increase in the expenditure on survivors was also due to an increase in the cash benefits. While the number of surviving spouses with pensions from the social security fund decreased by 2.4 per cent from 2003 to 2004, the expenditure on the total pensions increased by 3.9 per cent during the same period.

In Sweden, the expenditure on the elderly increased by 3.1 per cent. The increasing expenditure was mainly due to higher pension payments and higher expenditure on home help. The expenditure on the disabled increased by 7.3 per cent, the main reason being a continued increase in the number of disability pensioners, of whom quite a few came from the sickness-insurance system. In 2003, 0.9 per cent of the population of the entitled age was disability pensioners. In 2004, the number had increased to 1 per cent. The increase corresponds to about 50 000 individuals. The expenditure on survivors increased by 0.7 per cent.

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Table 7.20 Expenditure on and financing of pensions, other cash benefits and services to the elderly, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
Cash benefits, million						
A. Retirement pensions	103 132	464	10 390	40 428	91 383	239 487
Of which:						
a. Basic/Minimum pension	64 798	413	1 761	19 362	37 609	27 961
b. Employment pension	5 435	-	8 307	21 067	44 046	159 217
c. Supplementary pension	32 899	33	314	-	9 728	52 309
B. Special retirement pensions	32 089	30	857	-	2 416	-
C. Partial retirement pension	95	-	257	-	105	25
D. Other	27	17	97	-	-	588
Cash benefits, total	135 344	512	11 601	40 428	93 903	240 100
Services, million						
A. Institutions, etc.	1 869	177	619	15 818	17 830	47 994
B. Assistance to carry out daily tasks	24 086	92	457	836	12 166	17 852
C. Other	1 286	18	391	981	3 154	2 929
Services, total	27 240	288	1 467	17 636	33 150	68 775
Total expenditure, million	162 584	800	13 068	58 064	127 053	308 875
Expenditure as percentage of GDP	11.7	8.1	9.0	7.3	7.5	12.7
Financed by (per cent)						
- Public authorities	53.2	84.0	21.5	30.7	52.7	33.9
- Employers	23.5	9.3	63.6	53.1	28.4	45.0
- The insured (contributions and special taxes)	23.3	6.6	14.9	16.2	18.9	21.2
Changes 2003-2004 in terms of 2004 prices						
- Million KR/EUR	4 494	26	597	3 551	5 932	9 185
- Per cent	2.8	3.4	4.8	6.5	4.9	3.1

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Table 7.21 Expenditure on and financing of pensions, other cash benefits and services to disabled people, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
Cash benefits, million						
A. Disability pensions	26 486	163	3 160	20 319	46 601	66 828
Of which:						
a. Basic/Minimum pension	26 486	163	722	15 013	17 820	14 813
b. Employment pension	-	-	2 037	5 306	23 652	44 474
c. Supplementary pension	-	-	14	-	4 397	7 541
B. Early retirement benefit due to reduced working capacity	3 875	8	214	-	-	-
C. Care allowance	-	-	77	-	2 969	3 412
D. Subsidies to financial integration of the disabled	9 025	-	85	-	17 984	2 337
E. Other	2 691	8	284	245	409	-
Cash benefits, total	42 077	179	3 821	20 564	67 963	72 577
Services, million						
A. Institutions, etc.	8 939	95	153	4 151	770	15 459
B. Assistance to carry out daily tasks	5 061	47	300	230	3 279	19 711
C. Rehabilitation	2 652	42	495	4 989	9 614	4 436
D. Other	1 978	44	408	433	1 224	8 354
Services, total	18 630	228	1 356	9 804	14 887	47 960
Total expenditure, million	60 707	407	5 178	30 368	82 849	120 537
Expenditure as percentage of the GDP	4.4	4.1	3.5	3.8	4.9	4.9
Financed by (per cent)						
- Public authorities	67.6	93.9	36.3	43.5	42.5	43.2
- Employers	8.3	4.3	49.0	47.2	33.8	55.7
- The insured (contributions and special taxes)	24.1	1.7	14.6	9.3	23.7	1.2
Changes 2003-2004 in terms of 2004 prices						
- Million	3 457	3	199	2 363	6 151	8 160
- Per cent	6.0	0.7	4.0	8.4	8.0	7.3

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Table 7.22 Expenditure on and financing of cash benefits and services to survivors, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
Cash benefits, million						
A. Survivors' pensions	1	14	1 406	5 299	5 278	18 007
Of which:						
a. Basic/Minimum pension	-	-	39	308	1 279	1 308
b. Employment pension	-	-	1 314	4 991	1 035	15 868
c. Supplementary pension	1	14	54	-	2 964	831
B. Death grants	-	-	35	62	71	-
C. Other	-	2	-	-	13	-
Cash benefits, total	1	16	1 441	5 362	5 363	18 007
Services, million						
A. Funeral grants	139	2	4	-	103	-
B. Other	-	-	-	-	-	-
Services, total	139	2	4	-	103	-
Total expenditure, million	140	17	1 446	5 362	5 465	18 007
Expenditure as percentage of the GDP	0.0	0.2	1.0	0.7	0.3	0.7
Financed by (per cent)						
- Public authorities	100.0	2.6	7.0	1.4	39.6	0.0
- Employers	0.0	65.0	72.6	70.9	42.2	97.7
- The insured (contributions and special taxes)	0.0	32.5	20.4	27.8	18.1	2.3
Changes 2003-2004 in terms of 2004 prices						
- Million	-4	2	29	-27	329	125
- Per cent	-2.9	11.6	2.0	-0.5	6.4	0.7

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Table 7.23 Expenditure on cash benefits to the elderly, the disabled and survivors in PPP/capita and per pensioner, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>The elderly</i>						
Cash benefits per capita	2 552	1 084	1 929	1 294	1 869	2 556
Retirement pension per pensioner	14 041	8 132	10 509	12 117	13 262	13 840
Services per person 65 years and older	3 465	4 609	1 592	4 832	4 471	4 276
Total benefits and services to the elderly per capita	3 065	1 693	2 172	1 859	2 529	3 288
<i>The disabled</i>						
Cash benefits per capita	793	380	635	658	1 353	773
Disability pension per pensioner	13 641	12 206	9 724	13 563	13 618	11 808
Services per capita	351	482	225	314	296	510
Total benefits and services to the disabled per capita	1 145	862	861	972	1 649	1 283
<i>Survivors</i>						
Total per capita	3	36	240	172	109	192

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/retirement homes and institutions for disabled people are defined centrally (by Central Government) in Denmark, the Faroe Islands, 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 DKK 1.4 billion in 2004. The permanent home help service is free of charge. In return, temporary home help must be paid for, depending on income. User charges amounted to about DKK 80 million in 2004.

In the Faroe Islands, inhabitants in nursing homes pay no rent, but in return their retirement pension is reduced to DKK 790 per month towards personal needs. The inhabitants thus have no expenses to pay on rent, food,

hairdressing, etc. Pensioners, who have an income besides their pension (such as supplementary pensions) must, however, pay for their stay in a nursing home. User charges amount to 10 per cent of a pensioner's supplementary income. In institutions for the mentally disabled, user charges amounted to about 4 per cent of the total expenditure. User charges depend on a household's income. In 2004, user charges amounted to 2 per cent of the total expenditure on home help.

In Finland, user charges payable for long-term care of the elderly depend on a patient's income. It may at most amount to 80 per cent of the net income and there must be at least EUR 80 per month left for personal use. In 2004, user charges amounted to 19 per cent of the total expenditure. User charges for home help depend on a household's income. User charges amounted to about 15 per cent of the total expenditure on home help.

In Iceland, residents in nursing homes pay for part of their stay in the home, provided they have an employment pension over a certain level. The proportion of user charges of the total expenditure was about 4 per cent in 2004, while user charges for home help amounted to 10 per cent of the local authorities' expenditure.

In Norway, user charges payable for stays in institutions depend on a patient's income and are fixed on the basis of centrally laid down rules. User charges amount to a maximum of 75 per cent of the basic amount of the social security scheme less a free amount. 85 per cent are payable of incomes exceeding the basic amount of the social insurance scheme. User charges for stays at institutions amount to a little more than 10 per cent of the total running costs of the institution. User charges payable for home help are fixed by the individual local authorities, but the amount must not exceed the actual costs. If an income is low, user charges may not exceed NOK 150 per month. Besides, user charges may not be charged for that part of the help that is personal care and nursing or home nursing.

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. There is also a maximum user charge for care for the elderly, but the local authorities are free to fix the amount of user charges within this framework.

Chapter 8

Housing Benefits

Table 8.1 Expenditure on housing benefits as percentages of the total social expenditure in the EU, the Faroe Islands, Iceland and Norway, 2003

Denmark	2.3	Austria	0.3	Italy	0.1
Faroe Islands	-	Belgium	-	Luxembourg	0.6
Finland	1.1	France	2.9	The Netherlands	1.3
Iceland	0.8	Germany	0.8	Portugal	0.0
Norway	0.8	Greece	2.3	Spain	0.8
Sweden	1.8	Ireland	3.2	United Kingdom	5.6

Note: See Table 4.1.

Housing Benefits to Families

- Housing Benefits are Income-Adjusted and Tax-Free

In all the countries, with the exception of the Faroe Islands, housing benefits are granted to both families with children and childless families. In Norway, housing benefits are usually only granted to childless families 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 childless families.

In Denmark and Iceland, the benefit is only payable to families who live in rented accommodation. In the other countries, families who own their accommodation may also qualify for housing benefit. A family's income, its housing costs and the number of children in the household are taken into consideration when a benefit is being granted. The schemes vary greatly from one country to another.

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.

Table 8.2 Average housing benefit per month to families, 2004

	Denmark	Finland	Norway	Sweden ¹⁾
<i>Average housing benefit per month per family, KR/EUR</i>				
Married and cohabiting couples	1 436	276	2 088	715
- with children	556	166		
- without children				
Single people	1 919	279	1 903	1 577
- with children	448	170	1 675	652
- without children				
<i>Average housing benefit per month per family, PPP-Euro</i>				
Married and cohabiting couples	146	240	190	68
- with children	56	144		
- without children				
Single people				
- with children	195	243	173	150
- without children	45	148	146	62

1 December 2004.

In Finland and Norway, also social assistance may be granted in cases where housing costs are high in relation to income.

At the beginning of the 1990s, there was a marked increase in the number of beneficiaries. This mainly applied to single providers due to an increase in the unemployment rate in several of the countries.

In Denmark, there has been an increase of some 25 per cent in the number of housing-benefit recipients from 1999 to 2004, despite the reform of the rules governing housing benefits, which were gradually implemented during that period. The amendment of the rules will result in an increase in that part of the rent costs, which the recipients of the housing benefits will have to pay themselves, as well as a reduction of the maximum income amount to which the benefit may be granted. The increase in the number of recipients of housing benefits that are awarded upon application is mainly a result of the increased construction of flats for rent, and that more people choose to live alone.

The number of housing-benefit recipients in Finland decreased as from 2000, as the majority of the students, who live in rented accommodation, were granted a housing supplement to their study grants instead of the ordinary housing benefits. In Sweden, childless households lost their entitlement to housing benefits as from 1996 in case the applicant was over 28 years of age, and many other childless

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Table 8.3 Families receiving housing benefits at the end of the years 1995-2004

	Denmark	Finland	Iceland ¹⁾	Norway	Sweden
<i>1995</i>					
Married and cohabiting couples	33 610	74 402	645	5 016	198 044
Single people	141 265	139 414	1 976	13 740	352 416
<i>2000</i>					
Married and cohabiting couples	33 619	33 359	780	5 360	50 016
Single people	136 051	136 993	3 681	17 982	195 368
<i>2003</i>					
Married and cohabiting couples	36 559	27 436	1 310	6 836	40 882
Single people	156 899	131 106	7 167	21 833	178 843
<i>2004</i>					
Married and cohabiting couples	33 354	25 786	1 284	6 822	41 295
Single people	166 241	133 138	8 062	22 154	179 500

Note: Further information see appendix 4 on www.nom-nos.dk

1 Figures for 1995 are from 1996.

households, who had received housing benefits according to special rules, also lost this benefit. As from 1997, a number of significant rules were introduced, which resulted in a decrease in the number of households receiving housing benefits. One of the most important changes is a new income-adjustment 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, the housing benefits scheme was gradually extended in that the requirements of the accommodation were reduced.

Housing Benefits to Pensioners

- Support to Pensioners with Low Incomes

In all the Nordic countries, with the exception of the Faroe Islands, housing benefits are payable to pensioners. The amount of the housing benefit depends on a pensioner's personal income, rent costs, etc.

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. To pensioners who live in housing society dwellings the support will be granted by way of a supplement (40 per cent) and a loan (60 per cent). A heating supplement may be granted

by way of personal supplements according to the Pensions Act to help cover heating costs. The benefit is payable

Table 8.4 Pensioners receiving housing benefits at the end of the years 1995-2004

	Denmark ¹⁾	Finland	Norway	Sweden ²⁾
1995	332 002	145 289	48 640	554 700
2000	330 738	152 464	82 818	458 337
2003	326 601	156 498	84 596	441 047
2004	330 817	158 968	81 881	431 000

Note: Further information see appendix 4 on www.nom-nos.dk

1 As from 2003 inclusive of new disability pensioners, who receive housing benefits according to the new rules as a result of the anticipatory-pension reform from 1 January 2003.

2 Inclusive of 126 210 people, who received sickness/activity allowance.

to both old-age and disability pensioners. Previously, housing benefits were granted according to the same rules to both types of pensioners (housing benefit), but after the reform of the disability pension scheme entered into force in 2003, new disability pensioners are granted housing benefits according to rules that are somewhat less lenient (rent subsidy) than those applying to retirement pensioners and disability pensioners in the old system.

In Finland, housing benefits may be granted on the grounds of age or entitlement to pension.

In Iceland, a supplement to the basic pension is payable to people living in Iceland. The benefit is not directly linked to the rent costs, but will mainly be granted to pensioners, who live alone and have a low income.

In Norway, housing benefits are payable to recipients of retirement, disability and survivor's 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 (NOK 135 538 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 qualifies for housing benefits for this group. Municipal rented accommodation and housing co-operatives qualify for housing benefits. This 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 disability pension and to 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.

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Table 8.5 Average housing benefit per month to pensioners, 2004

	Denmark ¹⁾	Finland	Norway	Sweden
<i>Average housing benefit per month to married or cohabiting pensioners</i>				
- KR/EUR	1 637	154	1 918	} 2 040 ²⁾
- PPP-Euro	166	134	174	
<i>Average housing benefit per month to single pensioners</i>				
- KR/EUR	2 057	145	1 405	} 194 ²⁾
- PPP-Euro	209	126	128	

- 1 As from 2003 inclusive of new disability pensioners, who receive housing benefits according to the new rules as a result of the disability-pension reform from 1 January 2003.
 2 Applies to both couples and single people (including recipients of sickness and activity benefits).

Expenditure on and Financing of Housing Benefits

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. Denmark spends the most followed by Sweden, while Iceland spends the least, followed by Norway. Both in Denmark and in Sweden, housing benefits play an important part for pensioners with low pension incomes, but particularly in Sweden, there are many single providers with low incomes who receive housing benefits.

Changes in the Social Expenditure on Housing Benefits from 2003 to 2004

In Denmark, the expenditure on rent subsidies to families and on housing benefits to pensioners increased from 2003 to 2004, primarily as a result of an increase in the number of recipients.

In Finland, the expenditure on general housing benefits increased by 1.4 per cent at constant prices, which was due to the number of households receiving benefits increasing by 363. Especially, the number of single recipients of housing benefits increased. Housing benefits to pensioners is in Finland part of

the pension system, and the expenditure is included in the expenditure on pensions in Chapter 7. A total of EUR 283 million was paid in housing benefits

In Iceland, the expenditure on housing benefits increased by 20.1 per cent at constant prices, which was due partly to an increase in the number of recipients and partly to a price increase in the housing market.

In Norway, the expenditure on housing benefits decreased by 11 per cent at constant prices. The decrease was due to benefits to individuals who live in their own homes and was partly due to extraordinary expenditure in 2003 due to high electricity prices.

In Sweden, the expenditure on housing benefits decreased by 0.4 per cent. This above all reflects the fact that the housing benefits have been frozen in the nominal amount. Thus the expenditure decreased slightly despite a certain increase in the number of recipients.

Table 8.6 Expenditure on and financing of housing benefits, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DDK	EUR	ISK	NOK	SEK
<i>Services, million</i>						
A. Housing benefit to people in rented housing	10 454	.	423	1 983	1 436	14 561
a. Of whom pensioners	8 026	.	-	-	495	7 442
B. Housing benefit to owner-occupiers	-	.	14	-	1 411	-
a. Of whom pensioners	-	.	-	-	228	-
Services, total	10 454	.	436	1 983	2 847	14 561
Total expenditure, million	10 454	.	436	1 983	2 847	14 561
Total expenditure per capita, PPP-Euro	197	.	73	63	57	155
Expenditure as percentage of the GDP	0.8	.	0.3	0.2	0.2	0.6
<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 2003-2004 in terms of 2004 prices</i>						
- Million	593	.	6	332	-353	-65
- Per cent	6.0	.	1.3	20.1	-11.0	-0.4

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 occur, however. It is difficult to compare the extent of the 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, the Faroe Islands, Iceland and Norway, 2003

Denmark	3.4	Austria	1.4	Italy	0.2
Faroe Islands	2.6	Belgium	1.8	Luxembourg	2.3
Finland	2.1	France	1.6	The Netherlands	4.9
Iceland	2.3	Germany	1.7	Portugal	1.5
Norway	2.4	Greece	2.3	Spain	0.9
Sweden	2.2	Ireland	2.4	United Kingdom	0.9

Note: See Table 4.1.

Special Circumstances in the Individual Countries

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

In Denmark, 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 in accordance with the labour-market legislation - and often also supplementary financial assistance.

In all the countries, social assistance falls under special legislation.

In all the countries, there are a number of special benefits that are placed under Other Social Benefits, such as assistance towards payment of removal

expenses in Denmark, support to servicemen in Finland, assistance to nationals living abroad and support towards payment of non-recurrent expenses.

In all the Nordic countries, wage earners may receive their wages from special wage earners' guarantee funds in the event that insolvency of their employers makes it impossible for them 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 awarded and granted according to need in order to meet costs of living. In all the countries, the 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 the Faroe Islands, Finland, Norway and Sweden, it is a tax-free net benefit.

In Denmark, cash assistance to people, who are obliged to provide for children, equals about 80 per cent of the maximum rate of the unemployment benefit. For non-providers, the assistance equals about 60 per cent of the unemployment benefit. Young people under the age of 25, who do not have any children living with them, 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.

With a view to ensure that it pays better to work, a ceiling was introduced in 2003 in relation to the entire assistance by way of cash benefits, special

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benefits and rent subsidies after six months' receipt of cash benefits. Besides, cash benefits to married couples will be reduced after six months at the same time as the employment deduction will be increased. Besides, the cash benefits to young people under 25 will be reduced after six months to a level corresponding to the State education grants and loans.

As from July 1 2002, a condition for being awarded the full cash assistance amount is that one has been a resident in the country for at least seven out of the past eight years. People, who do not comply with this requirement, are entitled to the so-called start assistance, which is lower than the cash assistance. Local authorities may furthermore grant assistance based on need to non-recurrent expenses, removals, medical treatment, medicine, dental treatment and the like, to cash assistance recipients and to others, who are unable to pay the costs.

In case a recipient of cash assistance rejects an offer of work or activation without reasonable course and is not available for work, the local authorities may discontinue payment of the assistance. In case a recipient of cash assistance rejects an offer of activation or fails to appear without reasonable course when he has been offered activation, the local authorities may reduce the assistance by up to one third.

In the Faroe Islands, assistance granted in accordance with the Welfare Act is divided into temporary and permanent assistance. Temporary assistance will be provided in cases of illness, divorce or lack of working opportunities. The benefit is based on need. Permanent assistance will be awarded at an amount corresponding to the one retirement pensioners, who have no other income, receive with a supplement for each child corresponding to the child supplement according to the Pension Act.

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 in time to prevent people from getting into financial difficulties. In case a person on several occasions refuses to accept a job offer or training, the social assistance may be reduced by 20 or 40 per cent.

In Iceland, local authorities are obliged to pay out social assistance to those unable to provide for themselves. The Ministry of Social Affairs has drawn up guidelines for what should be taken into consideration in connection with the award.

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 general forms of income, such as income from work, public and private pensions, family provision, family allowances, cash

benefits, governmental housing benefits and other financial options, must be exhausted in full before social assistance becomes payable. The Government has drawn up recommended guidelines for the award of the support, which include the expenditure on the current, daily costs towards maintenance. These guidelines are a recommended starting point for the estimates that local authorities have to make. 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 would otherwise not qualify for social assistance.

Table 9.2 Rules governing award of social assistance, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Social assistance payable as a fixed amount?	Yes	Yes	Yes ³⁾	Yes ⁴⁾	No	No ⁵⁾
Social assistance calculated individually by local authorities?	No	No	Yes	No	Yes	Yes
Do housing costs influence the amount of the social assistance?	No ¹⁾	Yes	Yes	No	Yes	Yes
Social assistance taxable?	Yes	No	No	Yes	No	No
Social assistance payable as a supplement to other social benefits?	Yes	Yes	Yes	Yes	Yes	Yes
Social assistance payable as a supplement to income from work?	No ²⁾	Yes	Yes	Yes	Yes	Yes

1 The amount of the cash benefits depends on the rent. Cash-assistance recipients, who have high net costs for rent are granted a special allowance, e.g. when the rent, etc., after deduction of housing benefits exceeds the fixed amount limits.

2 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 such as for example unemployment or dissolution of marriage or co-habitation.

3 Each year, a "national standard" is calculated, which local authorities apply when calculating the social assistance, cf. the text above. Local authorities may also award a so-called preventive social assistance individually.

4 In 2004, the maximum amount for single people over 18 years was ISK 77 083 and for co-habiting couples ISK 123 333 in the municipality of Reykjavik. Income in the month in which an application is submitted as well as in the month before that will be deducted from the amount - with the exception of child allowance and housing benefit.

5 Central Government fixes national standards each year for the entire country concerning the usual subsistence expenses. Besides, one may be granted social assistance towards payment of reasonable rent and certain other needs.

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In Sweden, the purpose of the social assistance, which is called "financial assistance", is twofold: if the need cannot be met in any other way, the social assistance must partly serve to guarantee a family a reasonable financial standard of living, and partly as a preventive and rehabilitating measure. The local authorities usually offer unemployed social assistance recipients measures that prepare them for work. Those, who are fit to work, but who do not apply for work or accept work offers or the like, will often lose their entitlement to financial assistance. Central Government will each year fix national standards concerning the usual subsistence expenses, such as food, clothing and consumer goods, have been drawn up. Usual subsistence expenses also include rent and transport. The majority of the social assistance is granted towards payment of such expenses. Social assistance may also be granted for other purposes, such as dental treatment, medical treatment, glasses, equipment in the home and removal expenses. 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 granted provided it will be paid back later, for example to students during the summer period.

Table 9.3 shows the disposable income per month after tax, payment for day-care institution and rent when receiving social assistance in respect of the various family types. Figures 9.1 and 9.2 show the compensation levels for a single person without children and a couple with children, respectively. The amount, which singles and couples have to live for when they receive social assistance, varies somewhat from one Nordic country to another, where the amount is largest in Denmark and Iceland and smallest in Sweden. For single people without children, the compensation level is highest in Sweden and Norway for the lowest income groups, while it in all the countries is much lower in respect of people, who previously had high incomes. This also applies to couples with two children, where the compensation level for the lowest incomes apart from Norway and Sweden, however, is also relatively high in Denmark.

Table 9.3 Disposable monthly income after tax, payment for day-care institution and rent when receiving social assistance (December) 2004

	Denmark ¹⁾	Finland	Iceland ¹⁾	Norway	Sweden
<i>National currency</i>					
Single provider with 1 child	8 885	580	77 338	5 720	5 130
Single childless person	4 691	351	43 978	4 140	3 370
Couples with 2 children	11 666	1 057	85 972	10 040	9 440
Childless couple	8 451	609	79 134	6 880	5 640
<i>PPP-Euro</i>					
Single provider with 1 child	899	502	716	520	489
Single childless person	475	305	407	376	321
Couples with 2 children	1 180	916	796	912	900
Childless couple	855	528	733	625	538

1 The benefit is the same as for non-insured unemployed people but in this calculation rent has been included as an expense.

Table 9.4 Individuals receiving social assistance during the year, in thousands and as percentages of the population 16/18 years or over, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>Thousands</i>	185.3	1.0	294.8	6.1	154.7	276.4
<i>As percentages of the population 16/18 years or over</i>	4.4	3.0	7.1	2.8	4.4	3.9

Note: Calculations based on all people of 18 years and over (in Iceland 16 years in 1995) - children not included. Married couples who receive social assistance, and where the assistance is payable to one of the spouses only, count as two individuals. In respect of Norway, the figures for 2003 include recipients of the introduction benefit and so cannot be directly compared with those from previous years. In Sweden and Iceland, children over 18 years living at home also count as assistance recipients. The figures for Denmark include recipients of cash assistance payable towards maintenance (including refugees), but 11 471 recipients of the introduction benefit to refugees in 2004 have not been included. Activated cash assistance recipients are included under labour-market measures. The statistics concerning cash assistance recipients were changed as from 2004, for which reason the figures cannot be compared with those from previous years. The Swedish figures include refugees.

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Table 9.5 Number of individuals over the age of 16/18, who receive social assistance, in total and as percentages of the population, per 1 December, 1995-2004

	Denmark	Faroe Islands	Finland	Iceland ¹⁾	Norway ²⁾	Sweden ³⁾
<i>Total number</i>						
1995	97 399	..	170 058	..	76 054	..
2000	82 020	0.5	147 824	1 841	63 732	..
2003	85 187	0.4	132 634	2 372	70 305	127 440
2004	94 516	0.3	130 329	2 095	70 053	135 472
<i>As percentages of the population</i>						
1995	2.4	..	4.5	..	2.3	..
2000	2.0	1.5	3.7	0.9	1.9	..
2003	2.0	1.3	3.2	1.1	2.0	1.8
2004	2.3	0.8	3.2	1.0	2.0	1.9

Note: Further information see appendix 4 on www.nom-nos.dk.

- 1 The statistics concerning cash assistance recipients were changed as from 2004, for which reason the figures cannot be compared with those from previous years.
- 2 Average number of persons in households receiving social assistance per month.
- 2 In respect of Norway, the figures from 2003 include recipients of introduction benefits and so cannot be directly compared with figures from before 2003.
- 3 People in socially assisted households, who received assistance in November.

Table 9.6 Individuals receiving social assistance during the year, by age, in total and as percentages of their age groups, 2004

	Recipients		Recipients in per cent according to age			
	Total	18-24 years	25-39 years	40-54 years	55-64 years	65+ years
<i>Denmark¹⁾</i>						
Recipients, total	182 744	11.2	7.0	4.1	1.1	0.2
New, total	67 381	6.2	2.4	1.1	0.3	0.0
<i>Faroe Islands</i>						
Recipients, total	1 038	6.3	4.5	2.5	1.7	0.2
New, total	43	14.0	18.0	9.0	1.0	1.0
<i>Finland</i>						
Recipients, total	294 827	15.6	9.2	7.5	4.3	1.8
New, total	93 978	6.4	2.8	1.9	1.1	0.8
<i>Iceland</i>						
Recipients, total	6 084	5.6	3.8	2.5	1.3	0.5
New, total	2 637	2.5	1.6	1.1	0.7	0.3
<i>Norway²⁾</i>						
Recipients, total	154 909	8.0	6.5	4.5	2.1	0.9
New, total	50 715	3.4	2.1	1.3	0.6	0.2
<i>Sweden³⁾</i>						
Recipients, total	276 374	10.1	5.3	4.6	1.1	0.7
New, total	87 726	3.6	1.6	1.3	0.3	0.4

1 Exclusive of 2 629 recipients, whose family type is not stated. Besides, the statistics on the number of cash assistance recipients were changed as from 2004, for which reason the figures cannot be compared with those from previous years.

2 In respect of Norway, the figures from 2003 and 2004 include recipients of the introduction benefit and so cannot be directly compared with those from previous years.

3 Includes only people who have a full personal identification number.

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Figure 9.1 Disposable income per month less tax and rent for single childless people when receiving social assistance (December) 2004

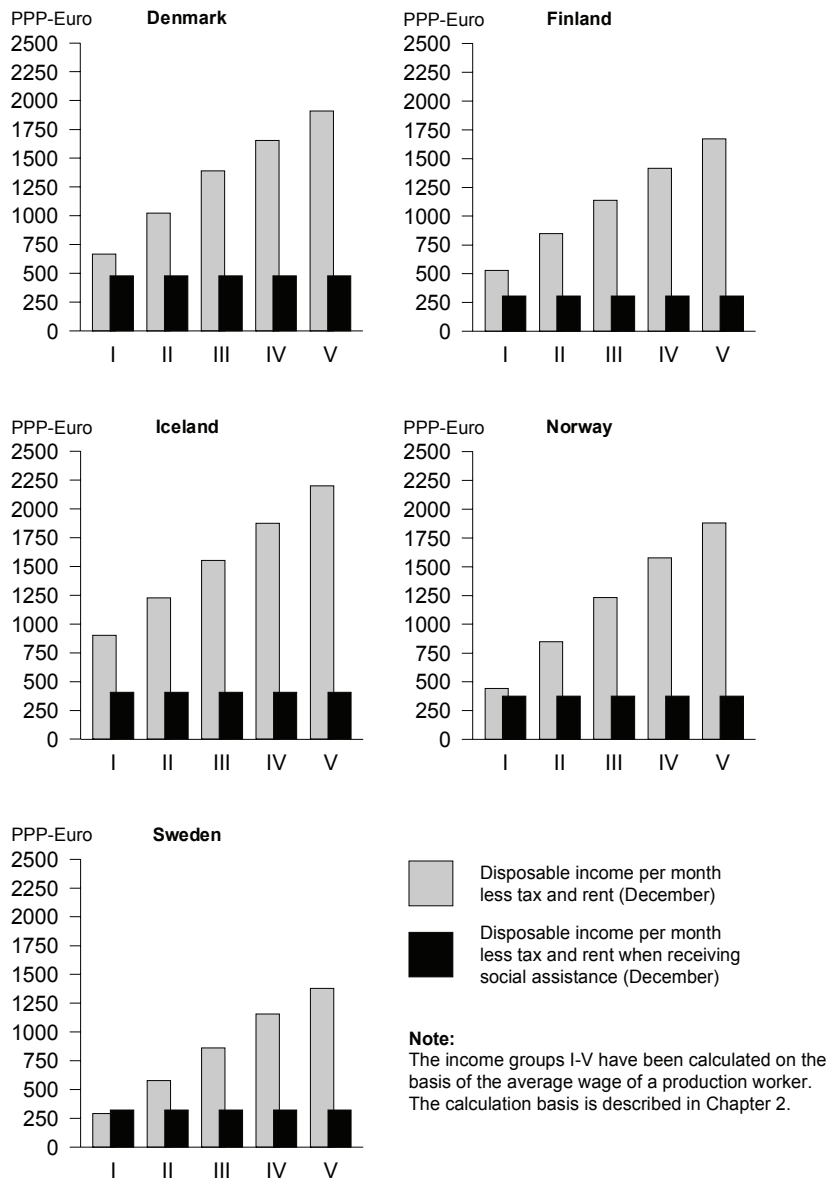
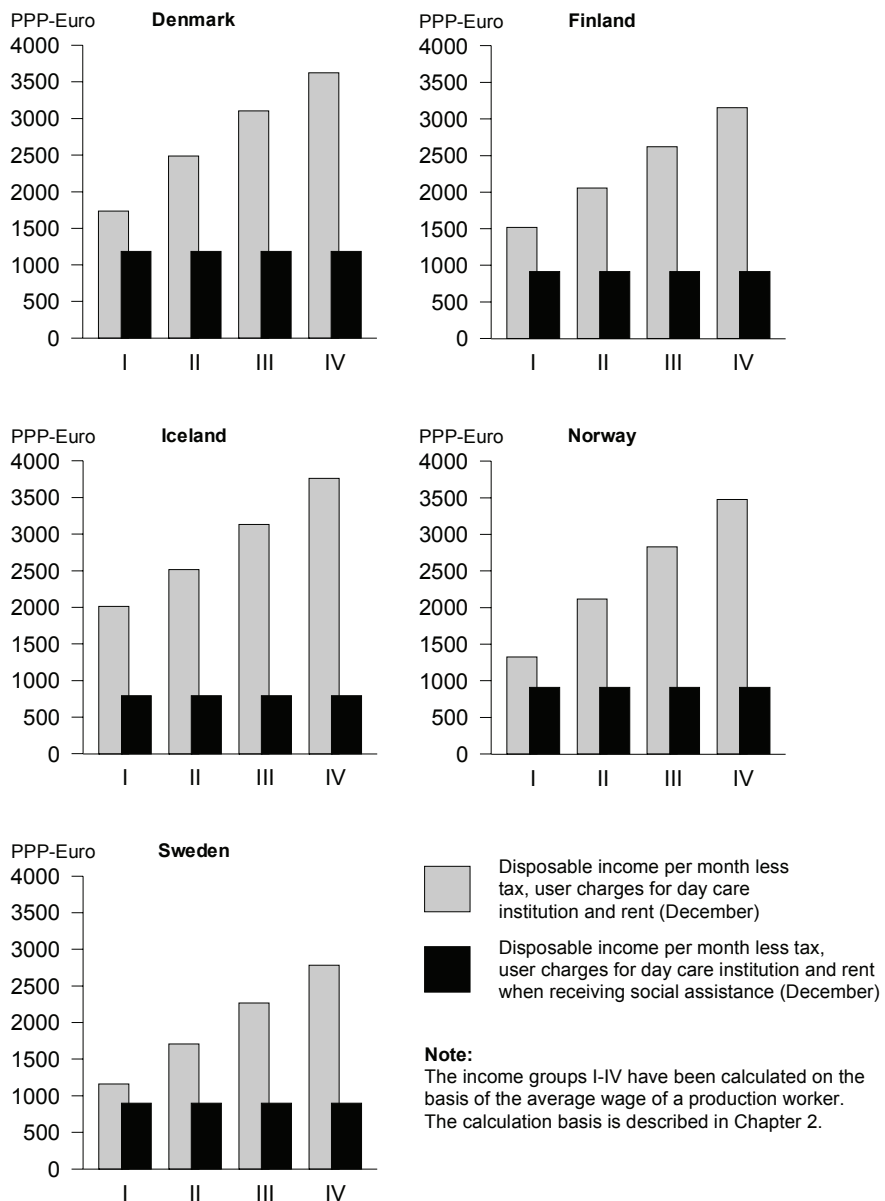


Figure 9.2 Disposable income per month less tax, payment for day care institution and rent for a couple with two children when receiving social assistance (December) 2004



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Figure 9.3 Recipients of social assistance during the year as percentages of the population 16/18 years and more, 1995-2004

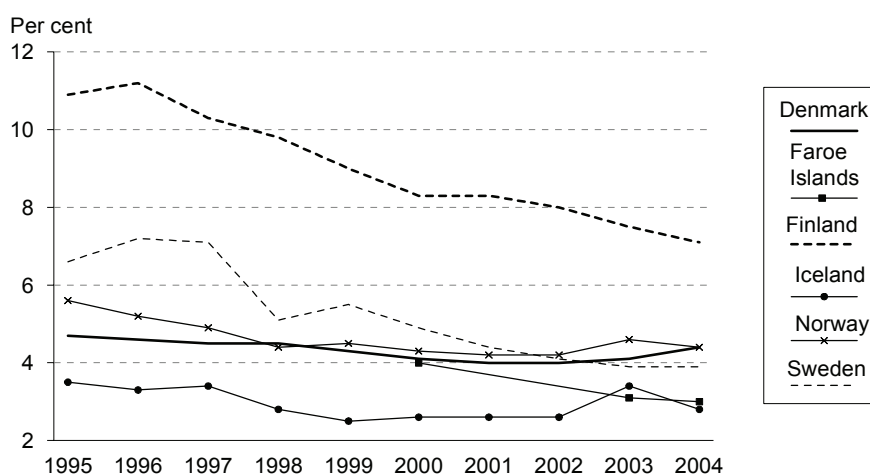


Table 9.7 Families, who received social assistance during the year as percentages of all families, by type of family, 2004

	Denmark	Finland	Iceland	Sweden
<i>Families by type (per cent)</i>				
Single men	6.0	11.3	11.5	7.2
- with children	19.2	28.1	21.3	16.0
- without children	3.8	9.1	6.3	5.2
Single women	8.5	14.9	12.9	9.2
- with children	10.2	18.4	39.4	9.2
- without children	8.5	14.8	12.3	9.2
Married/cohabiting couples	5.4	3.6	0.7	1.4
- with children	8.7	5.3	0.9	2.6
- without children	3.2	2.6	0.4	1.4
Total	6.4	8.9	5.2	5.3
- with children	10.5	9.6	5.5	4.6
- without children	5.1	8.7	5.0	5.6

Note: Cf. Table 9.4. Figures for Denmark exclude 2 629 people, whose family type has not been specified. Figures for Sweden comprise only households where the registered person is between 18 and 64 years. The total number of households is an estimate.

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 their close relatives, the so-called reunification of families.

A common feature of the Nordic countries is that a social safety net has been established and that a number of measures for the integration of refugees received into the country have been implemented. The rules do, however, vary considerably from one country to another.

At present, most of the asylum seekers or refugees 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. Reunifications 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 as refugees.

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, who came to Denmark before 1 July 2002, are awarded an introduction benefit that corresponds to the cash benefits. Foreigners, who came to Denmark after 1 July 2002, and who do not comply with the requirement of having stayed in Denmark for at least seven out of the past eight years, are awarded a lower introduction benefit, which equals the so-called start assistance. Central Government reimburses 75 per cent of the local authorities' expenditure on introduction benefits during the

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3-year introduction programme and furthermore grants a number of supplements towards payment of the local authorities' expenditure.

The refugee policy in the Faroe Islands is a Danish matter. The Danish Aliens Act has been implemented in the Faroe Islands. The Danish Immigration Service is the highest responsible authority in this field and makes decisions concerning asylum and residence permits in the Faroe Islands. Decisions are, however, made in co-operation with the Faroese authorities. These cases are very rare in the Faroe Islands, and until now years have passed between each application for asylum or residence permit on humanitarian grounds.

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

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

In Norway, asylum seekers and refugees who have been received in a government reception centre are granted a maintenance allowance according to special rules that apply to people staying at such centres. For individuals, whose asylum has been denied, the allowance will be reduced. 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.

A scheme was introduced entitling and obliging newly arrived immigrants with needs for basic qualifications to partake in an individually planned training programme. The introduction scheme was implemented as a voluntary scheme for the municipalities from September 2003 and as a compulsory scheme from 1 September 2004. The programme runs for a year and is full time. Participation entitles to a benefit of NOK 120 118 in 2004. The benefit is taxable. The programme contains courses in Norwegian, civics and other measures. As a supplement to the benefit, supplementary social assistance may be awarded according to the current rules.

In Sweden, refugees receive a benefit from Central Government during their stay in the reception centres for refugees while they await a reply to their applications. From the moment they are received into the country and the initiated introduction, refugees are entitled to a special benefit by way of social assistance or an introduction benefit to refugees. Central Government reimburses the local authorities' expenditure on this benefit for the first four years.

Table 9.8 Number of refugees received, exclusive of reunification of families, who have been granted residence permits in the Nordic countries, 1995-2004

	Denmark	Finland	Iceland	Norway	Sweden
1995	20 347	1 129	5	4 602	5 642
2000	5 156	1 028	31	4 434	10 546
2003	2 447	909	3	4 938	8 115
2004	1 592	1 662	3	4 889	9 074

Table 9.9 Number of asylum seekers, 1995-2004

	Denmark	Finland	Iceland	Norway	Sweden
1995	5 104	854	4	1 460	9 047
2000	10 347	3 170	25	10 842	16 303
2003	2 767	3 221	80	15 614	31 355
2004	1 633	3 861	76	7 950	23 161

Services

This section deals only 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, re-establishment centres, 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 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 Other Social Benefits

Expenditure on other social benefits is highest in Denmark, followed by Norway and Sweden, while the Faroe Islands, Finland and Iceland are largely at identical levels, 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 amongst the countries as to whether abusers are treated in special institutions or in the general somatic and psychiatric treatment system.

Changes in the Expenditure on Other Social Benefits from 2003 to 2004

In Denmark, there has been an increase in the expenditure on cash benefits under other social benefits from 2003 to 2004. The increase is a result of altered ways of calculating the expenditure on cash benefits, as the expenditure on young cash-assistance recipients during the referral period before activation as from 2004 is registered together with the other cash assistance benefits during passive period under Other Social Services, while they were so far registered under activated cash-assistance recipients under unemployment. In return, there was a decline in the expenditure on the introduction benefit, etc., to refugees in accordance with the Act on Integration as a result of the decreased number of refugees. The expenditure on services increased from 2003 to 2004, including the expenditure on treatment of abusers.

In Finland, the expenditure on other social benefits declined by 0.6 per cent at constant prices. This was due to the number of recipients of social assistance decreasing by 23 100 individuals, and the expenditure dropping by 6.6 per cent at constant prices. The expenditure on treatment of abusers increased by 8.4 per cent.

In Iceland, the expenditure on other social benefits increased by 17.9 per cent at constant prices, where cash benefits increased by 1.3 per cent and services by 37.7 per cent. The increase in the expenditure on services was partly concerning institutions for abusers and partly social guidance and other unspecified municipal services.

In Norway, the expenditure on other social services increased by 11.1 per cent. The increase is above all due to rehabilitation and treatment of abusers as a result of the fact that the health sector as from 2004 has been given a considerably larger responsibility for prevention, treatment and reduction of injuries of alcohol abusers.

In Sweden, the expenditure increased by 2.3 per cent at constant prices. The increase was a result of the expenditure on social assistance increasing by 4.6 per cent. Following the decrease in the number of social assistance recipients since 1997, the expenditure increased due to an increase in the unemployment rate.

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Table 9.10 Expenditure on and financing of other social benefits, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
	DKK	DKK	EUR	ISK	NOK	SEK
<i>Cash benefits, millions</i>						
A. Income-substituting/ supplementing benefits	10 142	53	438	1 762	5 402	8 687
a. Of which social assistance	-	53	424	1 706	5 133	8 687
B. Other benefits	2 171	-	17	739	288	1 326
Cash benefits, total	12 313	53	455	2 501	5 690	10 013
<i>Services, millions</i>						
A. Institutions, etc.	870	2	87	-	756	45
B. Rehabilitation and treatment of abusers	967	10	128	838	2 543	4 243
C. Other	949	2	141	2 025	2 283	3 270
Services, total	2 786	13	356	2 863	5 582	7 558
Total expenditure, millions	15 099	66	811	5 363	11 273	17 571
Expenditure as percentage of the GDP	1.1	0.7	0.6	0.7	0.7	0.7
<i>Financed by (per cent)</i>						
- Public authorities	99.2	100.0	97.9	93.2	98.3	100.0
- Employers	0.8	0.0	2.1	3.9	1.0	0.0
- The insured (contributions and special taxes)	0.0	0.0	0.0	2.9	0.7	0.0
<i>Changes 2003-2004 in terms of 2004 prices</i>						
- Million	632	2	-5	815	1 131	392
- Per cent	4.4	3.1	-0.6	17.9	11.1	2.3

**Table 9.11 Expenditure on other social benefits and services in
PPP/capita, 2004**

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
Cash benefits, total	232	112	76	80	113	107
Services, total	53	28	59	92	111	80
Other social benefits, total	285	140	135	172	224	187

Chapter 10

Social Expenditure

Following a description in the previous chapters of the social protection systems, an overall description of the social expenditure is presented in this chapter. As mentioned in Chapter 2, the Nordic social expenditure statistics follow the calculation method used by EUROSTAT.

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, the Faroe Islands, Iceland and Norway, 2003

Denmark	30.0	Austria	28.6	Italy	25.4
Faroe Islands	24.8	Belgium	26.9	Luxembourg	23.3
Finland	26.1	France	29.1	The Netherlands	26.3
Iceland	23.5	Germany	29.1	Portugal	22.6
Norway	27.1	Greece	25.4	Spain	19.2
Sweden	32.3	Ireland	15.8	United Kingdom	25.9

Note: See Table 4.1.

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Table 10.2 Social expenditure per capita in the EU, the Faroe Islands, Iceland and Norway, 2003. PPP/Euro

	Families and children	Unemployment	Illness	Old age, disability and survivors	Housing benefits	Other social benefits	Total
Denmark	1 043	775	1 616	3 996	183	268	7 881
Faroe Islands	868	146	1 431	2 496	-	134	5 075
Finland	728	628	1 593	3 361	73	135	6 348
Iceland	806	148	2 145	2 663	50	137	5 949
Norway	1 004	270	2 954	4 060	64	204	8 557
Sweden	754	469	2 095	4 325	147	173	7 963
Austria	555	887	1 925	3 644	0	119	6 757
Belgium	630	551	2 130	3 363	203	109	6 986
France	324	253	1 171	2 470	102	101	4 422
Germany	350	442	2 234	3 655	94	347	7 121
Greece	738	388	1 927	1 303	146	111	4 615
Ireland	238	105	1 491	3 951	5	10	5 800
Italy	1 888	450	2 649	5 410	59	241	10 698
Luxembourg	248	207	1 091	2 183	0	58	3 788
The Netherlands	123	544	1 256	2 092	34	37	4 087
Portugal	454	180	1 954	3 586	369	61	6 605
Spain	719	589	1 892	3 463	53	115	6 830
United Kingdom	805	444	1 849	4 238	24	103	7 464

Note: See Table 4.1.

The account of the social expenditure has been divided into four sections. First, an account is given of the social expenditure trends from 1995 to 2004; then the purposes of the social expenditure are described, followed by the financing of the total social expenditure and finally, the significance of taxation in relation to the total social expenditure is shown.

Changes in the Social Expenditure, 1995-2004

The development in the social expenditure, in total and per capita, at current and at constant prices and in relation to the gross domestic product (GDP) and in purchasing power parities (PPP-Euro) since 1995, 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 of the gross domestic products.

SOCIAL EXPENDITURE
Table 10.3 Social expenditure, in total and per capita, 1995-2004

	Social expenditure		Social expenditure per capita		Social expenditure per capita aged 15-64 years	
	At current prices, million KR/EUR	At 2004 prices, million KR/EUR	At current prices KR/EUR	At 2004 prices KR/EUR	At current prices KR/EUR	At 2004 prices KR/EUR
<i>Denmark</i>						
1995	325 634	395 320	62 223	75 538	92 352	112 116
2000	373 495	404 480	69 948	75 751	104 894	113 596
2003	432 589	437 635	80 300	81 237	121 137	122 550
2004	450 363	450 363	83 599	83 599	125 977	125 977
<i>Faroe Islands</i>						
1995	..	..	..	..	..	..
2000	..	..	..	..	..	..
2003	2 480	2 498	51 716	52 081	81 660	82 237
2004	2 621	2 621	54 277	54 277	85 402	85 402
<i>Finland</i>						
1995	30 200	34 337	5 913	6 723	8 857	10 070
2000	33 142	34 891	6 403	6 741	9 567	10 071
2003	38 716	38 784	7 427	7 440	11 114	11 133
2004	40 567	40 567	7 759	7 759	11 628	11 628
<i>Iceland</i>						
1995	85 984	116 422	321 580	435 419	499 834	676 776
2000	131 390	154 832	467 324	550 702	717 535	845 555
2003	193 296	199 484	668 217	689 608	1 019 690	1 052 332
2004	210 372	210 372	719 008	719 008	1 092 225	1 092 225
<i>Norway</i>						
1995	253 620	305 105	58 181	69 991	90 091	108 379
2000	360 341	387 045	80 237	86 183	123 766	132 938
2003	433 862	436 037	95 044	95 520	145 568	146 298
2004	451 587	451 587	98 344	98 344	150 231	150 231
<i>Sweden</i>						
1995	612 633	670 833	69 405	75 998	108 988	119 341
2000	674 658	722 141	76 041	81 393	118 252	126 575
2003	817 891	820 890	91 301	91 635	140 270	140 785
2004	846 487	846 487	94 122	94 122	144 586	144 586

SOCIAL EXPENDITURE
Table 10.4 Social expenditure in relation to the GDP, 1995-2004¹⁾

	GDP, million KR/EUR	Social expenditure as percentage of the GDP	Index for social expenditure in relation to the GDP (1995=100)
<i>Denmark</i>			
1995	1 009 545	31.9	100
2000	1 293 964	28.9	90
2003	1 409 163	30.7	96
2004	1 467 311	30.7	96
<i>Faroe Islands</i>			
1995	5 322	..	..
2000	10 182	22.8	..
2003	9 900	25.1	..
2004	9 764	26.8	..
<i>Finland</i>			
1995	95 916	31.5	100
2000	132 272	25.1	80
2003	145 938	26.5	84
2004	151 935	26.7	85
<i>Iceland</i>			
1995	452 139	19.0	100
2000	660 975	19.9	105
2003	797 487	24.2	127
2004	916 765	22.9	121
<i>Norway</i>			
1995	928 745	27.3	100
2000	1 423 864	25.3	93
2003	1 687 983	25.6	94
2004	1 906 062	23.7	87
<i>Sweden</i>			
1995	1 772 021	34.6	100
2000	2 196 764	30.7	89
2003	2 438 447	33.5	97
2004	2 573 176	32.9	95

1 The GDP has been revised in relation to the previous report.

Table 10.5 Social expenditure per capita, 1995-2004 (PPP-Euro in terms of 2004 prices)

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
1995	7 672	..	5 826	4 032	6 359	7 247
2000	7 694	..	5 841	5 099	7 829	7 761
2003	8 426	5 353	6 505	6 519	8 858	8 901
2004	8 590	5 552	6 736	6 657	8 948	9 008

Social Expenditure by Type and Purpose

The social expenditure is broken down by type into cash benefits and services. By distributing the benefits according to purpose, a 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. The comparison of the countries shows some differences in the distribution of the social expenditure according to purpose. The main reason for this may to some extent be attributed to differences in the individual countries' assessment of the importance of benefits for various purposes.

SOCIAL EXPENDITURE
Table 10.6 The social expenditure in per cent, broken down by main groups, 1995-2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>1995¹⁾</i>						
Families and children	12.4	..	13.4	12.9	14.1	11.4
Unemployment	14.7	..	14.4	4.4	6.7	11.1
Illness	17.8	..	20.9	37.9	26.3	21.7
Old age	37.6	..	28.9	27.2	31.2	34.3
Disability	10.6	..	15.0	11.6	14.7	12.1
Survivors	0.1	..	3.8	2.8	1.5	2.4
Housing	2.4	..	1.5	0.4	0.7	3.4
Other social benefits	4.4	..	2.1	2.8	3.8	2.9
Total	100.0	..	100.0	100.0	100.0	100.0
<i>2000</i>						
Families and children	13.1	..	12.5	11.7	12.8	9.8
Unemployment	10.5	..	10.4	1.3	2.7	6.5
Illness	20.2	..	23.8	39.2	34.3	27.4
Old age	38.0	..	31.8	28.5	29.6	37.3
Disability	12.0	..	13.9	13.9	16.4	12.2
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
<i>2003</i>						
Families and children	13.2	16.9	11.4	13.6	11.7	9.5
Unemployment	9.8	3.3	9.9	2.5	3.1	5.9
Illness	20.5	29.5	25.1	36.2	34.5	26.3
Old age	37.2	30.5	33.2	27.4	28.5	37.9
Disability	13.5	16.5	13.3	14.3	17.8	14.2
Survivors	0.0	0.6	3.8	2.8	1.2	2.3
Housing	2.3	0.0	1.1	0.8	0.8	1.8
Other social benefits	3.4	2.6	2.2	2.3	2.4	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
<i>2004</i>						
Families and children	13.0	17.1	11.4	14.0	11.9	9.6
Unemployment	9.5	4.3	9.8	2.5	3.1	6.2
Illness	20.6	28.4	25.5	34.8	33.1	25.4
Old age	37.2	31.2	33.3	28.0	28.7	37.9
Disability	13.9	15.9	13.2	14.7	18.7	14.8
Survivors	0.0	0.7	3.7	2.6	1.2	2.2
Housing	2.4	0.0	1.1	1.0	0.6	1.8
Other social benefits	3.5	2.6	2.1	2.6	2.5	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Further information see appendix 4 on www.nom-nos.dk

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

Table 10.7 Social expenditure, in per cent, broken down by type and purpose, 2004

	Denmark	Faroe Islands	Finland	Iceland	Norway	Sweden
<i>Families and children</i>						
Cash benefits	41	53	56	45	58	52
Services	59	47	44	55	42	48
Total	100	100	100	100	100	100
<i>Unemployment</i>						
Cash benefits	96	99	91	87	85	88
Services	4	1	9	13	15	12
Total	100	100	100	100	100	100
<i>Illness</i>						
Cash benefits	16	9	19	20	35	26
Services	84	91	81	80	65	74
Total	100	100	100	100	100	100
<i>Old age</i>						
Cash benefits	83	64	89	70	74	78
Services	17	36	11	30	26	22
Total	100	100	100	100	100	100
<i>Disability</i>						
Cash benefits	69	44	74	68	82	60
Services	31	56	26	32	18	40
Total	100	100	100	100	100	100
<i>Survivors</i>						
Cash benefits	1	-	100	100	98	100
Services	99	-	0	0	2	0
Total	100	100	100	100	100	100
<i>Housing</i>						
Services	100	100	100	100	100	100
Total	100	100	100	100	100	100
<i>Other social benefits</i>						
Cash benefits	82	80	56	47	50	57
Services	18	20	44	53	50	43
Total	100	100	100	100	100	100
<i>Cash benefits, total</i>	61	45	64	49	60	59
<i>Services, total</i>	39	55	36	51	40	41
<i>Social expenditure, total</i>	100	100	100	100	100	100

Note: Further information see appendix 4 on www.nom-nos.dk.

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 pension payments, 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*³

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 and employers, the contributions and special taxes payable by the insured as well as interest and capital gains (other financing). As mentioned in Chapter 2, social costs are listed as net amounts, which means that investments, etc., and user charges payable by the citizens for social services have not been included.

There are many similarities in the financing of the social security systems in the Nordic countries but also major differences.

One of the similarities is that Central Government, directly or indirectly, through compulsory employer duties or duties payable by the employees, plays a significant part when it come to the financing of cash benefits, whereas the local authorities play the most important part in the financing of services.

Even in the latter case, Central Government plays a significant part by way of the general government grants that are not earmarked. The public authorities' (State, counties and municipalities) direct financing of the social cash benefits vary from about 75 per cent in the Faroe Islands to about 10 per cent in Iceland, while the public authorities' direct financing of services vary from 99.8 per cent in Denmark to about 89 per cent in Finland.

In all the Nordic countries, the local authorities are responsible for the day-to-day running of services such as child-minding, child and youth welfare, the health sector and care and nursing provided to the elderly and the disabled. In Norway and Iceland, the State is responsible for the hospital sector.

³ Further information see appendix 4 on www.nom-nos.dk

In Denmark, local authorities are responsible for the administration of the cash benefits, while the responsibility in the other countries rests with Central Government.

All the Nordic countries have high ambitions as regards the social sector, which entails that the financing comprises very large amounts with both large macro-economic and budgetary significance.

The fiscal quotas, i.e. the sum of the direct and the indirect taxes as a proportion of the GDP, are generally high and among the highest in the world.

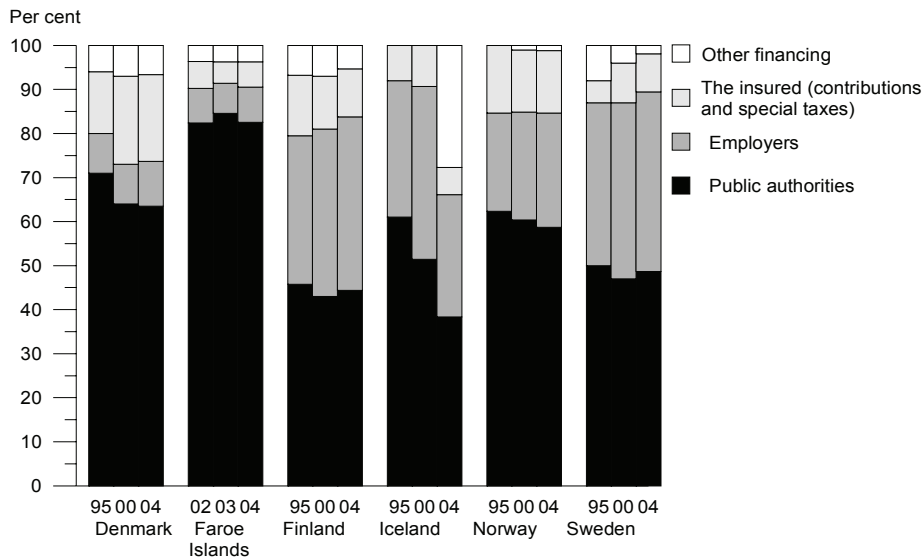
In spite of the many common traits, there are, however, considerable differences.

It should be mentioned that Finland and Sweden to a higher degree than the other countries, rely on employer duties in the financing of the social cash benefits. More than half of the cash benefits are in those two countries financed by means of duties payable by employers. The share payable by the employees is highest in Denmark. The local authority financing of the cash benefits is in general limited. It is highest in Denmark, where Central Government does not fully reimburse the local authorities their expenditure on cash benefits.

In respect of the financing of the social services, the most significant difference is the distribution of the burden between Central Government and the local authorities. This reflects the government grants' importance to the financing, and to which extent the grants are general or earmarked. In Denmark and Sweden, where the grants are mainly general, the local authorities finance the majority of the expenditure on services. In Finland, which has a high proportion of grants distributed on sectors, Central Government's proportion of the financing is considerably higher.

The distribution of current contributions to the financing of the social expenditure during the years 1995-2004 is shown in Figure 10.1.

Figure 10.1 Current contributions to the financing of the social expenditure, 1995, 2000 and 2004



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 the citizens and recipients of social benefits, and in the first instance they also meet the costs of services and benefits.

Local and county authorities receive block grants and/or reimbursements 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 individual 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 administer 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 administered by government or other central bodies.

The local or county authorities that meet the costs in the first instance and subsequently receive block grants from Central Government in all Nordic countries administer the majority of the social services.

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 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 employment pensions, is currently financed via the public budget, and the expenditure is consequently excluded from Table 10.8. The Social Security Fund is an independent, public fund and does not contribute directly to the financing of the running costs of the social security service.

Table 10.8 Size of funds for pension purposes, December 2004. Billion KR/EUR

	Basic pension	Employment pension	Supplementary pension
<i>Denmark</i> ¹⁾	.	357	378
<i>Finland</i>	0,2	88	11
<i>Iceland</i>	.	987	.
<i>Sweden</i> ²⁾	..	646	..

1 The employment pension includes ATP, the temporary pension-savings scheme and the special pension-savings scheme, but not the Employees' Capital Pension Fund.

2 Comprises only the AP funds.

Taxation Rules and the Impact of Taxation on the Social Expenditure

Social cash benefits may be either exempt from tax or subject to tax. In all the countries, it is of great importance 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 in recent 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.

In Table 10.9, the tax percentages, including the social expenditure for a single childless person with an average production worker's pay (APW100) have been included. The data have been taken from typical cases 0 and 0.1-0.6 (cf. the NOSOSCO homepage: www.nom-nos.dk).

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

The table illustrates the taxation differences amongst 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 so 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.

The majority of the social cash benefits are taxable in the Nordic countries.

In several other OECD countries, a large part of the cash benefits is not subject to tax, or there are favourable tax rules concerning this type of income. Consequently, the tax system compensates in this way for low social cash benefits.

In several countries, tax relief instead of direct cash benefits is granted on social grounds. Tax relief for children will for example be equivalent to child supplements.

In the Nordic countries, very little tax relief is granted on social grounds.

In addition to the direct taxation, recipients of social cash benefits also pay indirect tax on their consumption, and there are considerable differences from one country to another. The traditional way of illustrating the social expenditure does not allow for these differences of taxation.

In order to evaluate the significance of these differences, both the OECD and EUROSTAT have developed different methods for calculation of the net social expenditure.

The OECD has already published estimates concerning several OECD countries (2005).

In the OECD calculations of the net social expenditure, both the direct and indirect taxes have been deducted from the social expenditure. Similarly, the calculated values of the tax relief granted on social grounds have been added. In order to avoid double taxation, tax relief that is granted in connection with lower taxation, and consequently has already been included, has not been included.

The calculation was made in the following way:

- Social expenditure
- Less direct tax and social contributions paid on social cash benefits
- Less indirect tax on recipients' consumption of social cash benefits
- Plus value of tax relief granted on social grounds
- = Net social expenditure.

Source: The OECD (Adema 2005).

Several methodological and practical questions still remain in connection with the net social expenditure calculation.

The calculation of the indirect taxation of the consumption of the social cash benefits is, for example, only approximate.

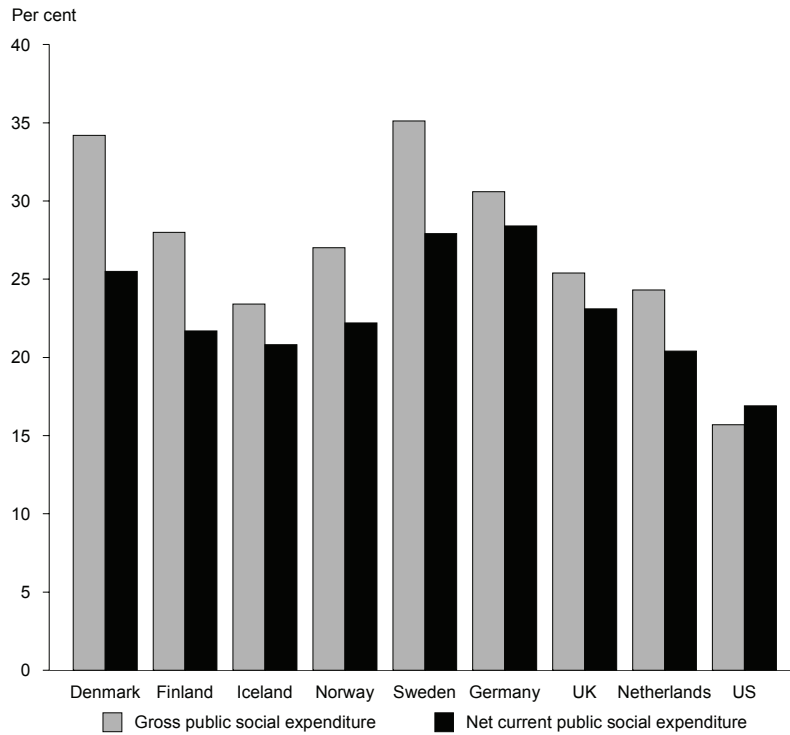
The result of the calculations shows, however, that there are considerable limitations in the traditional calculation of the social expenditure.

The result of the calculations of selected OECD countries can be seen in Figure 10.2.

As the direct tax was included in the calculation of the net social expenditure, the data on the GDP was calculated at factor prices. The usual way of calculating the GDP is at market prices (cf. Table 10.1 and the like).

In all the European countries, the net social expenditure is smaller than the traditional social expenditure. There are, however, considerable differences from one European country to another.

Figure 10.2 Gross and net social expenditure 2001, as percentages of the GDP at factor costs



Source: The OECD (Willem Adema and Maxime Ladaïque: Net Social Expenditure – 3rd Edition 2005).

Table 10.9 Tax percentages of wages/salaries and social benefits, per month, for a single childless APW 100, in per cent, 2004

	Denmark	Finland	Iceland	Norway	Sweden
	DKK	EUR	ISK	NOK	SEK
Tax on: wages/salaries in per cent	39	31	30	29	36
Tax on daily cash benefits in connection with pregnancy and birth	30	26	28	24	35
Tax on unemployment benefits	30	23	1	24	35
Tax on sickness benefits	30	26	..	29	35
Tax on retirement pension	28	25	10	13	28
Tax on disability pension	30	23	..	13	27
Tax on social benefits, non-insured persons	25	19	1	..	30

Note: Further information see appendix 4 on www.nom-nos.dk

SOCIAL EXPENDITURE
Table 10.10 Taxation on cash benefits, 2004

	Social expenditure, million KR/EUR	Of which cash benefits, million KR/EUR	Cash benefits exempt from tax, as percentage of all cash benefits	Cash benefits subject to tax, as percentage of all cash benefits
	1.	2.	3.	4.
<i>Denmark</i>				
I. Families and children	56 988	23 608	63	37
II. Unemployment	41 399	39 627	-	100
III. Illness	90 001	14 436	-	100
IV. Old age	162 584	135 344	1	99
V. Disability	60 707	42 077	20	80
VI. Survivors	140	1	-	100
VII. Housing	10 454	-	-	-
VIII. Other social benefits	15 099	12 313	13	87
IX. Administration	12 991	-	-	-
Total I.-IX.	450 363	267 406	10	90
<i>Finland</i>				
I. Families and children	4 495	2 498	61	39
II. Unemployment	3 845	3 483	0	100
III. Illness	10 005	1 888	-	100
IV. Old age	13 068	11 601	4	96
V. Disability	5 178	3 821	5	95
VI. Survivors	1 446	1 441	2	98
VII. Housing	436	0	-	-
VIII. Other social benefits	811	455	96	4
IX. Administration	1 284	-	-	-
Total I.-IX.	40 568	25 187	11	89
<i>Iceland</i>				
I. Families and children	28 953	13 166	48	53
II. Unemployment	5 091	4 425	4	96
III. Illness	72 059	14 149	0	100
IV. Old age	58 064	40 428	0	100
V. Disability	30 368	20 564	8	92
VI. Survivors	5 362	5 362	5	95
VII. Housing	1 983	1 983	24	76
VIII. Other social benefits	5 364	2 887	0	100
IX. Administration	3 129	-	-	-
Total I.-IX.	210 373	102 964	9	91

... to be continued

SOCIAL EXPENDITURE

Table 10.10 ... continued

	Social expenditure, million KR/EUR	Of which cash benefits, million KR/EUR	Cash benefits exempt from tax, as percentage of all cash benefits	Cash benefits subject to tax, as percentage of all cash benefits
	1.	2.	3.	4.
<i>Norway</i>				
I. Families and children	49 772	30 108	63	37
II. Unemployment	13 510	11 800	-	100
III. Illness	146 662	55 114	1	99
IV. Old age	120 618	89 103	-	100
V. Disability	76 379	62 054	5	95
VI. Survivors	5 115	5 011	-	100
VII. Housing	3 187	-	-	-
VIII. Other social benefits	10 100	5 683	91	9
IX. Administration	8 423	-	-	-
Total I.-IX.	433 861	258 873	11	89
<i>Sweden</i>				
I. Families and children	78 340	40 581	59	41
II. Unemployment	50 653	44 412	-	100
III. Illness	207 115	54 618	-	100
IV. Old age	308 875	240 100	-	100
V. Disability	120 537	72 577	2	98
VI. Survivors	18 007	18 007	-	100
VII. Housing	14 561	-	-	-
VIII. Other social benefits	17 571	10 013	100	-
IX. Administration	30 828	-	-	-
Total I.-IX.	846 487	480 308	7	93

Note: Further information see appendix 4 in www.nom-nos.dk

Chapter 11

Activation Policy in the Nordic Countries

Einar Øverbye

Oslo University College⁴

1. What is Activation Policy?

1.1. Introduction

The term activation has two somewhat different meanings: *Labour market activation* implies being brought out of unemployment and integrated in the labour market. *Social activation* implies being brought out of social isolation and integrated into different types of social communities. Both labour market integration and social integration are important policy aims. Unfortunately, there are no comparable data that register the scope of social activation policies in the Nordic countries. This chapter is therefore limited to activation policy aimed at labour market integration, specified as policies to enhance participation in the labour market.

⁴ Thanks to Helka Hytti, Per Kampmann, Marit Helene Mørkved, Johannes Nielsen, Tom Nielstierna, Per Nyström, Arne Raade, Guðrún Sigurjónsdóttir and Petri Syvänen for their valuable contributions and comments to this chapter. However, any errors or omissions that are still present are entirely my own responsibility.

In all the Nordic countries, it is an important policy aim to increase the proportion of the population in gainful employment. This is part of an international trend. As early as 1989, the International Social Security Association (ISSA) pointed out that the political rhetoric in ISSA member countries increasingly emphasized that social policy should encourage integration into productive activity whenever possible. In the 1990s, the OECD suggested a wide range of political recommendations for a more active labour market policy (OECD 1996). Within the EU, the European Employment Strategy was launched in 1997, later followed by Employment Guidelines for the individual member states. In a recent international study of welfare reforms, Gilbert (2004, 62) identified "a wide range of reforms that link cash benefits under disability, unemployment and public assistance programmes to work-oriented incentives".

A stronger emphasis on labour market activation does not mean that compulsory employment is in the process of being implemented in the Nordic countries, but people who apply for public benefits are to an increasing degree met with activation requirements, although not everyone is met with equally strict requirements. Activation requirements have traditionally been more specific for some benefits (in particular unemployment benefits) than for others. In an historic perspective, involuntary unemployment, reduced or lack of ability to work due to sickness or disability, old age, main responsibility for young children, and loss of a breadwinner were the most important grounds for legitimately receiving public benefits⁵. In this chapter, we limit the study to activation measures directed towards individuals who are unemployed, or who have reduced ability to work as a result of illness or disability. Due to space limitations, activation measures directed towards those who have main responsibility for children, those who have lost a breadwinner, or those who have reached retirement age, are not discussed in this chapter.

5 However, the limits for when these grounds are regarded as legitimate may have changed over time. This is seen most clearly in the case of "loss of a breadwinner", a life-event that previously gave dependants the right to a survivor's pension, even if the surviving spouse was of working age. In line with increasing employment of women, this ground has been questioned. In Denmark and Sweden, pensions for surviving dependants in such cases have been discontinued, so that surviving spouses must apply for other benefits, if they are unable to support themselves from their own work.

1.2. Activation Policies are Supply-Side Policies

The challenges in labour market policy have changed over time. Mass unemployment characterized the period before the Second World War, while the period immediately after the war was characterized by a shortness of labour in many countries. During the 1950s and 1960s, demand-stimulating measures were important for evening out fluctuations in the level of economic activity and thus reducing unemployment. During the 1970s it became apparent that demand-stimulating measures were not sufficient to ensure a high level of employment. The 1970s were characterized by high unemployment and high inflation at the same time. This showed that unemployment also has structural causes, such as a mismatch between the qualifications of job seekers and demand for labour. Activation policies in the form of rehabilitation and further education were developed to counteract structural unemployment.

Over time the range of activation measures has been extended from qualification and rehabilitation to include measures to improve the organization of labour, the interaction between public welfare arrangements and the labour market, adaptation of infrastructure for people with disabilities, and increased attention to norms and attitudes that reduce the employment opportunities of vulnerable groups. Such measures aim to improve the supply side of the economy, rather than merely stimulate demand. Supply-side measures have not replaced demand-stimulating measures, but in a globalized economy it has become more difficult to pursue an independent monetary and financial policy. This has made activation policies in the form of supply-side measures more important for maintaining high employment.

An expected increase in the proportion of elderly people has made high employment more important also for financial policy. The proportion of retirement pensioners in relation to employed persons in the Nordic countries will increase at least up to the year 2050⁶. Increased costs for retirement pensions, health and care may lead to difficult conflicts about priorities in tomorrow's welfare state. Successful activation increase employment and reduce demand for public welfare, and also increase the tax base. This is the reason why activation has increasingly become an aim in both social policy and in labour market policy. The aims of activation no longer encompass

⁶ With the exception of Iceland, which has a slightly younger population and a higher birth rate than the other Nordic countries.

only unemployed persons, but also persons who receive health-related social security benefits or social assistance.

1.3. Use of the Term Activation

1.3.1. Sweden

In Sweden, the employment approach has been the normative for labour market policy since the 1950s. The principle behind the employment approach is that unemployed persons shall primarily be offered work or education rather than financial support (Socialstyrelsen 2003, 10). The phrase “work *or* education” points towards two central active measures: further education/rehabilitation, or a direct job offer and/or maintenance of employment. The employment approach currently characterizes both social policy and labour market policy (ibid). For many decades, Sweden had relatively low unemployment. The principles behind the employment approach were first put to the test in the aftermath of the serious economic recession in 1991 and 1992.

In Sweden, the concept activation is mainly used in relation to vulnerable groups, particularly those who are dependent on social assistance. Activation policy in a broad sense is more often referred to as policy for increasing the supply of labour.

1.3.2. Norway

Unemployment in Norway also rose in the early 1990s, but less so than in Sweden. The concept employment approach is also used in Norway, and was first officially used in the Rehabilitation Report of 1992 (St. meld. 39 (1991-1992))⁷. In a subsequent report (St. meld 35 (1994-95)), all social security and social assistance benefits were assessed from an employment approach. Today, the stated aim of both labour policy and social policy is that “employment shall be the first choice” (Hatland et.al. 2001 87-88).

The Rehabilitation Report represented an expansion of a labour market slogan from the 1930s: Work for everyone. In the 1930s and in the first decades after the Second World War, “work for everyone” was interpreted as providing employment for all men of employable age (Halvorsen 2004:92). In later decades, the target group was gradually extended to include both men and women, young and old, able-bodied as well as those with health or inca-

⁷ St. meld (“Stortingsmelding”) means Report to the Parliament (British equivalent: White Paper).

capacity problems⁸. The Rehabilitation Report and subsequent reports further extended the target group to people who receive cash assistance, including health-related benefits (Hammer and Øverbye 2006, 11-12).

1.3.3. Denmark

In Denmark, unemployment rose already at the end of the 1970s and was maintained at a high level during the 1980s. Unemployment reached a peak in 1993-94. The concept of “the active approach” then gained acceptance as an aim of social policy (Goul Andersen 2002). Several labour market reforms and social policy reforms were introduced in the 1990s. Unemployed people’s rights to benefits became more clearly connected to a duty to accept active measures. Measures for unemployed people became more “tailor-made”, for example with the introduction of individual activation plans.

Unemployment fell after 1994. Relatively low unemployment figures turned political attention towards a probable shortage of labour in the future, reflecting smaller birth cohorts. To maintain labour supply, the target groups of activation policies have been broadened. In addition to young people and long-term unemployed, activation policies are now also directed towards immigrants, elderly people, people on sickness benefits and people with disabilities.

1.3.4. Finland

From 1990 to 1993, the number of employed people in Finland fell by 425 000. Unemployment rose from 3.2 to 16.3 per cent. As a result of this crisis, Finland still has high structural unemployment.

In Finland, the expression “active labour market measures” is usually preferred to “activation”. The first time the term activation was used was probably in the Act Relating to Employment for the Purpose of Rehabilitation. This Act came into force in 2001 and compels municipalities and public employment offices to cooperate by developing activation plans for long-term unemployed people.

Even though the word “activation” is seldom used in the Finnish debate, major activation reforms were introduced in the 1990s. The most important of these was the introduction of unemployment assistance in 1995. Unem-

8 The problem of labour market exclusion of elderly people was first mentioned in an appendix to St. meld. 45 (1968-69). Low labour force participation among women, young people and people with occupational disabilities was first discussed as a serious problem in St. meld. 50 (1975-76).

ployment assistance has no clear parallel in the other Nordic countries. It is a benefit for unemployed people who do not qualify for unemployment benefits, plus for unemployed people who have exhausted their right to unemployment benefits. Unlike social assistance, unemployment assistance is provided by the state rather than by the local authorities.

1.3.5. Iceland

Iceland has maintained a higher employment level than the other Nordic countries, but even Iceland experienced a rising unemployment level in the 1990s. Unemployment peaked in 1995, with 5 per cent registered unemployment. A new Act on Labour Market Measures was adopted in 1997 (Lög um vinnumarkaðsaðgerðir 13/1997). The same year, the Act on Unemployment Benefit was amended (Lög um atvinnuleysisstryggingar 12/1997). These new laws gave unemployed people better opportunities for work place training and education courses. At the same time, the requirement of active job search was made stricter for people receiving unemployment benefits.

The number of people receiving disability pensions increased during the 1990s. This has led to increased emphasis on occupational rehabilitation. Rules governing access to disability pensions have been changed in order to increase the economic incentive to go back to work.

The term “activation” is seldom used in the Icelandic debate, but the term “activate a person to work” is used. This phrase is used in particular in relation to activation of people with disabilities

1.4. Summary

The term “activation” can be given a broad or a narrow definition. Use of the term varies between the Nordic countries. The meaning of the term also varies within countries. As mentioned in the introduction, this chapter will focus on activation in relation to unemployment and health-related problems. The presentation proceeds as follows. Part 2 provides an overview of so-called active measures. Part 3 illustrates how cash benefits have been changed to enhance integration into the labour market. Part 4 describes efforts to include active support from employers as well as the social partners, and part 5 briefly presents recent administrative reforms to enhance efficient implementation of activation measures.

Labour market activation is partly justified in socio-economic terms, and partly in the belief that it is better for most individuals to be employed (or to

be self-employed) than to receive public benefits. The latter belief may or may not be correct. Labour market activation will probably improve the quality of people's lives if it is possible to match their ambitions and abilities with the types of jobs that are available, and less so if it is not possible to match expectations and available jobs. In this chapter, we will not delve further into the question whether, or in which circumstances, it is better for people to be active in the labour market than to receive public benefits.

2. Scope and Structure of Active Measures

Active measures aim to foster integration into the labour market, or to prevent exclusion from the labour market. The target groups are partly recipients of public benefits, and partly those with a high probability of becoming recipients. There is a wide variety of active measures. EUROSTAT's Labour Market Policy database (LMP) provides comparable statistics about active measures in the EU member states. LMP is part of ESSPROS (the European System of Integrated Social Protection Statistics). LMP collects data using standardized questionnaires to national experts (Lüdecke, 2003).

Any attempt to produce comparable data about active measures will have weaknesses, since the scope and structure of such measures change over time. However, LMP is the best comparative data source available, and data have been collected since 1998. LMP time series data are used in the Nordic governments' action plans for employment, and by the EU Commission (see Denmark's National Reform Programme 2005, 41; Finland's National Action Plan for Employment 2004, 56 and the Commission of the European Communities 2005, 83). We have therefore chosen to use this database when comparing the scope and composition of active measures in the Nordic countries. Apart from Iceland, all the Nordic countries supply data to LMP⁹.

LMP defines active measures as "...labour market measures [that represent]... [p]ublic interventions in the labour market... which can be distinguished from other general employment policy measures in that they act selectively to favour particular groups in the labour market... Public interventions... involve expenditure, either in the form of actual disbursement or of foregone revenue" (EUROSTAT 2003, 134). Thus LMP only includes measures directed at selected groups, not general active measures without a particular target group. Furthermore, LMP only includes measures of an

9 Unfortunately, Iceland must be excluded from this presentation.

economic nature that also involve public expenditure¹⁰. This implies that active measures registered in LMP represent only a proportion of the repertoire of activation measures. Other activation measures are presented in Parts 3, 4 and 5.

2.1. Types of Active Measures

EUROSTAT (2003, 135) divides active measures into six sub-categories: training, job rotation and job sharing, employment incentives, integration of the disabled, direct job creation, and start-up incentives¹¹. The following sections describe the use of these active measures in 2004¹².

2.1.1 Training

Training aims to make unemployed people, or other target groups, more attractive in the labour market. EUROSTAT (2000, 8) specifies four sub-groups of training measures: *institutional measures* (the recipient is in a training centre or educational institution most of the time); *measures in the workplace* (the recipient is in a work-place most of the time), *integrated measures* (the time is divided between an educational institution and a work-place), and *special measures for apprentices* (measures for employing apprentices from special groups, or earmarked funding for places for apprentices from special groups). General training programmes that are available for everyone are not registered in LMP, nor are courses that only aim to improve job search skills. With these limitations, Denmark spent most on training in 2004, measured as a percentage of GDP (0.541 per cent), followed by Finland (0.405 per cent), Sweden (0.347 per cent) and Norway (0.091 per

10 Economic measures that impose costs for employers, such as joint responsibility for financing sickness benefits (which gives employers an incentive for preventing sick leave) are not registered in LMP. See Part 4 for a short discussion of such economic measures.

11 The Appendix specifies how EUROSTAT's Nordic working group has categorized active measures in relation to this classification in 2004. See also Lüdecke 2003, http://europa.eu.int/estatref/info/sdds/en/lmp/lmp_sm.htm and EUROSTAT 2000 for a more detailed description of the methodology for collecting data.

12 LMD registers data both for the amount of public funding (in Euro) used for active measures, and for the number of individuals included in such measures. It is too detailed to present data for both of these. In this chapter, we present figures for public funding. These figures are used in the National Action Plans (See Melis 2002, 2003 for LMP's data on individuals). Separate analyses (not presented here) indicate that the differences between countries and over time are mainly the same, whether one uses LMP's data for individuals or LMP's data for public funding.

cent) (EUROSTAT 2004)¹³. Labour market training is the most important training measure¹⁴. An example is Education and training activation (Uddannelsesaktivering) in Denmark, which amounted to 68 per cent of Danish spending on training (appendix D3). This measure was first implemented in 1994. The courses are provided either in regular teaching institutions or as special programmes (EUROSTAT 2003b, 10).

2.1.2. Job rotation and job sharing

In job rotation and job sharing arrangements, unemployed people partly or totally substitute employees who are on leave or work part-time. *Job rotation* implies that an employee is substituted by a job seeker for a limited period of time. *Job sharing* implies that the employee is only partly substituted by an unemployed person (EUROSTAT 2000, 9)¹⁵. Finland used EUR 186.33 million in 2004 on such measures (0.051 per cent of GDP) (EUROSTAT 2004)¹⁶. Few resources are spent on job rotation and job sharing. Sweden used only EUR 16.88 million (0.006 per cent of GDP), Norway EUR 0.24 million and Denmark no public funds on such measures. The most economically important Finnish job rotation arrangement was introduced in 1995 (Työnvuorottelu, appendix D19). Under this arrangement, an employee can take between 90 and 359 days leave, while an unemployed person steps into his or her post (EUROSTAT 2003c, 28)¹⁷.

2.1.3. Employment incentives

Employment incentives are used to increase recruitment of marginalized groups, or to maintain employees that are at risk of becoming involuntarily unemployed. EUROSTAT (2000, 10) divides such measures into *recruitment incentives* (temporary and permanent), and *maintenance incentives*¹⁸.

13 See EUROSTAT 2004 Table B13. The Appendix shows which training measures are included for each country.

14 See the Appendix for a specification of measures in each country, and their relative importance in 2004.

15 General leave arrangements, when there is no condition that an unemployed person is employed in place of the employee, are not registered in LMP.

16 Table B13.

17 In 2004, expenditure on this type of arrangement amounted to 85 per cent of the costs for job rotation and job sharing arrangements in Finland. A job sharing arrangement in which an employee can reduce his or her work time for a maximum of 12 months while an unemployed person is employed as a substitute, comes in addition to this (EUROSTAT 2003c, 30; see also the Appendix).

18 Recruitment incentives are only registered if they are aimed at specific groups. General subsidies for low income groups are not included in LMP. Recruitment incentives that include training are included under training measures.

Employment incentives are an economically important group of active measures, particularly in Denmark. In 2004, Denmark spent most (0.461 per cent of GDP), followed by Sweden (0.185 per cent), Finland (0.124 per cent) and Norway (0.027 per cent) (EUROSTAT 2004)¹⁹. Wage subsidies are the most important type of employment incentives. They take the form of direct subsidies, or reductions in employer's social security contributions.

2.1.4. Integration of the disabled

Measures for integration of the disabled aim to get more occupationally disabled people into work. EUROSTAT (2000, 10) distinguishes among three sub-groups: *integration into regulated work* (measures that compensate the employer for adapting work for disabled people), *sheltered workshops*, and *rehabilitation and training for disabled people in addition to sheltered workshops* (where the aim is to develop ability to work in a non-sheltered workplace)²⁰. In 2004, Norway spent most for this purpose (0.536 per cent of GDP), followed by Denmark (0.521 per cent), Sweden (0.430 per cent) and Finland (0.100 per cent) (EUROSTAT 2004)²¹. In Norway, education through the regular school system is the economically most extensive measure of this type (appendix D24). In Denmark, permanent wage subsidies for vulnerable manpower (flexi jobs) are economically the most important (appendix D3). Flexi jobs are offered to people who cannot get or maintain employment under normal conditions, but who are not already disability pensioners (the latter are offered another, less widespread, type of subsidized employment called "sheltered employment"). The municipalities administer these wage subsidies. Flexi jobs can also be given to self-employed people in the form of a grant²².

2.1.5. Direct job creation

Direct job creation takes the form of work places financed by public authorities. Jobs can be in the public or private sector, temporary or permanent (EUROSTAT 2000, 11). Direct job creation is used to some extent in Finland, but is otherwise almost non-existent. In 2004, Finland used 0.085

19 Table B13.

20 Expenditure of medical character, including medical rehabilitation, are not registered.

21 Table B 13.

22 Since 1995, it has been possible for disabled people to obtain subsidized work in the regular labour market in Iceland. Between 25 and 75 per cent of wages are subsidized. In 2005, about 300 people worked in such subsidized work places. The number has increased during the last few years.

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per cent of GDP on such measures (EUROSTAT 2004)²³. Direct job creation is mainly used to create jobs in the public sector. In Finland, 87 per cent went to temporary employment (up to 10 months) in the public sector, or temporary wage subsidies administered by the local authorities (EUROSTAT 2003c, 38, 39).

2.1.6. Start-up incentives

Start-up incentives make it easier for unemployed people and other target groups to start their own businesses. They comprise both direct and indirect economic support (EUROSTAT 2000, 2). Start-up incentives are not widespread. Sweden used 0.033 per cent of GDP in 2004, followed by Finland (0.015 per cent), Norway (0.003 per cent) and Denmark nothing (EUROSTAT 2004).²⁴

2.1.7. Active measures as a whole

Table 1 shows that training measures, employment incentives and integration of disabled people were the economically most important active measures in 2004. Job rotation/job sharing and direct job creation are used to some extent in Finland, but are insignificant in the other Nordic countries. Start-up incentives are of little economic importance in all the Nordic countries.

Table 1 Percentage of the total used on different kinds of active measures, 2004

	Denmark	Finland	Sweden	Norway
Training	36	52	35	14
Job rotation and job sharing	-	7	0	0
Employment incentives	30	16	19	4
Integration of disabled people	34	13	43	81
Direct job creation	0	11	-	0
Start-up incentives	-	2	3	1
Total in per cent	100	101	100	100
Total as a proportion of GDP	1.523	0.780	1.002	0.658

Source: EUROSTAT, 2004, see the Appendix.

Finland uses active measures in all the six categories to a greater degree than the other Nordic countries. Norway on the contrary concentrates most

²³ Norway used 0.0001, Denmark less than 0.0000 (EUR 0.22 million) and Sweden nothing (see EUROSTAT 2004 Table B 13 and the Appendix).

²⁴ Table B 13; see also the Appendix. Note that general start-up incentives that everyone can apply for are not registered in LMP.

resources on only one set of measures. In 2004, 81 per cent of all active measures in Norway were categorized as integration of disabled people.

2.2. Changes in the Use of Active Measures

Since old measures are continually being discontinued and new measures are being initiated, it is difficult to collect data that are comparable over time. EUROSTAT has none the less attempted to map changes over time, provisionally for the period 1998 to 2004. In *Denmark*, public expenditure on active measures showed little variation from 1998 to 2004 (from 1.667 per cent of GDP in 1998 to 1.523 per cent in 2004). In *Sweden*, use of active measures was reduced, but from a higher starting point than in Denmark (from 2.266 per cent to 1.002 per cent of GDP). In *Finland* spending was reduced between 1998 and 2001 and then increased somewhat. In *Norway* spending was slightly reduced between 1998 and 2002, followed by a slight increase. Sweden spent most on active measures in 1998, followed by Denmark, Finland and Norway. In 2004, Denmark spent most, followed by Sweden, Finland and Norway. Norway spent least on active measures throughout the period.

Table 2 Public spending on active measures as a percentage of GDP, 1998-2004

	1998	1999	2000	2001	2002	2003	2004
Denmark	1.667	1.804	1.641	1.624	1.667	1.529	1.523
Finland	1.009	0.907	0.742	0.683	0.722	0.748	0.780
Sweden	2.260	1.998	1.507	1.341	1.385	1.042	1.002
Norway	0.682	0.616	0.511	0.524	0.571	0.666	0.658

Source: EUROSTAT 1998, 1999, 2000, 2001, 2002, 2003, 2004.

Table 2 shows that increased political attention to activation does not necessarily translate into an increasing share of GDP being spent on active measures for special groups. During the period 1998-2004 as a whole, public expenditure on active measures decreased, measured as a percentage of GDP. This reflects the generally lower level of unemployment towards the end of the period, but it may also indicate that governments now prefer other, more general, activation measures. More general activation measures are further explored in parts 3, 4 and 5.

2.3. Spending on Active Measures Relative to Cash Benefits in the Case of Unemployment

EUROSTAT distinguishes between “active measures” and “passive benefits” (Melis 2005). “Passive benefits” are synonymous with unemployment-related cash benefits. LMP defines passive unemployment-related benefits as unemployment benefits plus types of, or parts of, early retirement and social assistance benefits that can be directly associated with unemployment²⁵. Health-related benefits and general social assistance benefits are not registered in LMP (EUROSTAT 2000, 12-13). Table 3 shows the relationship between public funds used on active measures, and public funds used on passive unemployment-related benefits.

Table 3 Public expenditure on active measures and “passive” unemployment-related benefits as a percentage of GDP, 2004

	Denmark	Finland	Sweden	Norway
Active measures	1.523	0.780	1.002	0.658
Passive unemployment-related benefits	2.672	2.068	1.316	0.858
Ratio	0.57	0.38	0.76	0.77

Source: EUROSTAT 2004

In 2004, Denmark and Finland spent less than Sweden and Norway on active measures relative to passive unemployment-related benefits. This reflects that Denmark and Finland spent more on unemployment-related benefits than Norway and Sweden.

²⁵ See the Appendix for a specification of benefits that are registered as “passive”. They include unemployment benefits and unemployment assistance benefits (unemployment assistance benefits are defined as “benefits payable to workers either failing to satisfy criteria for membership in an unemployment insurance scheme or who have exceeded the period for entitlement to unemployment benefits”) (EUROSTAT 2000, 12). This means that the Finnish state-provided unemployment assistance benefit is registered, but not the use of municipal social assistance benefits in the other Nordic countries, which to some extent are received by the same user groups... (As mentioned earlier, the Finnish unemployment assistance benefit is a benefit without a clear parallel in the other Nordic countries). In addition, early retirement schemes are registered when the employer has a duty to appoint an unemployed person as a replacement, or if the early retirement scheme is clearly associated with unemployment or workforce reductions. This means that the Finnish unemployment pension and the Danish transition benefit and voluntary early retirement benefit are registered by EUROSTAT, but not the Norwegian contractual early retirement pension (EUROSTAT 2000, 13). In conclusion, the selection of “passive” benefits included by EUROSTAT may skew a comparison between countries.

Not including health-related benefits in the definition of passive benefits may create problems when comparing between countries. Spending on health-related benefits has increased over time, and is higher in Norway and Sweden than in Denmark and Finland (NOSOSCO 2003). Thus the ratios in Table 3 are misleading if one is interested in the relationship between active measures and the amount of public spending on *all* types of “passive” benefits²⁶.

2.4. Summary

Public spending on active measures, measured as a percentage of GDP, declined in the period 1998 to 2004 taken as a whole. This reflects reduced unemployment rates during the period, and perhaps also increased emphasis on more general activation measures (the topic of part 3, 4 and 5).

Denmark, Sweden and Finland use active measures mainly in the form of training, employment incentives and measures for integration of the disabled. Norway concentrates spending almost exclusively on measures for integration of the disabled. This is related to low unemployment rates in Norway, but also to high expenditure on sickness benefits, rehabilitation benefits and disability pensions, compared with the other Nordic countries (NOSOSCO 2003, 143, 148, 165). Finland differs from the others by spending also on job rotation arrangements and direct job creation. Such active measures are widespread in many continental-European countries, but are seldom used in the other Nordic countries (Melis 2005).

In the following section we will investigate if “passive” cash benefits – unemployment benefits as well as social assistance and health-related social security benefits – have been redesigned to enhance labour market integration.

3. New Designs in “Passive” Benefits

One way to define the difference between active and passive measures is to argue that active measures demand some kind of activity on the part of the user, while with passive benefits, no activity is demanded in order to become

²⁶ LMP's figures for active measures are normally published with LMP's figures for passive benefits (see for example Denmark's National Reform Programme 2005, 41; Finland's; Commission of the European Communities 2005, 83; Melis 2003, 2; 2005, 1). We have therefore chosen to include these ratios in this chapter, with the proviso that such ratios may give a misleading picture of overall spending on active measures versus “passive” benefits.

a recipient. However, there are *degrees* of passivity. Passive benefits can to some extent be designed in ways that foster activation.

Changes in the design of passive benefits can be categorized on the basis of Bruijn and Hufen's (1998) classic division of public measures into three types: regulatory, economic and deliberative. *Regulatory design changes* in this context involve new requirements for activity (for example requirements about active job search) as a condition for receiving a cash benefit. *Economic design changes* involve making it more economically attractive to choose activity rather than to continue to be a passive recipient. *Deliberative design changes* involve stimulating the user's motivation to choose activation through close cooperation with an executive officer or case worker. In principle, deliberative measures are based on free choice: one tries to convince rather than to force the claimant to choose employment. Economic measures also allow some degree of free choice, since the recipient can choose to take account of the economic incentives or not. Regulatory measures are more compulsory in nature. For example, those who refuse to actively search for jobs may lose their right to unemployment benefits. In practice, the three types of measures are combined in different ways. For example, cooperation with the user by working together on an activation plan is often not just an offer of user participation, but also a requirement that must be met in order to keep the right to receive a cash benefit. In the following section, we describe changes in cash benefits that have taken place in the Nordic countries based on Bruijn and Hufen's classification of public measures.

3.1. Activity Requirements

3.1.1. Activity requirements in the case of unemployment

Requirements for activity have traditionally been strictest in the case of unemployment. In all the Nordic countries, the right to receive unemployment benefits is conditioned on being registered with the public employment service, to actively seek work, to accept work that is offered, to move to a different place if this is deemed necessary, and to accept an offer of an active measure. These requirements have become stricter over time. Examples are:

In *Sweden*, the unemployment benefit is reduced if an unemployed person refuses an offer of a suitable job²⁷. A more specific definition of a "suit-

²⁷ If a job seeker refuses an offer of a suitable job without an acceptable reason, or in another way prevents being appointed in a job, the level of benefit is reduced by 25 per cent for 40 days (Sibbmark and Runeson 2005:14,23).

able job” was introduced in 2004²⁸, and from 2004, participation in an active measure no longer qualifies the person for a new period of unemployment benefits²⁹.

Similarly in *Norway*, the requirements for receiving unemployment benefits have been specified more precisely. From 1997, participation in an active measure no longer qualifies the person for a new period of unemployment benefits. In 2003, legal authority was given in the National Insurance Act for a regulation to substantiate if a recipient is a real job seeker³⁰.

In *Denmark*, the possibility of obtaining a new period of unemployment benefits through participating in an active measure was abolished in 1993. During the 1990s, several Danish rules were tightened. Previously, the recipient of unemployment benefits would have to accept “suitable” work (work within their present occupational field). The recipient now has to accept “reasonable” work (work that the unemployed person can carry out). In 1998, it was specified that a recipient of unemployment benefit would have to accept daily commuting time of up to three hours, and in special situations up to four hours³¹.

In *Finland*, the job seeking process has been intensified early in a period of unemployment. After 1997 it is no longer possible to qualify for a new period of benefits by only participating in public support work. A person who refuses an employment offer, or refuses to participate in active measures without a valid reason, loses the right to unemployment benefits for two months.

28 If a person is in an active measure, unemployment benefit is called activity benefit.

Activity benefit is discontinued if one turns down the offer of an active measure. The level of benefit is reduced the same as for unemployment benefit (Sibbmark and Runeson 2005:14, 26).

29 There are certain exceptions, such as if the programme is for regular work with unemployment benefit or salary (Sibbmark and Runeson 2005, 56).

30 Based on this legal authority, the following specification of activity requirement has been included in the regulation relating to unemployment benefit: “A member...shall actively seek work or carry out other activities to obtain work....The Public Employment Service and the member shall have an agreement about the specific activities the member shall carry out. If they do not reach agreement about activities, the Public Employment Service can demand that the member shall carry out specified activities. The Public Employment Service can demand that the member provides documentation about activities that have been carried out”.

31 The public employment service informs the national insurance office if an unemployed person turns down the offer of a job or an active measure, or does not turn up for a consultation, etc. The national insurance office then assesses whether the unemployed person shall be given sanctions, and whether payment of unemployment benefits shall be discontinued.

In *Iceland*, recipients of unemployment benefits could up until 1997 refuse to accept work outside the area where they lived. As a main rule, the recipient now loses the benefit if he or she refuses an employment offer anywhere in Iceland³². The unemployed person must also accept a job training course, or a course of further education, in order not to lose the benefit³³.

In conclusion, the activity requirements for receiving unemployment benefits have become stricter. Also, in all the countries it is no longer possible to qualify for a new period of unemployment benefits by participating in active measures.

3.1.2. Activity requirements for receiving social assistance

Social assistance is basically short-term benefits, but there are no time limits. Social assistance is means-tested, and has the broadest coverage of all types of cash benefits. Social assistance does not insure people against any specific social risk, but functions as the benefit system of last resort. Social assistance recipients are a more heterogeneous group than recipients of other types of cash benefits. The requirements for activity are not as comprehensive as for unemployment benefits, since social assistance recipients often have more complex problems than simply involuntary unemployment. However, the connection between the right to receive benefits and the requirements for activation has become more specific, particularly for young social assistance recipients whose only problem is unemployment. In addition, special benefits (so-called introductory benefits) have been introduced for recently-arrived immigrants (refugees), for whom the right to receive benefits is now conditioned on taking part in language and labour training programmes.

In *Sweden*, the municipalities began to experiment with activity requirements for social assistance recipients already in the 1990s, in the aftermath

32 There are some exceptions. The recipient can still refuse to accept work in a profession other than the one he or she is trained for, on the condition that there is a realistic chance of a later appointment in his or her own profession. Professionals can refuse to accept work that is not in one's own profession for four weeks. After this time, one must accept work that one is qualified for and that one is able to carry out. Also, the recipient does not have to accept part-time work if there is a probability that he or she can obtain full-time work later. If the job is in another region, the recipient's family situation is assessed before a decision is made about whether he or she must move.

33 Time-limits for the maximum continuous period of benefit also contribute to maintaining pressure on the recipient. Denmark and Norway have reduced the longest period of unemployment benefit since the 1990s (NOSOSCO 1994, 47 and 2003, 78).

of the economic crisis in 1991-92. In 1998, the so-called young people's guarantee for unemployed or job-seeking people aged 20-25 was introduced. If they do not receive an offer of a job, regular education or an active labour market measure within 90 days, the local authorities must offer them a development job (Sibbmark and Runeson 2005, 35). In 2000, a new regulation to the Social Services Act was introduced, giving local authorities the authority to demand that recipients of social assistance shall participate in assigned work experience or other type of competence-raising activity, if the individual has not been able to find any suitable labour market policy measure, and 1) has not reached the age of 25, or 2) has reached the age of 25 but for special reasons needs competence-raising measures, or 3) is undergoing training with financing of the study fees, but needs maintenance benefit during the study period³⁴. The social assistance office can decide to reduce or stop the benefit if the individual refuses the measure that is offered without a valid reason (Socialstyrelsen 2003, 92). The local authorities also administer special benefits for newly-arrived immigrants (refugees), conditioned on participation in a so-called introduction programme³⁵.

Since 1992, *Norway* has allowed local authorities to specify active conditions for allocation of social assistance. Social assistance recipients under 25 years of age can be required to work for their benefit³⁶. National guidelines specifying sanctions for social assistance claimants who refuse an offer of work or activation have not been adopted, apart from a general guideline stating that sanctions must be based on an individual assessment. An evaluation from 2005 found that usually the social assistance will be reduced or withdrawn in such cases (Lødemel and Johannessen 2005, 94). In 2004, Norway introduced a compulsory introduction programme for newly-arrived immigrants between 18 and 55 years of age. Participation in the programme gives the right to a special benefit. While general social assistance is subjected to a household means test, the special benefit for recent immigrants is only tested against the recipient's income, not the income of his/her household³⁷.

In *Denmark*, a condition for receiving social benefits is that the recipient is available for work, is actively seeking work and is prepared to accept a reason-

34 A report from 2004 showed that 42 per cent of activated unemployed social benefit recipients were participating in activation programmes initiated by the local authorities (Salonen and Ulmestig 2004).

35 During the 1990s, the system for economic benefits functioned more and more as refugee and immigrant benefits (the Swedish National Board of Health and Welfare 2003,9).

36 The municipal social services organize the work.

37 This means that even if (for example) the man in the household has his own income, his wife will receive the introduction benefit if she participates in an introduction programme. It is hoped that this will lead to a high rate of participation among immigrant women.

able offer of work or activation, unless sickness or other conditions make this not possible³⁸. Recipients of social benefits can be instructed to accept work or other activity as a condition for receiving benefits, unless they are unable to carry out any kind of activity (op.cit., 17). If a recipient refuses an offer of work or activation without valid reasons, or is absent from an activation measure, the local authorities can stop payment³⁹. Danish local authorities also have responsibility for a three-year introduction programme that is primarily aimed at integration of refugees. The programme was initiated in 1999 (EU-ROSTAT 2003c, 12). From 2004, it has been made clearer that integration efforts shall aim at work integration as soon as possible. People who participate in the programme receive a special benefit (introduction benefit)⁴⁰.

In *Finland*, the local authorities can demand that young unemployed people under 25 years of age participate in activating work arranged by the local authorities. This applies both to people who receive municipal social assistance and state unemployment benefits. Unemployment benefits are paid out when people participate in active labour market measures (education, work training, work experience, occupational counselling and occupational rehabilitation), and can also be paid out as integration benefits for immigrants.

In *Iceland* as in the other Nordic countries integration benefits for refugees have been separated from general social benefits.

In conclusion, activity requirements have been made stricter for recipients of social assistance. This is seen most clearly for young recipients (those under 25 years of age) and for newly-arrived immigrants.

38 About 20 per cent of recipients of cash benefits and start-help benefits are assessed as having unemployment as a main problem, and are enrolled in the Public Employment Service (Beskæftigelsesministeriet (The Ministry of Employment) 2005, 5).

39 Cash benefit recipients under 30 years of age have a right and duty to participate in an activation measure within 13 weeks. Recipients who are 30 years or older must be offered an activation measure within 12 months. All recipients have a right and duty to participate in a new activation measure when they have received cash benefits for 6 months after the end of the first measure. From 1 July 2008 recipients who are 30 years or older and have other problems in addition to unemployment, will have a right and duty to participate in new activation measures after 12 months. This reduced requirement will be introduced at the same time as active efforts for recipients of long-term passive cash benefits are intensified (during the period 1 July 2006 to 1 July 2008).

40 Foreigners who came to Denmark after 1 July 2002 only receive a reduced benefit, the so-called start benefit. (Statistics Denmark 2005, 12). Foreigners, as defined by the Act on Integration, are under an integration contract during the first seven years after their arrival in Denmark, or until they get a permanent residence permit (Denmark's National Reform Programme 2005, 42). This individual contract (plan) involves undertaking to learn Danish and making an effort to obtain work (op.cit.).

3.1.3. Activity requirements for receiving health-related benefits

Health-related cash benefits are primarily sickness benefits, rehabilitation benefits and disability pensions/disability benefits⁴¹. For sickness benefits and rehabilitation benefits, the requirement to participate in occupational rehabilitation measures has been made more specific. The length of time one can be a “passive” recipient of sickness benefits before this requirement comes into force, has also been reduced.

In *Sweden*, a rehabilitation report must be sent to the national insurance office within eight weeks after the beginning of a sickness period. From 2005, the national insurance office, as a general rule, develops a rehabilitation plan within two weeks of receiving the report. The national insurance office can demand that the user participates in assessing and planning rehabilitation measures. National insurance benefits (sickness benefits, etc.) can be discontinued if the user, without a valid reason, refuses treatment, assessment or rehabilitation, or refuses to participate in a meeting with the employer, the national insurance office and a medical doctor.

In *Norway*, receipt of rehabilitation benefits has since 1993 been conditioned on receipt of active treatment. The aim is to improve work capacity⁴². For people on sick leave, the requirement to participate in rehabilitation measures was made stricter in 2004⁴³. If a person on sick leave is not in work-related activity after eight weeks, a medical certificate must be provided that document the medical reasons that prevent activation. In other words, the doctor must document that passivity is a necessary part of the treatment. If no medical certificate is provided, sickness benefits shall be discontinued⁴⁴.

In *Denmark*, the local authorities administer sickness benefits. They are obliged to consult the person on sick leave within eight weeks. If sickness is

41 Other types of health-related benefits are not discussed here.

42 In 1997, time-limited activation and work training with an employer were given equal status as treatment. Since 1999, activation and work training can also be carried out with a new employer.

43 The period of sickness benefit lasts for a maximum of one year, and may then lead to a period of rehabilitation benefits.

44 Graded sickness benefit can be used when work capacity is partially reduced because of sickness. Sickness benefits can be reduced down to 20 per cent. Most people on partial sick leave carry out their usual work, but have reduced work time. Active sick leave was introduced in 1990. The aim is that the person on sick leave should be allowed some flexibility to determine his/her work capacity, and to maintain some contact with the workplace during their period of sick leave. During active sick leave the person must not carry out his or her normal work. Since 2004, active sick leave can as a general rule be granted for up to four weeks, and in special cases up to eight weeks. Active sick leave must be accompanied by a follow-up plan for how the person can gradually resume his or her normal work.

likely to be long term, and where there is a risk of reduced work capacity, follow-up meetings are required at least every fourth week⁴⁵. The local authorities must assess measures for keeping the person at work, including the need for treatment, training, rehabilitation, flexi job or disability pension, as appropriate.

In *Finland*, the employment pension system arranges occupational rehabilitation for people in employment, while the State Pension Institution arranges occupational rehabilitation for people who have lost contact with their workplace, or who are so young that they do not yet have contact with the labour market. The public employment authorities arrange occupational rehabilitation for disabled people who are customers with the public employment offices. The State Pension Institution must assess the need for rehabilitation of people on sickness benefits within 60 days. In line with the principle of early intervention, the mere risk of incapacity is sufficient reason for initiating rehabilitation. In 2004, occupational rehabilitation became a “subjective right” in situations where there is a serious danger that an employee’s work capacity may be reduced.

In *Iceland* the level of public sickness benefits is lower than in the other Nordic countries, but most employees receive additional sickness benefits through collective bargaining agreements (TemaNord 2005, 11). There are no special activity requirements for recipients of sickness benefits, but in 2004 the legislation was changed so that people who apply for disability pensions may be required to undergo occupational rehabilitation before they are considered for disability pensions.

In conclusion, requirements for activity in order to receive sickness benefits have been made stricter, in the form of requirements to participate in rehabilitation measures. Participation in rehabilitation measures is also a requirement for receiving rehabilitation benefits, and usually a precondition when applying for disability benefits.

3.2. *Economic Incentives*

EUROSTAT’s LMP database only includes data on employment incentives for *specific* groups in the form of *public* expenditure. Another way of using economic incentives to activate claimants is to design the cash benefit systems so that it is worthwhile for recipients to increase their work effort. For

45 In cases where return to the labour market is imminent, and in cases where there is no doubt that the illness will involve a long period of sickness benefits, the person shall be followed up at least every eighth week, although not necessarily with more than a telephone call.

example, criteria for means testing can be formulated to avoid krone for krone (Euro for Euro) deduction (which is the same as 100 per cent marginal deduction). A related measure is to put benefit rights "on hold" for recipients who go back to work. In the latter case, the person gets the benefit back – without having to go through the whole application process again – if the attempt fails. Putting benefits "on hold" makes it less risky for the recipient to trade off a secure but relatively modest cash benefit against a higher, but less secure, income from work⁴⁶.

3.2.1. Economic incentives in the social assistance system

Social cash benefits are means tested in all the Nordic countries, but the way in which means testing is carried out varies between countries.

Swedish cash benefits are in principle reduced krone for krone against income from employment. However, the local authorities may in principle use less strict means testing, if this is likely to facilitate a transition to employment. Thus there is some room for professional discretion in how means testing should be practised.

The same is the case for *Norwegian* social assistance. Cash benefits are allocated according to a discretionary assessment. Less strict means testing can in principle be used during a transitional period, if this facilitates the transition to employment. How often this possibility is used in practice has not been investigated.

Denmark and *Finland* have more specific guidelines, and therefore less room for discretion in how means testing is carried out.

In *Denmark*, the local authorities ignore capital up to DKK 10 000 (DKK 20 000 for married couples). If the recipient or his or her spouse has income from employment, or income as part of an activation measure, an income of up to DKK 12.70 per hour is allowed before the benefits are cut back⁴⁷. (For married couples who have received reduced social assistance after six months, and for recipients of the lower so-called start benefit, the employment deduction is DKK 30.94 per work hour in unsupported employment.)

In *Finland* income in excess of the income limit leads to a 50 per cent reduction in unemployment assistance for people who have dependants, and 75 per cent reduction for people without dependants. In addition, unemployment assistance (unlike unemployment insurance) is means tested in re-

46 In addition, the tax system can be used, such as in negative income tax systems. Use of economic incentives through the tax system is beyond the scope of this presentation.

47 Amounts from 2006.

lation to the family's capital income, and in relation to the spouse's employment income over a certain limit. Means testing of municipal social assistance is stricter. Municipal social assistance is means tested against all kinds of income, and is reduced by 100 per cent for income over the income limit. In 1998, Finland also introduced regulations specifying reductions in social assistance if the recipient refuses to accept an activation measure. The recipient loses 20 per cent of the basic cash benefits the first time he or she refuses an offer of work or education. The second time, the benefit is reduced by 40 per cent⁴⁸.

In *Iceland*, cash benefits are reduced krone for krone if the recipient has other income⁴⁹.

In conclusion, more lenient deduction than krone for krone deduction provides an incentive to increase work effort. Sweden and Norway practice krone for krone deduction against employment income, but the executive officer may in principle choose a more lenient deduction in a transition period, if this helps to get the recipient back into work. In Denmark and Finland there are standardized rules for deduction, and the rules are somewhat less stringent than krone for krone deduction.

3.2.2. Economic incentives in the case of health-related benefits

Economic incentives have been introduced to stimulate recipients of health-related benefits to fully utilize their remaining work capacity, or to re-enter the labour market.

In *Sweden*, one can put sickness benefits "on hold" (fully or partially) for up to 24 months, in order to work. During the first three months, one can even keep the activity or sickness benefit *at the same time* as salary is paid to the employer. A person on full sickness benefits (100 per cent) can earn a small amount on the side. In practice, a work effort equal to 1/8 of total work capacity, or approximately 5 hours per week, is allowed.

In *Norway*, recipients of full disability pension or time-limited disability benefit have an annual free allowance. The free allowance was initially half the National Insurance basic pension, and was increased to the same as the basic pension in 1997. The disability pension is cut back if the pensioner earns even more, but the pension can be put "on hold" for a period of up to

48 From 2002, households can earn up to EUR 100 per month before the benefit is reduced.

49 Unemployment benefit is also means tested in Iceland. The amount that can be earned before the benefit is reduced is ISK 52 000 per month. For income over ISK 146 000, the benefit is totally discontinued.

five years for those earning more than this amount (extended from three years in 2005).

In *Denmark*, disability pension is reduced if the pensioner or his or her spouse/partner has income which exceeds a set amount. The reduction was made less stringent in 2003. The pension can be put "on hold" if the pensioner earns a higher income than the set amount. The pension can also be put on hold if the pensioner is offered activation, rehabilitation or a flexi job (subsidized work). The pension can be put on hold without any time limit⁵⁰.

In *Finland*, a similar system was introduced in 1999, but limited to those who only receive a basic disability pension (not extended to the more generous occupational disability pension systems). Basic disability pensions can be put on hold for five years (initially three years)⁵¹.

Disability pension in Iceland is means tested. With a monthly income of ISK 160 857, the basic pension is reduced krone for krone. The basic pension is withdrawn completely if income is higher than ISK 252.349 per month. In 2001, the law was changed so that a disability pensioner who has part-time work can earn more before the basic benefit is reduced. For the pension supplement, the free allowance is ISK 52.302 per month. Over and above this, 40 per cent of the income is disregarded, while for the remaining 60 per cent, the pension is reduced by ISK 0.45 for each krone the pensioner earns. There is no free allowance for the pension supplement, but the regulations for deductions are the same as for the basic pension.

In conclusion, economic incentives have been introduced and expanded to encourage claimants on health-related cash benefits to utilise whatever work capacity they have left⁵².

50 People with permanently reduced work capacity, who are already receiving disability pension, also have the possibility for employment in a so-called light job ("skånejob", similar to flexi job). Salary and working conditions are determined by a contract between the employer and the person. These targeted subsidies are registered by EUROSTAT, and will thus not be discussed further here, where the focus is on general changes in the incentive structure of the benefits.

51 Pensioners who participate in occupational rehabilitation receive a higher pension during the time they participate in rehabilitation (both labour pension and statutory retirement pension). In Finland (unlike Norway) it is not possible to use the disability pension as a salary subsidy when applying for work.

52 Economic incentives have also been introduced to entice more early-retirement pensioners to maintain contact with the labour market. However, an explanation of the use of economic incentives in the early-retirement and old-age pension systems is outside the scope of this chapter.

3.3. Cooperation with the User (Deliberation)

Regulations as well as economic incentives attempt to enhance work motivation by “external” means. Claimants are either forced to accept activation measures (or work) as a precondition for receiving cash benefits, or they are coaxed into work with the promise of economic rewards (incentives). Deliberation (cooperation with the user) to enhance work motivation represents a less stringent and more “internal” strategy for encouraging work effort. Deliberation often takes the form of user participation in the preparation and implementation of an activation plan. Ideally, the user should develop and implement the plan himself or herself, with the executive officer acting as coach. Deliberation used as an activation strategy is nothing new; this approach dates back at least as far as the social casework methodology in social work. The social worker is expected to enter into a dialogue with the client to make problem-solving a joint process (Kokkin 2005, 44 ff). However, since the 1990s, the employment focus of such deliberation has been emphasized, and the use of deliberation has been extended beyond the initial groups of claimants (social assistance recipients) to encompass also recipients of unemployment benefits and health related benefits. To an increasing extent, executive officers administering all types of cash benefits are encouraged, or obliged, to develop individual activation plans (job plans, rehabilitation plans) in cooperation with the recipient.

In *Sweden*, the public employment office must prepare an individual action plan in consultation with the job seeker. The plan shall be continuously revised, at least once a year (Sibbmark and Runeson 2005, 27)⁵³. Recipients of sickness benefits must have a rehabilitation plan, to be prepared no later than eight weeks after the onset of sick leave (TemaNord 2005, 55). Newly-arrived immigrants must prepare an introduction plan together with the local authorities. The plan is a condition for receiving the special benefit (introduction benefit), and the local authorities can discontinue payment if the plan is not followed up.

⁵³ There is reason to believe that practice varies. In interview studies, approximately 80 per cent of respondents say that they know what is in the plan of action (Åtterrporterering till regeringen 14/2 2005, dnr. 03-12986-09, p. 6).

In *Norway*, social assistance clients obtained the right to an individual plan in 2004⁵⁴. Newly-arrived immigrants must prepare an individual plan in order to receive the special benefit (introduction benefit)⁵⁵. Beginning in 2006, national insurance offices have been obliged to develop an individual follow-up plan for recipients of rehabilitation benefits. All of the above benefits can be reduced or withdrawn if the recipient, without valid reasons, refuses to contribute to developing and following up the plan.

In *Denmark*, individual job plans were introduced in the employment service in 1993. The job plan must state the employment goal of the unemployed person, and specify active measures that can contribute to obtaining this goal⁵⁶. With regard to sickness benefits, at the first consultation the local authorities must consider a follow-up plan that shall be developed further during subsequent follow-up consultations. In connection with rehabilitation, the local authorities must also develop a job plan in cooperation with the client⁵⁷. In the case of municipal social assistance, before giving an offer of active measures, the local authorities must develop a job plan together with the recipient⁵⁸. The content of the introduction programme for immigrants must be determined in an individual contract between the immigrant and the local authorities.

54 The plan must be drawn up in cooperation with the client. The social services in the municipality are obliged to cooperate with other service providers when setting up the plan, so that the client receives comprehensive services. This involves a duty to cooperate, and an expectation that the individual plan will also coordinate the services specified in the Municipal Health Services Act, the Specialized Health Services Act, the Mental Health Care Act and the Social Services Act. However, even though the client has a legal right to have an individual plan, this does not give the client any new rights associated with the *content* of the plan. The client is not granted any new rights to benefits and services in conjunction with the right to an individual plan.

55 As a minimum, the plan must specify when the programme starts, the timing of the measures, and the type of measures to be used.

56 Within one month, a consultation must be held with the unemployed person, to ensure that the information about him or her in the job and CV database are complete, and that the information aids active job seeking. Subsequently, individual consultations with the unemployed person must be held at least every three months, with the aim of supporting and guiding his or her job seeking, and assessing the need for active measures.

57 The plan must contain a description of the person's possibilities for starting a training course, and for final placement in a job. If the job plan contains an offer of practice with a company, or a paid job, then the plan must also state how the company shall contribute, and what assistance the municipality is prepared to give the company.

58 For recipients with more complex problems than mere unemployment, the job plan can also contain activities for stabilizing and improving the person's physical, mental and social situation. The aim here is also to enable the recipient to participate in active measures. Recipients of cash benefits who have problems in addition to unemployment are granted more frequent contact with executive officers and case workers, if this is deemed necessary to improve the person's chances of employment.

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In *Finland*, rehabilitation plans have been required for granting rehabilitation benefits since 1996. Since 1999, a plan must also be developed by an unemployed person and the public employment office (EUROSTAT 2003d, 13)⁵⁹. For the special benefit for new immigrants (refugees), a corresponding activation plan must also be developed. In addition, immigrants who register as unemployed have the right to an integration plan since 1999 (op.cit., 15). In 2001, recipients of unemployment assistance were also given the right to an activation plan.

In *Iceland*, the executive officer and the unemployed person must cooperate in developing a job seeker plan. Also in the case of social assistance benefits, the social counsellor must develop an individual plan together with the recipient⁶⁰. Likewise, recipients of rehabilitation benefits must develop a rehabilitation plan in consultation with a medical doctor⁶¹.

In conclusion, increased use of individual plans represents a combination of a *deliberative* strategy and a *regulatory* strategy. Involving the user in the development and implementation of an activation plan is perceived as a way of strengthening the user's motivation to seek employment. It must be noted, however, that this type of user participation is also an activity requirement. If the claimant refuses to develop and follow up an individual plan, the benefit may be withdrawn. Thus even if the plan is based on cooperation with the user, and aims to increase the user's motivation, it is at the same time a duty, and is therefore part of the more rigorous right-and-duty regulation controlling access to benefits⁶².

59 A more individually focused plan must be drawn up within five months of the start of unemployment.

60 For recipients of social assistance in Iceland who are 24 years old or younger, an individual plan must be drawn up straight away. For older people, a plan must be drawn up within six months.

61 It varies to what degree occupational rehabilitation actually takes place during this period. Rehabilitation benefits are also sometimes granted during periods of sickness even when actual rehabilitation services are not being offered.

62 The combination of compulsion, incentives and deliberation in activation policy is interesting, not least because regulation/incentives and deliberation are sometimes regarded as incompatible activation strategies. Deliberation aims to build up and maintain a *relationship of trust*: claimants do what they are expected to do voluntarily (that is: to pursue activation), since they trust the case worker to have their best interest in mind. Use of compulsion or economic incentives to enhance activation can undermine trust, since it is difficult for case workers who rely on such methods to avoid communicating at the same time that they do not expect claimants to voluntarily pursue activation. This means that the possibility of achieving activation through deliberation may be reduced if case workers simultaneously rely on coercive measures such as compulsion or economic incentives. Activation policy is none the less often based on different combinations of compulsion, incentives and cooperation, in the hope that these methods work together and do not undermine each other.

3.4. Summary

Activation is no longer an aim only related to recipients of unemployment-related benefits. The rules regulating access to social assistance, sickness benefits, rehabilitation benefits and disability benefits have also been modified in the light of activation objectives.

The trends are going in the same direction in all countries, though implementation varies, dependent on the structure of the benefits system. In Denmark, the municipalities have a more dominant role in activation policy than in the other Nordic countries, since they administer almost all cash benefits. In contrast, Finland differs from the other countries in that the state plays a more dominant role. This is because the Finnish state-provided unemployment assistance benefit serves many of the same claimant groups that have to rely exclusively on municipal social assistance in the other Nordic countries.

The introduction of individual plans (in cooperation with users) represents a change in the benefits systems in all the Nordic countries. The introduction of individual plans illustrates how the role of the executive officer in the benefit system is no longer just to interpret the regulations, but also to be an “activator”. The role of activator demands knowledge about how to achieve labour market integration (which measures are most effective in getting the user activated, and how can the user’s self-motivation be strengthened?). Such knowledge is different from knowledge about “correct” interpretation of legal rules (which rules should be applied given the relevant characteristics of the user?). The stronger emphasis on individual plans illustrates how the role of the executive officer has become more complex in all government agencies that administer cash benefits.

4. Giving Employers an Interest in Activation

In order for activation to succeed, it is often necessary for employers to have an independent interest in successful activation. The division of measures into three groups – regulatory, economic and deliberative – can also clarify the authorities’ different strategies for making employers interested in activation. *Regulatory measures* – allocation of duties and rights – are particularly connected with work protection legislation. *Economic measures* involve making successful activation economically attractive for employers. *Deliberative*

measures are a way of gaining better support for activation goals, and increasing employer's motivation for operating activation measures. In the following sections, a brief review is given of strategies to encourage individual employers, as well as the social partners, to take joint responsibility for labour market activation.

4.1. Employers' Duties in Relation to Activation

The work place is the most important arena for carrying out occupational rehabilitation. Labour protection legislation can include duties for employers to carry out rehabilitation within the enterprises. In *Sweden*, since 2003, it is stipulated that employers have responsibility for developing a rehabilitation report when an employee has been on sick leave for four weeks (TemaNord 2005, 55). Similarly, in Norway, also from 2003, employers have been compelled to start working on a follow-up plan for people who are on sick leave within eight weeks of the start of the sick leave⁶³. These are examples of how regulatory measures are used to have employers activate and keep hold of their employees⁶⁴.

4.2. Economic Incentives for Employers

Economic incentives can make it more lucrative for employers to appoint people with reduced work capacity or more lucrative to prevent sickness absence. *Positive economic incentives* can take the form of subsidies, or tax relief, for employers who appoint people with reduced work capacity⁶⁵. *Negative economic incentives* can take the form of joint financial responsibility if employees go on sick leave⁶⁶. Some examples:

63 If employees, within 12 weeks, have not returned to work-related activity, the national insurance office shall obtain the follow-up plan from the employer.

64 The ban on discrimination is another example of such legislation. This is regulatory legislation that aims to improve the chances of being appointed for groups who have difficulty gaining access to the labour market, or who have a high risk of being dismissed. The Nordic EU countries have a duty to integrate the EU directives 2000/43 and 2000/78 into their national legislation. The directives forbid direct or indirect discrimination when appointing, promoting and dismissing employees, on the grounds of gender, religion, faith, skin colour, national or ethnic background, political viewpoint, trade union membership, sexual orientation, disability and age.

65 Such economic incentives are registered in EUROSTAT's Labour Market Policy database (see Section 2.3), and are not discussed further here.

66 Since negative economic incentives do not increase public expenditure, they are not registered in the Labour Market Policy database.

In *Sweden*, since 2005, employers must pay for the first 14 days of sickness absence, and 15 per cent of the cost of longer sickness absence than 15 days⁶⁷.

In *Norway*, the period in which employers must pay when their employees go on sick leave was increased from 14 days to 16 days in 1998.

In *Denmark*, employers pay sick leave the first 14 days.

In *Finland*, employers pay for the first day the employee is on sick leave, and the following nine weekdays.

In *Iceland*, the length of time the employer pays varies according to the employees' length of service and according to the various trade union agreements. In the public sector, the employer pays for a maximum of 4 months (in the case of 5 years length of service), after which the employee can receive a further two months' sick pay from the trade union sick pay fund.

In conclusion, negative economic incentives give employers an economic interest in preventing sick leave. However, at the same time they give employers stronger reasons for not appointing people with a high risk of expected sickness. Therefore, from an activation perspective, the effect is questionable⁶⁸.

4.3. Cooperation with Employers and the Social Partners

Cooperation between the government and the social partners has a long tradition in most of the Nordic countries, also in relation to activation.

In *Sweden*, cooperation between the Central Government and the social partners has been an integrated part of the Swedish employment model since the days of Rehn and Meidner (in the 1950s). An example of an active labour market measure that has come about as a result of this kind of cooperation is the so-called "try-out places" ("prova-på-platser").

In *Norway*, in 2001, Central Government and the social partners underwent an agreement regarding a more inclusive labour market (the IA agreement). The aims of the IA agreement were to reduce sick leave, to enhance labour

67 Before 2005, the employer period was 14 days. Joint responsibility for financing in the case of a longer period of sickness ceases if the person on sick leave is granted rehabilitation benefit, or returns to work part time.

68 This danger can be reduced by having arrangements for exceptions for job seekers with a high risk of expected sickness. Unfortunately, this makes administration of the system more complex and expensive, and also creates possibilities for strategic adaptations. In Europe, the Netherlands have come furthest in giving employers an economic incentive for reducing sick leave. Here, employers cover all sick pay costs for up to two years of long-term sick leave or industrial injuries (European foundation for the improvement of living and working conditions 2004, 95).

market inclusion among marginalised groups, and to limit early retirement. Enterprises that wish to make a special commitment in this regard, sign an agreement of cooperation with the Public Employment Service. These enterprises are given the status of IA enterprises, and can apply for special subsidies⁶⁹. In October 2004, 57 per cent of all employees were employed in IA enterprises (Midtsundstad 2005:157)⁷⁰.

In *Denmark*, the social partners are represented at the Employment Board, which is an advisory body for the minister of employment. Regional employment boards have also been established. At the local level, municipal social coordination committees have been established, also with representatives from the social partners⁷¹. As an example, in 2002 the government, the social partners and the local authorities made an agreement regarding labour market integration of refugees. Local partnerships between enterprises and local authorities have also been established. Enterprises that make extra commitments to activation can apply for special subsidies⁷².

In *Finland*, most social security legislation is prepared through negotiations between the government and the social partners. These agreements often contain social clauses regarding labour protection and life-long learning (Finland's National Action Plan for Employment 2004, 46). The influence of the social partners is usually greater, the more the theme is a pure labour market policy issue. The Act on Security During Reorganization (Lov om omstillingstrygghet) is an example. Here, the social partners first reached an agreement, and the agreement was later incorporated into legislation.

Iceland has more limited cooperation between the social partners than the other Nordic countries. Some Icelandic employers have a strategy for including disabled people in the workforce, but there are few central agreements between the social partners in this area.

4.4. Summary

Rehabilitation within enterprises is often an effective type of rehabilitation. Therefore, labour protection legislation often specifies duties for employers

69 Some benefits can be applied for by all employers.

70 The IA agreement specifies no sanctions for employers who do not follow up their duties. IA organizations who do not follow up the contract with the Public Employment Service do not risk losing their status as an IA organization for this reason. Thus the agreement is only based on trust, without the threat of sanctions in the background.

71 A separate social index for the social profile of the enterprise has been constructed, which is used for the purpose of creating attitudes.

72 Since 1995, the labour market side has its own social chapters in its agreements (Social leksikon 2003-2004, 260-261)

with regard to rehabilitation⁷³. Negative and positive economic incentives provide employers with economic interests to prevent sickness absence, and to appoint jobseekers with reduced work capacity. Joint agreements between the government and the social partners, plus contracts between employers and public authorities, represent ways of using cooperation and deliberation to promote labour market integration.

5. Efficient Administration of Activation Policies

Activation has become a shared goal in labour market policy as well as social policy. This represents challenges for cooperation and coordination between government agencies responsible for unemployment benefits, social assistance and health related social security benefits.

5.1. *Horizontal and Vertical Coordination*

Activation in labour market and social policy may encounter both horizontal and vertical coordination problems.

Horizontal coordination concerns cooperation between public agencies that are responsible for different types of cash benefits. The need for close coordination between agencies that administer different types of benefit increases when activation becomes a major aim with regard to all types of benefit. First, there is the “not my table” problem. This means that users in the “grey area” between unemployment and health related benefits may be passed around between agencies, without anyone taking overall responsibility. Alternatively, there may also be an (opposite) “lock-in” problem. This means that users are *not* sent to agencies that have more relevant activation measures (to deal with the problems of the user in question); but that users are dealt with by the agency they first came into contact with.

Vertical coordination is about coordination between state, regional and local authorities. Here also, the need for coordination increases when activation becomes a shared aim on all government levels. Apart from possible “not my table” and “lock-in” problems, there may also be a “passing the buck” problem. If different government levels have economic responsibility for different

⁷³ However, sanctions in the case of an employer not following up such duties are not always clearly defined.

policy measures, it may be tempting for governments at one level to encourage users to apply for measures that are the financial responsibility of other government levels. Nordic countries have pursued different strategies to reduce horizontal and vertical coordination problems when pursuing activation.

In *Sweden*, the national insurance offices and the public employment offices initiated closer cooperation with regard to occupational rehabilitation in 2003⁷⁴. In 2004, the national insurance offices, the county employment boards, the county councils and the local authorities were given greater possibilities of coordinating expenditure at the local and regional levels⁷⁵. In 2005, the 21 independent national insurance offices and the National Insurance Administration were replaced by one new state agency: “the Insurance Office” (Försäkringskassan). (NOU 2004:13,92).

In *Norway*, administrative responsibility for rehabilitation was divided between the national insurance agency (trygdeetaten) and the public employment agency (Aetat) before 1994. Between 1994 and 2004, responsibility for rehabilitation was gradually transferred to the public employment agency. Between 2006 and 2010, the national insurance agency and the public employment agency will be amalgamated to form a combined employment and welfare agency (NAV). In connection with NAV, county job centres that are responsible for direct contact with enterprises, have been established. Further, the 435 Norwegian municipalities have been directed to make binding agreements with NAV to improve coordination between municipal social assistance offices and NAV’s local branches.

In *Denmark*, public employment offices had sole responsibility for employment services up until 1990 (Winter 2003, 142, 145). The local authorities were then given a right to provide employment services for their client groups. In 2003, benefits and services provided by the local authorities and public employment offices were further coordinated. From 2007, the public employment offices and the municipal social security offices will be located together and will include shared job centres⁷⁶. Four state employment regions will run and monitor the centres, in order to enhance coherence between national labour market services and local social services (Denmark’s National Reform Programme 2005, 43-44). The state will still have financial responsibility for services for insured unemployed people,

74 In 2006 and 2007, several pilot projects will be started, to strengthen this cooperation further.

75 In 2005, there were 35 coordination federations, a total of 57 of Sweden’s 290 municipalities.

76 In 14 pilot job centres, the state will delegate provision of public employment services to the local authorities. The local authorities will then provide services for both the municipal target groups and insured unemployed people.

while the local authorities will have financial responsibility for all other cash benefit recipients (although the state refunds part of the costs).

In *Finland*, in 2004, the public employment service was reorganized. Services for people who are the most difficult to employ are now provided by 15 special service centres. The service centres are based on cooperation between the public employment administration, the local authorities and the state pension institution (Finland's National Action Plan for Employment 2004, 47).

In *Iceland*, responsibility for occupational rehabilitation for disabled people is divided between the Ministry of Social Affairs and the Ministry of Health and Social Security. Occupational rehabilitation for unemployed people is the responsibility of the Directorate of Labour, which is under the Ministry of Social Affairs. A committee has been established to assess further coordination between these ministries, in particular with regard to occupational rehabilitation.

In conclusion, Norway and Denmark have placed most types of benefits and active measures in one government agency and at one administrative level (in Norway: the state level, in Denmark: the municipal level). Sweden and Finland have enhanced cooperation and created a clearer division of tasks between government agencies, without going so far as to actually merge government agencies. Iceland has not implemented major administrative reforms in this area, but also considers initiatives for closer cooperation⁷⁷.

⁷⁷ Increased focus on activation has also led to increased debate about the internal organization of government agencies. Management by objectives and performance management has become a trend in some countries. For example, from 2003, the Finnish Act on Regional Development demands that the relevant ministries define regional goals and measures within their administrative areas, including principles for use of measures regionally (Finland's National Action Plan for Employment 2004, 47-48). Benchmarking has also been introduced, based on the EU's employment indicators (Arbetsministeriet 2003, 16). Another shared trend concerns increased commitment to "professionalization" of executive officers, as they are now expected to function as activators as well as "judges". For example, in connection with the plans to establish a joint employment and social security administration (NAV) in Norway, the Hatland committee wrote: "Employees... who will deal with a broad range of services, must have a relatively high level of skills in order to make the right decisions. They will need a higher level of skills for dealing with people who have difficult life situations. This includes, among other things, motivation, guidance and counselling... Many others... will also need to acquire knowledge about the needs of the labour market. It is also necessary to increase people's skills in making discretionary decisions that involve difficult considerations that demand understanding of the basic aims of welfare policy and insight about relevant measures... Some of the skills that are necessary for using discretion are also useful when giving guidance. The role of counselor demands special communication skills, empathy and sensitivity in relation to the person one is dealing with... it is... important that a government agency meets clients in a way that is, as much as possible, consistent and predictable" (St.meld. 14 2002-2003, s. 129).

5.2. The Relationship to Private Service Providers

Another aspect of the organization affects the actual provision of activation services (rehabilitation, job courses, training, etc.). In principle, government agencies may limit themselves to financing and administering activation services, and allow competing private actors to provide all or parts of the services. Private-service providers can be voluntary organizations, market-based private actors, or hybrid types (foundations, mutually-owned companies, limited companies with majority public ownership, etc.). Private actors can be involved as *subcontractors* or as *joint venture partners*. Use of private enterprises as subcontractors is an example of management through economic incentives: the authorities hope that competition between private service providers will lead to improved quality and/or lower costs⁷⁸.

Establishment of cooperative relationships (joint ventures) is more an example of management through deliberation. Here, the aim is to co-opt and motivate private actors to carry out effective activation, or to ensure a friction-free division of labour between public and private service providers.

5.3. Summary

Today, labour market activation has become a common aim with regard to all groups of claimants. Consequently, the need for coordination of activation measures has increased. A series of administrative reforms has taken place in the Nordic countries to improve coordination between public agencies and between government levels. New divisions of labour between public and private producers of activation services have also been an area for reform. In such reforms, regulatory, economic and deliberative measures have been combined in innovative ways. The effectiveness of these administrative reforms is difficult to assess and can in any case only be assessed in the future, when data becomes available to check how they affect the delivery of activation services.

⁷⁸ Some examples: In Denmark, the authorities have allowed the use of private subcontractors for activation services and other activities that previously were run under the auspices of the public employment offices (Goul Andersen and Pedersen 2006, 18). Also, in Norway, since 2000, use of private subcontractors for employment services and activation services has increased (NOU 2004:13, 76).

6. The Effects of Labour Market Activation

In this chapter, we have provided an overview of activation policies in the Nordic countries. A discussion of the *effects* of the many activation measures – if some of them have actually been successful in increasing the level of employment – would require a more thorough presentation of each measure, and further presupposes that each country has carried out evaluation studies for each measure. Since many of these reforms have been implemented quite recently, there are few thorough evaluation studies, and they will in any case only cover some of the activation measures (see for example Salonen and Ulmestig 2004, Lødemel and Johannessen 2005). The aim of this chapter has been to give a broad presentation of the activation strategies and measures that are being tried out in the Nordic countries, not to assess the present state of evaluation research.

Valid socio-economic arguments can be put forward in favour of labour market activation. Labour market activation can also be beneficial for individuals, in particular in situations where it is possible to match the individual's ambitions and skills with the types of jobs that can be offered. However, there will always be some people whose work capacity is so limited that it is not possible for them to find paid work. Thus it may be appropriate to end this overview of activation policies by repeating the introductory remark: the term activation encompasses not only labour market activation, but also social activation. In other words, activation policies also include measures to integrate vulnerable individuals in social communities⁷⁹. Social activation can remain an aim of activation policy, also in situations where activation policies fail to successfully integrate more people in the labour force.

⁷⁹ An example is to give recipients of social benefits the opportunity to work without regular salary for voluntary organizations, a measure that was introduced in Denmark in 1994 (EUROSTAT 2003c, 23).

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Appendix

Active Measures in the Nordic Countries

*Inventory of Labour Market Policy (LMP)
Interventions for Denmark, Sweden, Finland and
Norway, 2004*

Reference:

**European social statistics
Labour market policy
Expenditure and participants**

EUROPEAN COMMISSION THEME
Population and social conditions
Data 2004
2006 EDITION

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The Nordic members of the expert group in 2005 were the following:
Denmark: Mikkel Zimmermann, Mzi@dst.dk, Statistics Denmark.
Finland: Petri Syvänen, petri.syvanen@mol.fi, Ministry of Labour.
Sweden: Michael Johnson, michael.johnson@industry.ministry.se, Ministry
of Industry, Employment and Communications.
Norway: Steinar Folkvord, stf@adir.aetat.no, Directorate of Labour.

D.3 INVENTORY OF LMP INTERVENTIONS: Denmark, 2004**Active measures (mill Euro spent on each measure 2004)**

Measure Name (English) Name (National language)

2 - Training

- 2.1 8 Education and training Uddannelsesaktivering (726.81)
- 2.1 9 Specially arranged activation Særligt tilrettelagte aktiverende forløb (228.77)
- 2.1 33 Education of immigrants Integrationsuddannelse (72.27)
- 2.4 31 Adult apprenticeship support Støtte til voksenlærlinge (33.31)

3 - Job rotation and job sharing**4 - Employment incentives**

- 4.1.1 26 Service jobs Servicejob (49.17)
- 4.1.2 6 Wage subsidies Ansættelse med løntilskud (697.85)
- 4.1.2 7 Practical work training in enterprises Virksomhedspraktik (157.68)

5 - Integration of the disabled

- 5.1 30 Support of disabled people Støtte til handicappede (25.59)
- 5.2 21 Flexi jobs, including flexi jobs for self-employed Flexjob (427.55)
- 5.2 22 Wage subsidies for persons, who receive early retirement pension (formerly known as light jobs) Skånejob (22.06)
- 5.3 20 Rehabilitation Revalidering (481.35)
- 5.3 28 Pre-rehabilitation Forrevalidering (66.09)

6 - Direct job creation

- 6.2 10 Voluntary unpaid activities Frivillige ulønnede aktiviteter (0.22)

7 - Start-up incentives**Passive measures (mill Euro spent on each measure 2004)****8 - Out-of-work income maintenance and support**

- 1 Unemployment benefits Ledige med arbejdsløshedsdagpenge (3063.66)
- 8.1.2 2 Cash assistance (unemployment) Kontanthjælp til ledige (551.73)
- 8.1.2 29 Unemployment allowance Ledighedsydelse (162.39)
- 8.5 25 Wage earners guarantee fund Lønmodtagernes garantifond (45.70)

9 - Early retirement

- 9.2 3 Transitional allowance Overgangsydelse (130.14)
- 9.2 24 Voluntary early retirement pay, from unemployment Efterløn fra ledighed (1277.30)
- 9.2 32 Flex allowance Fleksydelse (13.24)

D.19 INVENTORY OF LMP INTERVENTIONS: Suomi/Finland, 2004

Active measures (mill Euro spent on each measure 2004)

Measure Name (English) Name (National language)

2 - Training

- 2.1 6 Labour market training Työvoimakoulutus (472.40)
- 2.1 17 Training allowance Koulutuspäiväraha (18.15)
- 2.1 24 The adult training supplement of the training and redundancy fund Koulutus- ja erorahaston aikuiskoulutussisä (0.10)
- 2.2 12 Employment subsidy for coaching for working life Työllistämistuki työelämävalmennukseen (15.37)
- 2.2 15 Trainee work/coaching for working life with labour market support Työmarkkinatuen yöharjoittelu/työelämävalmennus (78.34)
- 2.4 7 Apprenticeship for the unemployed Oppisopimuskoulutus työttömille (22.61)

3 - Job rotation and job sharing

- 3.1 16 Job rotation Työnvuorottelu (64.30)
- 3.2 13 Part-time pay supplement Työllistäminen osa-aikatyöhön (11.53)

4 - Employment incentives

- 4.1 35 Combined subsidy Yhdistelmätuki (164.48)
- 4.1.1 10 Employment subsidy, private companies Työllistämistuki yrityksille (21.84)

5 - Integration of the disabled

- 5.2 34 Employment supporting activity of the municipalities Kuntien työllistymistä tukeva toiminta (28.33)
- 5.3 25 Rehabilitation activities of the social insurance institution Kansaneläkejärjestelmän ammatillinen kuntoutus (54.09)
- 5.3 26 Rehabilitation activities of the employment pension scheme Työeläkejärjestelmän ammatillinen kuntoutus (35.79)
- 5.3 27 Rehabilitation activities of the accident and traffic insurance Tapaturma- ja liikennevakuutuksen ammatillinen kuntoutus (31.00)

6 - Direct job creation

- 6.2 8 Temporary government employment Valtion työtehtävät (51.70)
- 6.2 9 Employment subsidy, municipalities Kunnallinen työllistämistuki (54.01)
- 6.2 36 Rehabilitative work experience Kuntouttava työtoiminta (16.12)

7 - Start-up incentives

- 7 11 Start-up grant Yrittäjäraha (22.32)

Passive Measures (mill Euro spent on each measure 2004)**8 - Out-of-work income maintenance and support**

- 8.1.1 1 Earnings-related unemployment allowance Työttömän ansiosidonnainen päiväraha (1348.62)
- 8.1.2 2 Basic unemployment allowance Työttömän peruspäiväraha (110.69)
- 8.1.2 4 Labour market support (passive component) Työttömän työmarkkinatuki (725.99)
- 8.2 30 Earnings related adjusted unemployment allowance as partial unemployment benefit Soviteltu ansiosidonnainen päiväraha lyhennettyä työaikaa tekeville (3.74)
- 8.2 32 Adjusted basic unemployment allowance or labour market support as partial unemployment benefit Soviteltu peruspäiväraha tai työmarkkinatuki lyhennettyä työaikaa tekeville (0.01)
- 8.3 31 Earnings related adjusted unemployment allowance as part-time unemployment benefit Soviteltu ansiosidonnainen päiväraha osa-aikatyötä tekeville (117.52)
- 8.3 33 Adjusted basic unemployment allowance or labour market support as part-time unemployment benefit Soviteltu peruspäiväraha ja työmarkkinatuki osa-aikatyötä tekeville (49.04)
- 8.4 23 Redundancy payment Eroraha (0.10)
- 8.5 28 Pay security Palkkaturva (16.88)

9 - Early retirement

- 9.2.1 3 Unemployment pension Työttömyyseläke (724.01)

D.20 INVENTORY OF LMP INTERVENTIONS: Sweden, 2004**Active measures (mill Euro spent on each measure 2004)**

Measure Name (English) Name (National language)

2 - Training

- 2 14 Employability rehabilitation programme Arbetslivsinriktad rehabilitering (66.64)
- 2 43 Activities within counselling, guidance and placement services Aktiviteter inom vägledning och platsförmedling (338.00)
- 2 47 Projects with Employment Policy Orientation Projekt med arbetsmarknadspolitisk inriktning (15.67)
- 2.1 6 Computer/activity centres Datortek (58.74)
- 2.1 11 On-the-job training Företagsutbildning (0.66)
- 2.1 49 Preparatory Training Courses Förberedande eller orienterande utbildning (274.65)
- 2.1 50 Employment Training Arbetsmarknadsutbildning (221.72)
- 2.2 3 International practice scholarship Interpraktikstipendier (2.85)

3 - Job rotation and job sharing

- 3.1 53 Career Break Friår (friårslediga) (16.88)

4 - Employment incentives

- 4.1 15 Mobility allowance Flyttningsbidrag (13.37)
- 4.1.1 36 General recruitment incentive Allmänt anställningsstöd (30.58)
- 4.1.1 37 Extended recruitment incentive (for persons enrolled with the PES for 2 years) Förstärkt anställningsstöd (för 2-års inskrivna) (66.42)
- 4.1.1 44 Special recruitment incentive Särskilt anställningsstöd (102.91)
- 4.1.1 45 Extended recruitment incentive (for persons enrolled with the PES for 4 years) Förstärkt anställningsstöd (4-års inskrivna) (32.33)
- 4.1.2 7 Municipal youth programme Kommunala ungdomsprogrammet (14.25)
- 4.1.2 31 Youth guarantee Ungdomsgarantin (57.32)
- 4.1.2 35 Work Experience Arbetspraktik (205.39)

5 - Integration of the disabled

- 5.1 12 Wage subsidies Lönebidrag (644.54)
- 5.1 40 Workplace adjustment grants Bidrag till arbetshjälpmedel, arbetsbiträde, näringshjälp och reskostnader (18.30)
- 5.2 13 Public sheltered employment (OSA) Offentligt skyddat arbete (OSA) (86.91)
- 5.2 21 Samhall Samhall (464.15)

6 - Direct job creation**7 - Start-up incentives**

7.9 Start-up grants Start av näringsverksamhet (93.05)

Passive measures (mill Euro spent on each measure 2004)**8 - Out-of-work income maintenance and support**

8.1,8.3 16 Unemployment insurance and Basic insurance

Arbetslöshetsförsäkring och Grundförsäkring (3557.09)

8.5 30 Wage guarantee Lönegaranti (152.89)

9 - Early retirement

D.24 INVENTORY OF LMP INTERVENTIONS: Norway, 2004

Active measures (mill Euro spent on each measure 2004)

Measure Name (English) Name (National language)

2 - Training

- 2.1 7 Labour Market Training (AMO) Arbeidsmarkedsoppl ring (AMO) (143.89)
- 2.2 8 Work experience in ordinary enterprises Arbeidspraksis, ordin r virksomhet (40.73)
- 2.2 9 In-house training (BIO) Bedriftsintern oppl ring (BIO) (2.17)

3 - Job rotation and job sharing

- 3.1 12 Temporary substitute places Vikarplasser (0.24)

4 - Employment incentives

- 4.1 5 Mobility promoting grants Mobilitetsfremmende st nader (0.30)
- 4.1.1 6 Wage subsidies to employers L nnstilskudd til arbeidsgivere (55.60)

5 - Integration of the disabled

- 5.1 13 In-house rehabilitation (BIA) Bedriftsintern Attf ring (BIA) (0.06)
- 5.1 14 Temporary employment measures for the occupationally disabled Midlertidige sysselsettingstiltak, yrkeshemmede (6.14)
- 5.1 18 Integration subsidies Integreringsstilskudd n.s.
- 5.1 19 Supported employment (AB) Arbeid med bistand (AB) (67.41)
- 5.1 21 Work experience - Practice in regular places of work for the occupationally disabled Arbeidspraksis yrkeshemmede, hospitering (120.37)
- 5.1 23 Sheltered workshops (AMB phase 1) Arbeidsmarkedsbedrifter (AMB) fase 1 (39.14)
- 5.1 28 Wage subsidies for the occupationally disabled L nnstilskudd yrkeshemmede (27.29)
- 5.1 30 Work experience in ordinary enterprises for the occupationally disabled Arbeidspraksis yrkeshemmede, ordin r virksomhet (6.17)
- 5.1 31 Flexi job Fleksijobb (3.85)
- 5.1 35 Labour Market Training for the occupationally disabled (AMO) Arbeidsmarkedsoppl ring for yrkeshemmede (AMO) (29.65)
- 5.2 15 Work experience in sheltered enterprises Arbeidspraksis yrkeshemmede, skjermet virksomhet (99.57)
- 5.2 24 Sheltered workshops (AMB phase 2) Arbeidsmarkedsbedrifter (AMB) fase 2 (70.92)
- 5.3 22 Education in regular schools Utdanning i ordin re skoler (624.86)

6 - Direct job creation

6.2 11 Temporary public employment (KAJA) Kompetanse, arbeidstrening og jobbskaping for arbeidsledige (KAJA) (1.59)

7 - Start-up incentives

7 25 Start your own business Egen etablering (5.24)

Passive measures (mill Euro spent on each measure 2004)**8 - Out-of-work income maintenance and support**

1 Unemployment benefits Dagpenger under arbeidsløshet (1329.57)

8.1.2 27 Payments for occupational rehabilitation between measures
Attføringspenger mellom tiltak (405.75)

8.1.2 29 Waiting benefit Ventestønad (18.64)

9 - Early retirement

Appendix 1

Information on the NOSOSCO home page

The NOSOSCO home page www.nom-nos.dk contains supplementary information. The present report can be downloaded as a .PDF file from the home page.

The supplementary information is as follows:

- The social expenditure and the financing of it, broken down by the individual entries
- Specification of the social expenditure
- The typical cases that are used as basis for the figures in this publication
- Description of the calculation basis for the typical cases
- The tables on income distribution and relative poverty that were used as basis for the tables and figures in this publication
- Description of the calculation basis for the tables on income distribution
- Further information, concerning ministries etc.

The home page also contains the database *Social and Health Indicators*, where the most important indicators in this publication can be found in an interactive database, in which the results may be shown both as graphic presentations and on maps.

Appendix 2

The Basis for the Adjustment of the Social Benefits

DENMARK: All transfer incomes and a number of other rates are adjusted annually as at 1 January by means of a rate-adjustment percentage, which reflects the development in the annual wages/salaries in the labour market. Consequently, the annual adjustment by means of the rate-adjustment percentage comprises the rates for social pensions, sickness, maternity and unemployment benefits, voluntary early retirement benefits and transition allowances, cash benefits, rehabilitation allowances, child allowances and child supplements as well as housing subsidies. The various amounts that are included in the calculation basis for the various benefits and various kinds of support are also adjusted by means of the rate-adjustment percentage. The child allowance and the housing subsidy shall, however, be adjusted as from 2004 by the increase in the consumer price index.

The maximum amount of the unemployment benefit is adjusted by means of the rate-adjustment percentage. In respect of people, who receive individual daily cash benefits below the maximum amount, the calculation basis for the individual daily cash benefits (i.e. the previous earned income) will be adjusted by means of the rate-adjustment percentage. Daily cash benefits will then amount to 90 per cent of the new calculation basis. Recipients of individual daily cash benefits below the maximum amount consequently also have their benefits adjusted as per 1 January.

The maximum amount of the sickness and maternity benefits is also adjusted by means of the rate-adjustment percentage. In respect of people, who receive less than the maximum amount, and where the daily cash benefits therefore amounts to 100 per cent of their previous earnings, the benefit shall be adjusted to the extent the wages payable by their employers is typically adjusted in accordance with the general agreement.

THE BASIS FOR THE ADJUSTMENT OF THE SOCIAL BENEFITS

The adjustment has been laid down in both an act on a rate-adjustment percentage and in the individual acts on the various cash benefits, etc. The rate-adjustment percentage is calculated on the basis of the adjustment of the annual wages/salaries for workers and civil servants in the year that lies two years before the year, which the rate-adjustment percentage concerns, seen in relation to the year three years previously. The rate-adjustment percentage for 2004 was for example fixed on the basis of the adjustment of the annual wages/salaries from 2001 to 2002.

THE FAROE ISLANDS: The adjustment of the social benefits is based on special legislation, which lays down the annual adjustment at 4 per cent. The legislation covers pensions, pension supplements, special supplements to pensioners and maintenance allowance, with the exception of the basic amount of the old-age pension, which is not adjusted.

Unemployment benefits, sickness benefits and benefits in connection with pregnancy are adjusted in relation to the wage development.

FINLAND: The social benefits are adjusted in the following way:

The basic/minimum pension is adjusted once a year on the basis of the consumer price index of the previous year.

50 per cent of the employment pension to pensioners under 65 years is adjusted on the basis of the development in the wage/salary level, and 50 per cent on the basis of the consumer price index.

20 per cent of the pension to pensioners, who have reached the age of 65, is adjusted on the basis of the wage/salary development and 80 per cent on the basis of the consumer price index.

Sickness benefits and parental daily cash benefits shall not be adjusted at year-end for those who have already been awarded the benefit (if a person for example falls ill in December, the payment for January shall not be changed).

The income ceilings are, however, increased annually on the basis of the APL-index by 50 per cent in relation to the wage/salary development of the previous year and as to 50 per cent on the basis of the consumer price index of the previous year.

The unemployment benefits are increased once a year on the basis of the previous year's consumer price index (in the same way as the basic pension).

The social assistance (income support) is adjusted on the basis of the consumer price index of the previous year.

The child supplement is adjusted following a parliamentary decision.

ICELAND: All social benefits are adjusted annually on the basis of the wage/salary and price developments of the government budget. The benefits in question are: basic pension to old-age and disability/anticipatory pensioners, unemployment benefits, public sickness benefits and maternity benefits to those who are not in gainful employment. Moreover, the income levels concerning basic and disability/anticipatory pensions are adjusted in relation to the wage/salary development at as 1 September each year.

The employment pension is adjusted in relation to the consumer-price index.

NORWAY: The old-age pension and the disability/anticipatory pension payable by the Social Insurance Scheme are calculated on the basis of the basic amount of the Social Insurance Scheme. The basic amount is adjusted by the Stortinget (the Norwegian parliament) following discussions between the Government and the pensioners' organisations. Usually, the adjustment is implemented on 1 May. The purpose of the adjustment of the basic amount is to give pensioners, who receive pension from the Social Insurance Scheme, an income development corresponding to the development for people in gainful employment.

Sickness benefits are not adjusted during a period of illness. Consequently, the sickness benefits will not be adjusted if changes occur in a sick person's wage/salary level or in the basic amount during his/her sickness-benefit period.

The income basis for the fixation of daily cash benefits in case of unemployment is fixed for the entire period at the transition to unemployment benefits and will not be changed, should changes occur in the general income level in society.

The Ministry of Social Affairs fixed recommended guidelines in 2001 for the social assistance payable. The guidelines will be evaluated and revised at regular intervals according to need, and the latest adjustment took place in 2004. There are no rules governing an annual adjustment of the child allowance. The Parliament fixes the annual rates in connection with the annual budget negotiations. These rates have not been price-adjusted since 1995, where the rate adjustments were a result of other conditions, such as the connection with the tax system and the child allowance being payable until a child turns 18 years (previously 16 years) since 2000.

SWEDEN: The benefits that are supplements to incomes from work or continuations thereof (such as pensions) are more often than not

THE BASIS FOR THE ADJUSTMENT OF THE SOCIAL BENEFITS

automatically adjusted on the basis of the price development. The price-basic amount is used for the adjustment.

The pension level and the ceiling for the sickness and the parental insurances (sickness and parental benefits) are important examples of benefits that are adjusted in this way.

Benefits that are means-tested are often adjusted in a different way.

In respect of the national standard of the social contribution (the social assistance), the Government makes decisions every year as to an adjustment on the basis of price changes and the calculations of the National Consumer Agency on how much different family types need for maintenance. The system allows for the possibilities of taking into account changed consumer patterns, etc.

The housing benefits are fixed amounts and will be awarded on the basis of given incomes. They will only be altered following political decisions. The same applies to maintenance allowance advances.

The child supplement is a general allowance that in spite thereof is not adjusted on the basis of the price development but only following a political decision.

Appendix 3

The Nordic Social Policy

The Nordic Welfare Model

The Nordic welfare model may be characterized in the following way:

1. The public welfare policy is rather comprehensive. It covers social security, social services, health, education and training, housing, employment, etc., with the purpose of ensuring the most basic needs.
2. Government involvement has been strong in all fields of policy. The political measures to obtain full employment have been based on macro-economic policy, social policy and an active labour-market policy.
3. The Nordic welfare systems are based on a high degree of universalism, i.e. all citizens are entitled to basic social security and services irrespective of their position in the labour market. The universalism has contributed to a broad public support to the welfare policy.
4. The income safeguarding is based on two elements: In most schemes, there is an income-independent basic insurance and an income-dependent benefit to those, who have been on the labour market. Compared with other industrialized countries, public income transfers play a significant part, for which reason the ratio of the social expenditure of the GDP has been high. Public financing of transfer incomes has been considerable, and consequently the tax level has been high.
5. The Nordic countries may also be characterized as service states, in which the significance of the local democracy is large. Social and health services are financed by way of taxes with no high user payment, and the aim is that all citizens have their needs met. Local authorities (municipalities and counties) provide the services and more often than not they also produce them.

6. The income distribution is relatively levelled. The income disparities in the Nordic countries as to wage/salary distribution and disposable incomes are limited compared with other countries. There are no large gaps between the various income groups, and consequently poverty and differences in the standard of living have been relatively limited.
7. Equal opportunities is a basic principle in the Nordic welfare states. In the Nordic countries, women have a high participation rate, and in most families there are two providers. Social measures are based on individual rights so that women are not financially dependent on their spouses.⁸⁰

Although the basic principles of the Nordic welfare countries still apply, user charges are becoming more and more common instead of all welfare services being financed via taxes. The setting up of funds for pension financing also becomes increasingly significant, just as families themselves to a higher extent than before must make use of the social net for part of the social services that were previously provided by the public sector.

The Organization of the Nordic Social Policy

DENMARK: There is a three-tiered taxation and administration system in Denmark (government, counties and municipalities).

The overall responsibility for the legislation and the structure of the social policy rests with the Danish parliament and Central Government, whereas the running and the day-to-day responsibility mostly rest with the county and municipal authorities.

The municipal authorities are responsible for the main part of the social cash benefits, benefits to refugees and social assistance, and they meet the costs of those benefits in the first instance. The costs are subsequently reimbursed, fully or partly, by Central Government.

Administration and payment of unemployment benefits are, however, carried out by the voluntary unemployment insurance funds.

Local authorities are also responsible for and administer the main part of the social services, such as day care and preventive measures aimed at

⁸⁰ Points 1-7 from *Nordic Social Policy, Changing Welfare States*. Edited by Mikko Kautto, Matti Heikkilä, Björn Hvinden, Staffan Marklund and Niels Ploug.

children and young people as well as care and nursing for the elderly and the disabled (home help, home nursing, nursing homes, etc.).

The county authorities bear the day-to-day responsibility for the health services, which includes the running of hospitals and administration of services and benefits from the National Health Insurance Service, including payments to general practitioners and dentists as well as subsidies to medicine. The county authorities also manage other aspects of the social field, such as residential institutions for children and young people and housing for the disabled and socially vulnerable groups.

Both municipal and county authorities receive block grants from Central Government.

Central Government is responsible for and manages a number of labour-market measures, including activation of the insured unemployed, by way of the employment service, which is run by the State.

THE FAROE ISLANDS: There is a two-tiered taxation and administration system in the Faroe Islands (Home Rule and municipalities). The overall responsibility for the legislation and the administration and payment of the majority of the social benefits as well as the majority of the social services rest with the Home Rule.

The municipal authorities are responsible for day-care facilities to children and certain welfare services. Besides, they pay a small part of the expenditure on municipal doctors, school doctors, visiting nurses, home-care nurses, etc.

The unemployment benefit is financed by the labour-market parties and administered by a board composed of representatives for the labour market. A small part of the retirement pensions are also administered and financed by the labour-market parties.

FINLAND: Also in Finland the Government has the overall responsibility for the legislation. The taxation system is a two-tiered system (government and municipalities) but a three-tiered administrative system (government, regions and municipalities).

The Finnish pension system consists of two parts: an employment pension and national pension. The employment pension is an earnings-related and insurance-based pension while the national pension is awarded to all citizens in the country, who receive only a small employment pension or none at all. The private employment pension schemes are managed by private insurance companies.

The local authorities are responsible for arranging health and social services for all residents in the municipalities. Public health care services are

supplemented by private health care services, for which the expenses are partly reimbursed by the public Sickness Insurance Scheme.

There are three kinds of unemployment benefits: an earnings-related allowance, a basic allowance and a labour market support. Most employees are covered by the unemployment fund and are entitled to the earnings-related allowance.

ICELAND: There is only a two-tiered taxation and administration system in Iceland (government and municipalities). The Government has the main responsibility for the legislation, including decision-making and responsibility for the social policy. It is also responsible for the majority of the social services, such as hospitals, health centres (primary health care) and home nursing.

Local authorities are responsible for the home help, institutions and care of children and young people. The local authorities are in cooperation with Central Government responsible for services to the elderly and the disabled.

As regards income transfers (social cash benefits and pensions), Central Government shares part of the responsibility with the labour market parties. Pensions are partly administered by the National Social Security Institution (basic pensions) and partly by an independent Pension Fund (employment pensions) that is administered by the contributors (employees and employers).

The Unemployment Insurance Scheme is administered by Central Government, while the majority of the sickness benefits comes from salaries/wages that are payable during sickness.

The local authorities are responsible for the social assistance.

NORWAY: There is a three-tiered administrative and political system in Norway (government, counties and municipalities) and the same applies to the social sector.

Most of the social income transfers (sickness benefits, rehabilitation benefits and pensions) are administered by Central Government through the National Insurance Scheme.

The National Insurance Scheme is financed by contributions from employers, employees and the State. Employers' contributions depend on the regional zone in which an enterprise is located (five different zones in all).

Local authorities administer and are responsible for social assistance, primary health care, home help and home nursing, institutions for children, young people, the elderly and the disabled.

Central Government has recently taken over the responsibility for the hospital sector, which has left counties with only a minor responsibility.

SWEDEN: There is also a three-tiered administrative system in Sweden (government, counties and municipalities). Central Government is responsible for most of the income transfers, such as sickness benefits, parental benefits, unemployment benefits and the industrial injury insurance that is administered by the Swedish Social Security Fund.

The majority of the pensions comes from the pension funds and is administered by the contributors. The county authorities are responsible for the hospitals and most of the primary health sector (health centres). The local authorities are responsible for home help and home nursing, social assistance and institutions and care for children, young people, the elderly and the disabled.

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