

Social Protection in the Nordic Countries, 2004

Social Protection in the Nordic Countries, 2004

Scope, Expenditure and Financing

'Social Protection in the Nordic Countries' available
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

Social Protection in the Nordic Countries 2004

Scope, expenditure and financing

© Nordic Social-Statistical Committee 2006
Issued by the Nordic Social-Statistical Committee (NOSOSCO)
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
from: *Social trykthed i de nordiske lande 2004*, København: NOSOSCO, 27:2006

Cover by: Sisterbrandt designstue, Copenhagen

Layout and graphics: Liv Mølgaard Mathiasen

Printed by: AN:sats, Copenhagen 2006

ISBN 87-90248-30-9
ISSN 1395-7546

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:

DENMARK:

| | |
|----------------------|---|
| Casper Holm Andersen | Ministry of Social Affairs |
| Per Kampmann * | National Labour Market Authority |
| Torben Fridberg | The National Institute of Social Research |
| Carsten Torpe | Statistics Denmark |
| Steffen Hougaard | Statistics Denmark |

FAROE ISLANDS:

| | |
|------------------|---------------------------------------|
| Heri Petersen * | Ministry of Social Affairs and Health |
| Jógvan Bærentsen | Hagstofa |

FINLAND:

| | |
|-----------------------|---------------------------------------|
| Rolf Myhrman | Ministry of Social Affairs and Health |
| Salla Säkkinen | STAKES |
| Markku Lindqvist | Statistics Finland |
| Mikko Pellinen | Central Pension Security Institute |
| Vesa Ylönen | Social Insurance Institution |
| Tiina Palotie-Heino * | Ministry of Social Affairs and Health |

ICELAND:

| | |
|---------------------|--|
| Ingimar Einarsson | Ministry of Health and Social Security |
| Hrönn Ottosdóttir * | Ministry of Health and Social Security |
| Kristinn Karlsson | Statistics Iceland |

NORWAY:

| | |
|------------------------|---|
| Øystein Haram | Ministry of Labour and Social Inclusion |
| Marit Helene Mørkved * | Ministry of Labour and Social Inclusion |
| Elisabeth Nørgaard | Statistics Norway |
| Toni Kvalvø | Directorate of Labour and Welfare |

SWEDEN:

| | |
|-------------------------|---------------------------------------|
| Tom Nilstierna * | Administration Ministry |
| Kerstin Westergren | National Board of Health and Welfare |
| Christina Liwendahl | Statistics Sweden |
| Bengt Eklind | Ministry of Health and Social Affairs |
| 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

Contents

| | |
|---|-----|
| Chapter 1. Changes in Nordic Social Policies since 2004..... | 8 |
| Chapter 2. Method | 23 |
| Chapter 3. Population and Income Distribution | 31 |
| Chapter 4. Families and Children | 39 |
| Chapter 5. Unemployment | 74 |
| Chapter 6. Illness | 96 |
| Chapter 7. Old Age, Disability and Survivors | 121 |
| Chapter 8. Housing Benefits | 180 |
| Chapter 9. Other Social Benefits | 186 |
| Chapter 10. Social Expenditure..... | 203 |
| Chapter 11. Activation Policies in the Nordic Countries..... | 220 |
| Appendix 1. Information Found on NOSOSCO's Homepage | 268 |
| Appendix 2. Basis for the Regulation of the Social Benefits | 269 |
| Appendix 3. The Nordic Social Policy | 273 |
| NOSOSCO Publications | 278 |

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.