
SOCIAL SECURITY ABROAD

RECENT CHANGES IN NORWEGIAN SOCIAL SECURITY*

In an effort to simplify the administration of the Norwegian social security system, the separate programs for sickness, unemployment, and work injury insurance will become part of the General People's Pension System (old-age, invalidity, and survivor benefits), effective January 1, 1970. Although separate funds are to be maintained for disbursement purposes, contributors to the programs will make only one contribution.

Other substantive changes have been proposed. First, the employer would pay both his own and the employee's share of the contribution toward unemployment insurance. Second, those with higher incomes would make proportionately larger contributions to the sickness insurance fund than those with lower income. The new legislation also changes the contribution rate for work-injury insurance. A flat percentage rate for all occupations will replace the current rate based on occupational risks.

An unrelated statute, effective July 1, 1969, extended coverage for the supplementary (earnings-related) pension to persons born in 1897 and earlier. The basic law had limited coverage to those born after that date. An estimated 300,000 persons may be affected.

Expansion of the General People's Pension System

Beginning January 1, 1970, the sickness insurance, unemployment insurance, and workmen's compensation programs in Norway will be incorporated in the General People's Pension System which presently includes old-age, invalidity, and survivor pensions. The change is expected to result in a considerable simplification of program administration. Employer and employee contributions to the various programs are to be made in single payments. Receipts will then be allocated

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to the separate funds, which will preserve their identities.

The Department of Social Affairs has proposed that each type of contributions continues to be paid at the present rate (except for contributions to the unemployment insurance program). There, employers and employees now pay contributions based on income classes. The proposed change would shift the employee contribution to the employer.

The present general system (old-age, invalidity, and survivor pensions) is financed through contributions from insured persons (employees and self-employed), employers, and national and local governments. Pensionable earnings of employees and self-employed are based on taxable earnings—that is, income from wages or salaries (in cash or in kind) or remuneration from work performed outside the employment relationship, from pensions, and from self-employment—up to a ceiling of 51,200 kroner¹ in 1969.² The ceiling is roughly twice the average earnings in manufacturing. Persons earning under 4,000 kroner are covered automatically without contributions. Employer contributions, also limited by the ceiling, are based on reported wages (paid in cash or in kind) as determined by law. Public contributions are computed on the same basis as contributions from insured persons.

In 1969, contributions amounted to 8.2 percent of payroll for employers and they were 4 percent of pensionable earnings for employees, 7.2 percent for the self-employed, and 0.75 percent each for the National Government and local governments.

The general system remains unchanged with respect to old age, invalidity, and survivor pensions except for statutory periodic adjustments in contribution rates.

Sickness Insurance

Proposed changes in sickness insurance contributions would result in proportionately lower

¹ \$1 U.S. = 7.15 N. kroner.

² The National Insurance Act of 1966 established a "base amount" for determining pensions and contributions. The base amount is adjusted every year for changes in the consumer price index and in per capita earnings. The income ceiling for contribution purposes is set at eight times the base amount, which in 1969 was 6,400 kroner.

contributions by persons with below-average incomes and in proportionately higher contributions by persons with above-average incomes.

Unlike contributions for old-age, invalidity, and survivor pensions, which are based on total taxable income, present employee contributions to the sickness insurance scheme are based only on income derived from employment. Contributions by the self-employed, on the other hand, are made on the basis of next year's assumed income, including income from securities, property, pensions, and the like. Employees and the self-employed are both classified within the same 11 yearly income classes. Although a larger contribution, in absolute terms, is made by higher-income contributors, the relative size of the contribution decreases as income rises.

The proposal has been made that contributions for sickness insurance also be based on assumed income—that is, income on which national tax is paid. A rate of 3 percent of assumed income is suggested as sufficient to cover expenses. As table 1 shows, this rate would have the effect of lowering contributions for the lower income classes and raising contributions for those better off.

TABLE 1.—Average yearly sickness insurance contributions by employees before and after proposed rate changes, by yearly income

[In kroner]		
Yearly income	Average yearly sickness insurance contributions, 1967 ¹	3-percent contributions on assumed income, 1970 ²
3,000.....	197	³ 0
5,000.....	268	135
7,000.....	341	189
9,000.....	422	243
12,000.....	502	324
16,000.....	586	432
21,000.....	672	567
28,000.....	760	756
36,000.....	853	972
44,000.....	952	1,188
52,000.....	952	1,404
62,000.....	952	1,656

¹ The "base amount" was 5,400 kroner in 1967.

² A base amount of 6,900 kroner is assumed for 1970, with maximum pensionable earnings of 55,200 kroner. The assumed income is here estimated at 90 percent of yearly income.

³ Contributions are not made when yearly income is below 4,000 kroner, and may not exceed 25 percent of income above 4,000 kroner.

⁴ Maximum contribution based on highest pensionable income of 55,200 kroner.

In 1967, old-age, invalidity, and survivor pensioners with other earnings of less than 1,000 kroner, as well as supporting spouses earning less than 2,000 kroner, were exempt from paying

sickness contributions. About 200,000 members were affected by this rule. Under the new system, incomes under 4,000 kroner a year would be exempt, following current practices in the general system. The number of noncontributors would thus be 250,000 larger. The resulting revenue loss would be made up by the higher contributions in the upper income classes and/or by increased public contributions.

Employer contributions to the sickness insurance scheme are currently set at 75 percent of the member (non-employer) rate. In 1970, after sickness insurance is incorporated in the general system, the rate is estimated to be 1.9 percent of payroll. State and local contributions, based on pensionable earnings as defined above, are estimated at 1.4 percent and 1.3 percent respectively.

Unemployment Insurance

Under the new system it is proposed that employees no longer contribute to unemployment insurance. Their contributions would be paid by the employers. The national and local governments will continue to contribute.

By including the unemployment insurance program in the general system—where all members contribute on the basis of taxable income—some members (such as pensioners and the self-employed) would have contributed without receiving any benefits. This was the reason advanced for proposing the transfer of employee contributions for unemployment insurance to employers. The new employer contribution rate has been estimated at 0.4 percent of payroll for 1970.

Public contributions to the unemployment funds would be based on taxable income. According to projected taxable income figures for 1970, communal and national contribution rates are estimated at 0.1 percent and 0.07 percent, respectively.

Work Injury

The work injury scheme has until now been supported by employer contributions that were graduated according to risk of occupation. Under the new plan, all employers are to contribute at one rate, regardless of occupation. Contribu-

tions paid as a percentage of payroll are estimated at 0.2 percent for 1970.

The proposed rates of contribution for 1970 within the expanded General People's Pension System are summarized in table 2. Members make only one payment to cover all social insurance; distribution to the various funds is then made within the system. Family allowances have not been included since they are regarded as government subsidies. In addition, special pension systems for public employees, seamen, fishermen, and forestry workers have not been considered.

TABLE 2.—Proposed contributions to the general people's pension system in 1970

Type of insurance	Percent of—			Payroll, by employer
	Taxable income			
	Employees and self-employed	National government	Communes	
Total.....	7.0	2.22	2.15	11.3
Old-age, invalidity, and survivor.....	14.0	.75	.75	8.8
Sickness.....	3.0	1.4	1.3	1.9
Unemployment.....		.07	.1	.4
Work injury.....				.2

¹ Employees only. Self-employed persons contribute 7.8 percent.

Extension of Supplementary Pension Coverage

As of July 1, 1969, supplementary pension coverage has been granted to pensioners not included under the National Insurance Act of 1966. This Act, which went into effect January 1, 1967, limited supplementary pension coverage to persons born after 1897. After criticism from those born before 1898, the Norwegian Parliament passed a law providing for supplementary pensions to an estimated 300,000 persons born in 1897 and earlier.

Included in the new law are old-age pensioners, invalids, surviving spouses, and the first full orphan (the first or only child in a family with both parents dead). The amount received by the pensioner is computed according to the rules laid down in the 1966 Act. Pensioners who are already covered by the Act but whose supplementary benefits are less than the maximum provided by the new law are eligible to receive an amount equal to the difference between the two pensions.

TABLE 3.—Employers' weekly premiums paid into the Norwegian social security system for adult workers in industry

[In kroner]

Item	1959	1962	1964	1965	1966	1967	1968	1969
Total premium per week.....	13.11	23.10	32.08	35.70	40.50	50.39	56.70	67.05
Sickness insurance.....	4.68	5.75	7.47	7.75	8.80	9.50	9.50	10.80
Supplemental sick pay.....	1.90	1.90	1.90	1.90	1.90	5.30	6.60	9.85
General People's Insurance System.....	3.24	8.30	15.41	18.75	22.50	31.29	36.30	42.00
Unemployment insurance.....	.95	.95	1.10	1.10	1.10	1.10	1.10	1.20
Supplementary pension scheme ¹		3.00	3.00	3.00	3.00			
Premium per hour worked.....	0.33	0.59	0.81	0.91	1.05	1.31	1.51	1.80
Average hourly earnings.....	6.12	7.38	8.25	9.00	9.65	10.39	11.23	12.15
Premiums as a percentage of average earnings.....	5.3	8.0	9.8	10.2	10.9	12.6	13.4	14.8

¹ The FTP (Joint Scheme for Pension Rights under Collective Agreement) was established by agreement between the Norwegian Federation of Trade Unions (LO) and the Norwegian Employers Confederation (NAF). It began operation on January 1, 1962, under the administration of the National Insurance Institution and covered a period of 5 years.

Source: United States Embassy, Oslo.

The new supplement amounts to a maximum 7.5 percent of the base amount or 480 kroner a year applied to the current base amount of 6,400 kroner. If a couple is entitled to two basic pensions, this amount is doubled. A surviving spouse receives 55 percent of the supplement to which the deceased was entitled. When the basic and invalidity pensions are reduced due to abbreviated coverage (full basic benefits require 40 years' coverage), the new supplement is reduced accordingly. In addition, it is reduced by the amount of supplementary and certain other public and private pensions received. If, for example, a pensioner born in 1898 already receives 320 kroner in supplementary pensions (by the 1966 Act), his new additional supplement will amount to only 160 kroner (480 kroner minus 320 kroner).

Supplements to old-age pensioners will account for the bulk of the expenses, which are estimated to remain fairly constant at 140 million kroner a year during the next few years. They will then taper off rather rapidly as the dominant expense factor, the pre-1898 group of old age pensioners, diminishes.

Employers' Social Security Contributions

During the past decade, the employer's share of social security contributions has increased

(Continued on page 56)

TABLE M-13.—OASDHI cash benefits: Estimated number of beneficiaries with monthly benefits in current-payment status, by age group and type of benefit, 1940-69

[In thousands. Adjusted to exclude duplication arising from dual entitlement; see the 1967 *Annual Statistical Supplement*, p. 5]

At end of selected month	Total, all ages	Under age 62	Aged 62 and over								
			Total, aged 62 and over	Aged 62-64				Aged 65 and over			
				Total	Retired workers	Disabled workers	Dependents and survivors ¹	Total	Retired workers	Dependents and survivors ¹	Persons with special age-72 benefits ²
December:											
1940.....	222	75	147	(³)			(³)	147	112	35	
1945.....	1,287	510	777	(³)			(³)	776	518	258	
1950.....	3,462	877	2,586	1			1	2,585	1,771	814	
1955.....	7,912	1,622	6,291	3			3	6,287	4,474	1,812	
1956.....	9,070	1,701	7,369	338	113		225	7,031	4,999	2,032	
1957.....	11,081	2,009	9,072	729	266	46	417	8,343	5,931	2,411	
1958 ⁴	12,390	2,231	10,159	837	299	77	461	9,322	6,621	2,701	
1959.....	13,667	2,560	11,107	968	334	105	529	10,139	7,191	2,948	
1960.....	14,811	2,883	11,928	1,041	357	127	557	10,887	7,704	3,183	
1961.....	16,471	3,406	13,065	1,375	648	141	586	11,690	8,277	3,413	
1962.....	18,032	3,858	14,174	1,659	873	156	630	12,515	8,865	3,650	
1963.....	19,016	4,109	14,907	1,748	946	163	639	13,159	9,318	3,841	
1964.....	19,783	4,274	15,509	1,848	998	183	667	13,661	9,671	3,990	
1965.....	20,867	4,735	16,132	1,854	992	197	665	14,278	10,108	4,169	
1966.....	22,767	5,199	17,568	1,954	1,028	230	696	15,614	10,631	4,349	
1967.....	23,705	5,491	18,214	2,013	1,040	258	714	16,202	10,979	4,494	
1968.....	24,562	5,829	18,733	2,096	1,084	283	729	16,637	11,337	4,624	
1968											
September.....	24,374	5,752	18,622	2,101	1,091	279	731	16,521	11,244	4,588	
October.....	24,274	5,776	18,498	2,088	1,088	281	719	16,410	11,150	4,575	
November.....	24,429	5,812	18,617	2,093	1,083	281	728	16,524	11,241	4,601	
December.....	24,562	5,829	18,733	2,096	1,084	283	729	16,637	11,337	4,624	
1969											
January.....	24,669	5,879	18,790	2,107	1,089	284	734	16,683	11,378	4,637	
February.....	24,711	5,901	18,810	2,119	1,101	284	733	16,691	11,390	4,639	
March.....	24,744	5,929	18,815	2,123	1,106	286	731	16,692	11,393	4,645	
April.....	24,769	5,943	18,826	2,138	1,117	288	733	16,688	11,390	4,650	
May.....	24,807	5,954	18,853	2,142	1,119	289	734	16,711	11,411	4,658	
June.....	24,878	5,965	18,913	2,154	1,126	290	737	16,760	11,455	4,670	
July.....	24,921	5,930	18,992	2,165	1,132	292	741	16,827	11,510	4,686	
August.....	25,063	5,976	19,087	2,187	1,144	295	747	16,900	11,527	4,704	
September.....	25,187	6,033	19,154	2,190	1,144	297	748	16,965	11,624	4,721	

¹ Includes dependents of disabled workers.

² Authorized by 1966 legislation for persons aged 72 and over not insured under the regular or transitional provisions of the Social Security Act.

³ Less than 500.

⁴ November data; December data not available.

SOCIAL SECURITY ABROAD

(Continued from page 45)

considerably. The major part of the increase is accounted for by contributions to the general system. In terms of average annual earnings of adult male workers in industry, contributions rose from 5.3 percent in 1959 to 13.4 percent in 1968, and amounted to 14.8 percent in 1969. Although average annual earnings have doubled during this period, annual contributions by employers have increased by almost 500 percent from 679 kroner in 1959 to 3,350 kroner in 1969.

In 1959, when contributions to the general system were made in specific amounts according to income class, employers' premiums amounted to 60 percent of employee contributions—a rate later raised to 75 percent. The National Insur-

ance Act of 1966 provided for contributions in terms of payroll and raised the employer rate considerably above that applicable to employees. In addition, employer contributions have increased at a predetermined rate of 0.6 percent a year from 7.0 percent of payroll in 1967 to 8.2 percent in 1969, and they are expected to reach 8.8 percent in 1970.

The data in table 3 indicate developments in employer contributions to all Norwegian social security programs during the past decade. Contributions to the sickness insurance, supplemental insurance for sick pay, and unemployment insurance schemes are made in specific amounts, determined by income class. Thus, the increase in employer contributions is here accounted for primarily by the steady rise in average wages.