

THE NORWEGIAN NATIONAL  
INSURANCE SCHEME AS THE MAIN  
ELEMENT OF THE NORWEGIAN  
"WELFARE STATE"

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The subject of my paper is: The Norwegian National Insurance Scheme as the main element of the Norwegian "welfare state".

I have concentrated my research work on social insurance as one of two basic and in principle very different measures available for achieving social security – insurance and assistance.

I will begin with a discussion of the term "welfare state".

### 1. THE MEANING OF THE "WELFARE STATE"

The phrase "welfare state" is of recent origin. It was first used to describe Labour Britain after 1945. From Britain the phrase made its way round the world. It was freely employed, usually but not exclusively by politicians and journalists, in relation to diverse societies at diverse stages of development. Historians also took over the phrase. Attempts were made to re-write nineteenth and twentieth century history, in terms of the "origins" and "development" of a "welfare state".

The phrase "welfare state" was seldom defined. It was used to cover both social and economic changes. Among the social changes the demand for more comprehensive social security – "freedom from want" – was linked, often with little thought, with the demand for greater "equality of opportunity".

"Welfare states" were fruits of "social democracy". Comprehensive notions of a "welfare state" based on complete "equality of citizenship" received universal assent.

There were many reforms at the end of the nineteenth and at the beginning of the twentieth centuries. But many of the "reforms" were designed as remedies for specific problems: they were certainly not thought of as contributions to a "trend" or a "movement". The sources of inspiration were multiple – socialism was only one of several trends – and this very multiplicity added to later complications.<sup>1</sup>

The I.L.O. report of 1950 went on to state that: the transformation of social insurance is accompanied by the absorption or co-ordination of social assistance, and there begins to emerge a new organisation for social security, which we can describe only as a public service for the citizenry at large. This new organisation now concerns society as whole, though it is primarily for the welfare of the workers and their families.<sup>2</sup>

The American researcher Harold L. Wilensky wrote in his book "The Welfare State and Equality": "The essence of the Welfare state is government protected minimum standards of income, nutrition, health, housing, and education, assured to every citizen as a political right, not as charity."<sup>3</sup>

The largest public expenditures are for defence, education, welfare, and health, which together comprise at least two-thirds of general government expenditures in rich countries. Dominating the "welfare and health" category are three expensive programs: firstly, pensions, death benefits, disability insurance, sickness and/or maternity benefits; secondly, health insurance or a national health service, and, finally, family or child allowances.

To compare such structural properties as the degree of distributive equality, the scope and strength of social entitlements, or the nature of social control and stratification built into social welfare programs, it is fruitful to distinguish between a "marginal" (residual) and an "institutional" welfare state model.

The **marginal model** is predicated on a commitment to market sovereignty. It stipulates that governments play only a limited role in the distribution of welfare.

In contrast, the **institutional model** does not recognise any fixed boundaries for public welfare commitments. The underlying view is that

<sup>1</sup> See Asa Briggs, 1961, *The Welfare State in Historical Perspective*, "European Journal of Sociology" no 2, p. 221-258.

<sup>2</sup> See I.L.O., International Labour Conference, 34th Session, Objectives and Minimum Standards of Social Security, 1950.

<sup>3</sup> See Wilensky Harold L., 1975, *The Welfare State and Equality*, London, p. 13.

the welfare of the individual is the responsibility of the social collective: the family's or market's capacity to secure an optimal distribution of welfare is seriously questioned. The institutional model promotes the principle that all citizens should be equally entitled to a decent standard of living, and that full social citizenship rights and status should be guaranteed unconditionally.

The Scandinavian countries are internationally renowned for their highly developed welfare states – the "Scandinavian model". This model is identified in terms of unusually heavy social spending, benefits and services of high standards, and high degree of government intervention. The four Nordic countries – Denmark, Finland, Norway, and Sweden – tend to constitute a cluster among the advanced capitalist countries with respect to their type of welfare state. The Nordic welfare states have evolved in a distinctively institutional direction.

The hallmark of the contemporary Scandinavian institutional welfare state can be expressed in terms of three essential features. First, social policy is **comprehensive** in its attempt to provide welfare. The second distinct feature is the degree to which the social entitlement principle has been **institutionalised**. The third feature is the **socially cohesive** and **universal nature** of social legislation.<sup>4</sup>

## 2. THE MEANING OF "WELFARE STATE" IN NORWAY

The Welfare State implies economic well being. The total welfare of a human being is the sum of a large number of different elements, although the concept of total welfare can not be broken up in the sense that one can attribute parts of the whole to the various elements from which that welfare is obtained. Economic security, which is part of our total welfare, may be defined as a state of mind or sense of well-being whereby an individual can satisfy his basic needs and wants, both present and future.

The receipt of income is a key factor in attaining economic security. The income, must however, be continuous. A person must have a reasonable expectation that his income will continue into the future and that this is guaranteed through social legislation. For most people, economic security requires an income which is above the subsistence level of living and is relative to the standard of living enjoyed by others. As living standards change with time, the concept of welfare must also change.

Norway has undergone development from the classic to the modern conception of task of social welfare. Poor relief and private charity have gra-

<sup>4</sup> See Gøsta Esping – Andersen & Walter Korpi, 1987, *From Poor Relief to Institutional Welfare State*, in: Erikson Robert, *The Scandinavian Model. Welfare State and Welfare Research*, New York, p. 39-74.

dually been replaced by the legal rights of the individual under social insurance legislation. The first indications in this direction appeared already around the beginning of our century, but it was in the thirties that the new philosophy broke through completely, particularly with the introduction of a general old age insurance scheme in 1936. The principle of rendering financial aid independently of private charity and poor-relief and of giving the individual citizen legal rights to benefits, gradually gained growing support and was universally accepted by the end of the thirties. During World War II the slogan "Freedom from want" won strong support in Norway too, and was translated into political goals in both the joint programme of all political parties drawn up in 1945 and in the first general social insurance plan of 1948, the Norwegian version of the British "Beveridge Plan". The aim was to guarantee all citizens minimum benefits which would give a certain degree of economic security in case of sickness, accident, disability, unemployment, loss of provider and old age. The programme was gradually put into effect, the final step being taken in 1967, when the National Insurance Scheme was introduced. Now this scheme contains all the general insurance schemes: accident, sickness, unemployment and old-age pensions.

The nation's social norms, cultural background, educational and stage of economic development influence the concept of economic security. In Norway people live in a "welfare state" because there is collective responsibility expressed through a universal comprehensive social security system.

The introduction of a national insurance scheme meant that one moved away from the type of equality which prevailed then in pension insurance schemes, and which involved everyone receiving pensions of the same size, regardless of their previous income. In the great national insurance debate of 21 June, 1965, the spokesman for the question, Oskar Skogly, and the Minister of Social Affairs, Olav Gjerervoll, both maintained that the National Insurance Scheme would break down the old class barriers and introduce a new equality.<sup>5</sup>

### 3. MORE ABOUT THE NATIONAL INSURANCE SCHEME<sup>6</sup>

#### 3.1. FINANCING THE SYSTEM

The Norwegian system has been located somewhere in between the two extremes represented by the taxation principle and the insurance principle. This is the financing system in which the year's expenditures

<sup>5</sup> See Aksel Hatland, 1984, *Folketrygdens framtid*, Oslo, p. 47.

<sup>6</sup> See Lov 17 juni 1966 om folketrygden.

are covered by the same year's income and is called a system of direct transfer. Such direct transfers are accomplished through the ordinary system of taxation and fees. The method of financing, in which social insurance revenues are a part of normal taxation, is called the taxation principle. In practice finance is drawn from tax from employees, self-employed persons, employers and contributions from the State.

### 3.2. THE NATIONAL INSURANCE SCHEME OBJECTIVES

The objective of the National Insurance Scheme is to provide benefits in the case of sickness, physical defect, pregnancy and confinement, unemployment, old age, disability, death and loss of provider.

### 3.3. WHO BELONGS TO THE NATIONAL INSURANCE SCHEME?

The National Insurance Scheme includes everyone who lives in Norway, irrespective of nationality. According to the terminology of the act relating to the National Insurance Scheme, foreign nationals are covered. Being covered by the Scheme means approximately the same as being insured.

### 3.4. THE BENEFITS UNDER THE NATIONAL INSURANCE SCHEME

The scheme consists of two types of benefits:

a) benefits for general maintenance of purchasing power:

- Retirement Pension,
- Sickness allowances,
- Unemployment benefits,
- Disability pension,
- Rehabilitation allowances,
- Transition allowance for widows/widowers, and single parents,
- Widows/and widowers pensions.

b) benefits to cover specific programmes or needs:

- A travel allowance to and from a doctor/hospital in case of sickness, pregnancy, confinement, birth etc.
- A mobility allowance to begin in a new position,
- A training allowance to enter employment.

The scheme covers some of the medical expenses during:

- sickness,
- disablement,
- burial,

but it covers all expenses in connection with pregnancy and confinement.

## 3.4.1 OLD AGE PENSION

The most innovative principle in the National Insurance Scheme was the introduction of pensions graduated according to previous income. The scheme ensured that the whole population came under a retirement pension scheme, under which all earners in the same income bracket were treated alike.

**Basic Pension** – a total insurance period of at least three years entitles a person to a basic pension. The full basic pension is paid to those who have an insurance period of 40 years.

**Supplementary Pension** – to be entitled to a supplementary pension the insured person must have had an annual earned income of more than the basic amount for at least three years after 1966.

## 3.4.2 SICKNESS BENEFITS

Medical benefits are granted in the form of repayment of costs of:

1. Physician's assistance.
2. Medical treatment and care in approved health institutions.
3. Midwife assistance.
4. Family planning by physician and regular examination during pregnancy.
5. Physiotherapeutic treatment.
6. Certain medicaments of major importance.
7. Dental treatment of disease, including extraction of teeth.
8. Treatment by speech therapist.
9. Treatment by chiropractor, prescribed by a physician.
10. Examination and treatment by psychologists.
11. Hearing aids.
12. Sera and vaccines in connection with prophylactic measures.
13. Necessary and appropriate prostheses or support bandages to counteract the effect of functional disturbances in the organs of support and motion, and breast, facial defect or eye prostheses.

The scheme covers transportation and board in connection with travelling for examination and/or treatment for which benefits are granted. In the event of occupational injury or occupational sickness, the scheme also covers the costs of sending the patient home.

**Sickness allowances** – a general requirement for entitlement to a sickness allowance is that the illness has rendered the patient unfit for work. The main requirement is that the patient's employment or his management of self-employed business has lasted for 14 days or more before he became unfit for work.<sup>7</sup>

<sup>7</sup> See Lov 17 juni 1977 om ny sykepengeordning.

**Maternity allowance** – the National Insurance pays a maternity allowance for 90 days, slightly longer in the case of multiple births.

#### 3.4.3 UNEMPLOYMENT BENEFITS

The National Insurance Scheme provides benefits in the form of a daily cash allowance during unemployment, grants to cover costs of moving to and establishing a home and a new place of work, and retraining grants.

**Daily cash allowance** – the general rule is that the daily cash allowance will not be paid for more than 80 weeks in the course of two consecutive calendar years, or 80 consecutive weeks. The daily cash allowance is paid for all days of the week except Saturdays and Sundays. The allowance is paid the three days after unemployed person has registered at the labour exchange.

**Travel and removal allowance** – on certain conditions, persons who through the Labour Exchange are given employment away from their home district, may be paid travel and removal allowances.

#### 3.4.4 REHABILITATION AID

The main requirement for being entitled to benefit during rehabilitation is that the claimant has been domiciled in Norway and has been insured for at least three consecutive years immediately preceding the claim for assistance. The requirement of a minimum insurance period is not applied in the case of occupational injury.

**Rehabilitation assistance** – is given if the insured person has a permanently reduced capacity for work or substantially limited opportunities in the choice of occupation or place of work.

**Rehabilitation allowance** – is given when a person has been receiving a daily sickness allowance for 260 days.

**Grants/Loans** – may be given to provide technical and other aids to counteract functional incapacity, for instruction in the use of such aids, and for their repair.

#### 3.4.5 DISABILITY BENEFITS

To get the right to disability benefits the insured person must meet certain requirements as to insurance period and place of residence in Norway. The disability must be of a permanent nature and due to illness, injury, or defect.

**Basic grant** – is given if the disease, injury or defect involves heavily increased expenses for the person concerned.

**Assistance grant** – may be awarded to disabled persons who need special care and nursing, or domestic help.

**Disability pension** – may be granted to any person between 16 and 67 whose working capacity is permanently reduced by at least 50 per cent due to illness, injury or defect.

**Supplement for spouse and/or children** – a disability pensioner may claim a spouse's and/or children's supplement if he is supporting a spouse over 60 and/or children under 18.

#### 3.4.6 OCCUPATIONAL INJURY BENEFITS

The National Insurance Scheme provides benefits for occupational injury, meaning bodily injury or illness caused by an occupational accident.

**Treatment** – during illness which is due to occupational injury, the insurance covers all the costs of medical assistance.

**Basic grants, assistance grants** – are given as in the case of other kinds of disability.

**Pension** – if the capacity for work has been reduced after treatment of the injury has been completed, a pension may be payable.

**Pension paid as a lump sum** – if the degree of disability is finally determined to be less than 30 per cent, the pension shall be paid out in the form of non-recurrent lump sum.

**Occupational injury compensation** – if the occupational injury has medical consequences of permanent and material nature, the injured person is entitled to annual occupational injury compensation.

#### 3.4.7 FUNERAL GRANT

A funeral grant is awarded at the death of an insured person. The funeral grant is also awarded at the death of a supported spouse or child under 18 years residing in Norway, even if they are not insured.

#### 3.4.8 SUPPORT FOR SURVIVORS

A surviving spouse (widow or widower) under 67 is entitled to benefits when certain stipulations regarding insurance period and place of residence in Norway have been met.

**Transitional benefits** – a surviving spouse who is temporarily unable to work and thus to maintain himself or herself due to the care of children is granted a transitional benefit.

**Educational training allowance** – is granted to a surviving spouse who needs education or training in order to be able to maintain himself or herself, in full or in part.

**Assistance for child care** – is granted to a surviving spouse who must leave the care of her children to someone else because of vocational training or work away from home.

**Maternity allowance** – after giving birth to the child of her deceased husband, a widow is entitled to a maternity allowance.

**Pension** – a widow or widower is entitled to a pension if the marriage had lasted for at least five years, but irrespective of the period of marriage if there were children of the marriage or if the widow or widower is in charge of the deceased person's children.

**Children's pension** – children under 18 who have lost their father or mother or both, are entitled to a pension.

**Benefits to surviving divorced spouse** – on the death of the former spouse, a divorced person under 67 who has not remarried is entitled – on certain conditions – to assistance for child care and an educational grant, or other kinds of financial assistance to obtain an employment.<sup>8</sup>

**Benefits to surviving family nurse** – unmarried persons under 67 years, who have stayed on in the home for at least five years to give necessary care and attention to parents or near relatives, may receive benefits on certain conditions.

#### 3.4.9 BENEFITS TO ONE-PARENT FAMILIES

To be entitled to such benefits the supporter in a one-parent family (unmarried, separated or divorced mother or father who is bringing up the children alone) must satisfy certain requirements with regard to the period of insurance and the period and place of residence in Norway. It is also required that she or he is not cohabiting with the other parent or with the person from whom she or he is divorced or separated.

**Maternity grant,  
Maternity benefits,  
Lump-sum payment,**

Child care education allowances – are paid in accordance with the rules applying to such benefits for a surviving spouse.

**Transitional allowances** – are paid to a supporter in a one-parent family who is temporarily unable to support him/herself by his/her own work, because he/she is taking care of the children or can obtain suitable employment only after a period of adjustment and perhaps of training.

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<sup>8</sup> See Lov 17 desember 1971 om stonad til skilte og separerte forsorgere.

## 3.4.10 SPECIAL SUPPLEMENT AND COMPENSATION SUPPLEMENT

**Special supplement** – is granted to persons who receive an old age pension; a disability pension; a pension to surviving spouse; to a divorced surviving spouse, or to unmarried family nurses; a transitional benefit to unmarried mothers; and a pension for the first child who is entitled to such benefit when both parents are dead.

**Compensation supplement** – to compensate for the consequences of the value-added tax introduced from 1 January 1970, a compensatory supplement is paid to persons domiciled in Norway who receive old age pension; disability pension; pension to surviving spouse; to divorced surviving spouse, or to unmarried family nurses; transitional benefit to unmarried mothers; pension for the first child who is entitled to such benefit when both parents are dead.<sup>9</sup>

## 3.4.11 INSURANCE SCHEMES FOR SPECIAL GROUPS

1. Pension insurance for seafarers.
2. Pension insurance for fishermen.
3. Pension insurance for forestry workers.
4. The pension scheme for reindeer-herding Lapps.
5. War Pensions.

## 3.4.12 ADMINISTRATION

The National Insurance Administration and the local insurance offices, and the County Committees (with their secretariats) deal with matters of rehabilitation and disability benefits. The Directorate of Labour deals with matters of unemployment and the taxation authorities.

## SUMMARY

The National Insurance Scheme is the main element of the Norwegian "welfare state". The Scheme secures people's finance when they are sick, disabled, unemployed or old, or when they have no one to support them and are unable to support themselves. The National Insurance Scheme is the most fundamental cornerstone of the structure represented by the "welfare state".

The Scheme consists of long-term benefits; pensions and transitional allowances; short-term benefits; daily allowances for the sick, and daily cash benefits for the unemployed and benefits in kind; and expenditure for health care and rehabilitation.

<sup>9</sup> See Lov 19 desember 1969 om kompensasjonstilleg til ytelser fra folketrygden.