
Unintended consequences of a grant reform: How the action plan for the elderly affected the budget deficit and services for the young

Lars-Erik Borge*¹ and Marianne Haraldsvik¹

¹Norwegian University of Science and Technology - NTNU (NORWAY) – Norway

Abstract

The Action Plan for the Elderly (APE) was implemented by the Norwegian parliament in 1997 to increase capacity and improve service standards within the care for the elderly sector. Care for the elderly is a local government responsibility, and the main financial element in APE was a temporary investment grant of a matching type to the local authorities. This type of grant is likely to have adverse effects for other services and the budgetary balance. We investigate whether APE had such adverse effects using a difference-in-differences approach. There is evidence that APE reduced the growth in child care coverage and increased the budget deficit.

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*Speaker