Ageing and Employment Policies

NORWAY

WORKING BETTER WITH AGE

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Ageing and Employment Policies: Norway 2013

WORKING BETTER WITH AGE

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Foreword

In the context of rapid population ageing, giving older people better work incentives and choices is crucial to promote economic growth and improve the sustainability of public social expenditures. Therefore, the OECD Employment, Labour and Social Affairs Committee decided in 2011 to carry out a new review of policies to encourage greater labour market participation at an older age by fostering employability, job mobility and labour demand. It builds upon previous work that the OECD has conducted in this area in the Ageing and Employment Politics series and summarised in its major multi-country report, *Live Longer, Work Longer*, published in 2006.

Drawing from the findings of a comparative policy review of recent reforms, an empirical study on labour market factors and in-depth country case studies, a report *Working Better with Age* will be prepared in 2015. It will highlight the main issues and policy recommendations which will be discussed subsequently by OECD Employment and Labour Ministers at a high-level Policy Forum.

The report on Norway is one of a series of country case studies that will be published as part of the new older workers thematic review. Following the 2004 report *Ageing and Employment Policies: Norway*, its purpose is to point to areas where further change or improvement is necessary and possible to improve work incentives and employment opportunities at an older age.

This report was prepared by Hilde Olsen and Thomas Manfredi (Statistician), under the supervision of Anne Sonnet (Project Leader) and Mark Keese (Head of Division). Technical assistance was provided by Monica Meza-Essid and Laura Quintin. A draft of the report was discussed at a seminar held in Oslo on 5 March 2013. The seminar was organised by the Norwegian Ministry of Labour and brought together representatives of the public authorities, the social partners and non-governmental organisations, as well as academic experts.

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Executive summary

As is the case with other OECD countries, Norway's population is ageing. In line with the OECD average, the proportion of the population aged 65 and over is projected to increase from around 30% of the population aged 20-64 in 2011 to around 60% by 2050. Given the widespread ageing of society, there is an increasing need in OECD countries to further boost the employability of the working-age population over the coming decades. Norway is no exception, although that country is better placed to cope with population ageing than most other countries in several respects.

Key issues

More could be done to mobilise inactive older people. While the employment rate for the age group 50-64 remains at a high level in Norway, it did not increase much over the past decade. Increases occurred specifically in the subgroups 55-59 and 60-64, and were less than the OECD average for those same subgroups. An important factor here is that Norway's labour market has a large share of older people on disability benefit: 19.6% of those aged 55-59, and 30.5% of those aged 60-64. More could also be done to raise the employment rate of people aged 65 and over.

The 2011 pension reform, allowing flexible retirement between the ages of 62 and 75, improves incentives to work. The pension benefit is actuarially calculated, with life-expectancy adjustment an explicit element. Pension and work income can be combined without any financial restrictions, and employment for retirees generates additional pension rights. A shortcoming of the reform is that so far, only about 40% of all new pensioners are affected substantially by the new rules. Old age pensions for disabled people are to a large extent calculated as they were in the former pension system, and economic incentives to work are not much changed for public sector employees.

Greater consistency is required in the setting of age limits. There is no co-ordination between rules regarding age limits for accrual of additional pension rights, employment protection legislation, and other rules and regulations concerning mandatory retirement. The Work Environment Act

states that employment in Norway can be terminated by employers once the worker reaches the age of 70. Occupational pension schemes often have 67 as the pension age.

Negative stereotypes still need to be combated actively. About one-third of employers report that qualified applicants should have at least ten working years remaining before retirement to be invited to interview. Individuals may encounter age barriers in the labour market as soon as their early 50s.

Special policies for seniors can have an effect, but should be preventive and differentiated according to occupation, sector or industry. Research has found that the initiatives most commonly offered by Norwegian firms are to a large extent providing benefits to workers who would continue working anyway.

Part-time work opens possibilities, but should not replace full-time work as the standard. More than one in five workers aged 55-64 worked part-time in 2011. Part-time work is certainly an alternative for older workers who cannot manage a full-time job. At the same time it can prove stressful – particularly for the so-called "involuntary part-timers" – and may represent an underutilisation of the labour force if implicitly or explicitly subsidised relative to full-time work.

Key recommendations

Better incentives to carry on working

- Align second-pillar pension schemes for public sector employees with the national insurance scheme (first pillar).
- Consolidate the Contractual Early Retirement scheme (AFP) with occupational schemes.
- Strengthen gatekeeping to the disability scheme, in order to reduce inflows.
- Reduce the complexity of, and improve information dissemination about, work and retirement options, so as to help older workers make more informed decisions.

Tackling barriers on the side of employers

- Ensure greater age neutrality in employers' personnel decisions, starting with the hiring process. Actions here could include setting targets of

more neutral hiring rates across ages, and systematic monitoring of hiring decisions.

- Evaluate the measurable results of amendments to the Work Environment Act, which prohibit age discrimination. Ascertain whether these amendments have been effective or not, and if they are not, propose actions that could be taken to improve their effectiveness.
- Simplify and co-ordinate age limit rules, with a view to removing age as a mandatory reason for retirement. Regulations such as "the 85 years rule" in the public sector, allowing departure three years prior to the retirement age if the sum of age and seniority is at least 85 years, are anomalies in the new system and should be removed.
- Align the layoff notice period for older workers with long tenures with the standard notice period applied to younger workers, and ensure that older jobseekers have the same access to job-search assistance and active labour market measures as younger jobseekers.

Improve the employability of older workers

- Establish job-related training through the broad involvement of the relevant stakeholders, representing the labour market, the education sector and the authorities.
- Assess any further needs of assistance during the first meeting between the PES (NAV in Norway) and older workers or jobseekers, independently of their status as sick, unemployed or in work.
- Facilitate the use of further work ability by encouraging the establishment of employer networks to offer job trials or other flexible work arrangements across firms.
- Ensure that the legislative and organisational framework is neutral with regard to part-time and full-time jobs, and support initiatives to promote a "full-time culture".

Assessment and recommendations

Norway's strong position

As is the case with other OECD countries, Norway's population is ageing. In line with the OECD average, the proportion of the population aged 65 and over is projected to increase from around 30% of the population aged 20-64 in 2011 to around 60% by 2050. Nevertheless, the labour force is expected to continue to grow until 2060, since the population projections from Statistics Norway assume net immigration rates and birth rates above the OECD averages.

Norway is better placed to cope with population ageing than most other countries, in several respects. First, the government has substantial petroleum revenues and possesses extensive financial assets. The Government Pension Fund Global is an important element of the macroeconomic framework, helping to separate the earning of petroleum income from the use of that income. Secondly, in 2011 Norway had the fourth-highest employment rate for workers aged 55-64 in the OECD area, at 69.6%. In addition, in 2011 unemployment rates were low at around 3%, but especially so in the age group 55-64, at 1.3%. Moreover, the average effective labour force exit ages for men (64.2) and women (64.3) are above the OECD averages (63.9 and 62.8 years, respectively). Finally, the average level of educational attainment among "seniors" (the usual expression for older workers in Norway) is high compared with the OECD average: 27.3% of the age group 55-64 had tertiary-level education in 2010 compared with 22.9% for the OECD area.

Doing more to mobilise inactive older people

Given the ageing population challenges, there is increasing pressure in OECD countries to further boost the employability of the working-age population over the next 50 years. Norway is no exception. It is sometimes argued that the consequences of ageing could be offset by policies to encourage greater immigration, higher fertility, or faster labour productivity growth. While these developments would all help, they need to go hand in

hand with attempts to better mobilise available labour reserves so as to sustain economic growth.

The need to encourage more people to stay longer in work

While the employment rate for the age group 50-64 remains at a high level, it did not increase much over the past decade. Increases occurred specifically in the subgroups 55-59 and 60-64, and were less than the OECD average for those same subgroups. An important factor here is that Norway's labour market has a large share of older people on disability benefit: 19.6% of those aged 55-59 in the first quarter of 2012, and 30.5% of those aged 60-64. Clearly, reduced inflows to disability benefit would contribute significantly to higher employment rates in the older age groups. A number of studies indeed signal a "grey area" between disability and unemployment.

More could also be done to raise the employment rate of people aged 65 and over: it stood at 25.6% in 2011. That same year, eight OECD countries (Iceland, Korea, Mexico, New Zealand, Japan, Chile, United States and Israel) had higher employment rates than Norway for the age group 65-69 even though Norway has a high number of healthy life-years expected at the age of 50 – 25 years for men and 26 years for women.

Thus, much remains to be done to increase the employment of seniors in Norway. There are signs that – aside from the 2011 pension reform – the increased demand for older workers is largely motivated by current labour shortages; there is little focus on structural changes to prepare for an ageing labour force. The recommendations that follow are put forward as possible elements of an overall strategy for promoting the employment of seniors, with three mutually supportive planks: *i)* better incentives to carry on working; *ii)* tackling employment barriers on the side of employers; and *iii)* improving the employability of older workers.

Better incentives to carry on working

The 2011 pension reform

In 2010-11, Norway implemented a pension reform establishing flexible retirement between the ages of 62 and 75, in line with the recommendations of the OECD. The pension benefit is actuarially calculated, with life expectancy adjustment an explicit element. Pension and work income can be combined without any financial restrictions, and employment income for retirees generates additional pension rights. Use of the life-expectancy adjustment can be seen as a substitute for an increase in the statutory

pension age. Nearly 57 000 persons aged 62-66 received an old age pension by the end of 2012, and 65% of them combined the old age pension with work.

The success of the pension reform should be evaluated in relation to the 2006 OECD message: does this reform encourage older people to "work longer" in response to "living longer"? Life-expectancy adjustment of the pension benefits can be seen as a substitute for increases in the pension age, and that people will voluntarily work longer as life expectancy increases to make up for the lower yearly pension payments. A major shortcoming of the Norwegian reform is that so far only about 40% of all *new* pensioners are substantially affected by the new rules; old age pensions for people classified as disabled and for public sector employees are to a large extent calculated as they were in the former pension system.

An urgent need to further align pension systems for private and public sector workers

In the private sector, the Contractual Early Retirement (AFP) scheme for persons aged 62-66 (AFP is part of the so-called second pillar) was reformed in line with changes in the public pension system (the first pillar). As of 2011, the private sector AFP scheme is a lifelong supplement to the first-pillar scheme. Private sector AFP gives typically an additional benefit to the public old age pension of slightly above 20% for the entire remaining lifetime.

Occupational pensions (also part of the second pillar) in the private sector were also adjusted to the new rules for withdrawal of the first-pillar pension. There were three modifications: introduction of flexibility with regard to retirement age, beginning at 62; use of actuarial methods for calculation of benefits; and the possibility to combine income and pensions without any earnings test. A proposal is currently under review to also align the rules regarding age limits for accrual of additional pension rights in the occupational schemes with the first-pillar scheme, and to base rights on all income years. If implemented, such reforms would improve incentives to work longer.

The present situation – where many employees in the private sector are members of two different second-pillar schemes with different rules and regulations – should, however, be re-examined with the aim of achieving greater simplification, better transparency, and appropriate redistribution effects. Studies show that adding benefits from a relatively generous defined-benefit scheme and an AFP to the public old age pension, the pension can result in a replacement rate approaching 100%, which may well not even be an intended effect.

In the public sector, which accounts for about one-third of all employment in Norway, the old system is still in place, and the annual pension is for the most part calculated independently of the retirement age between 62 and 66. AFP pensions for public employees (second-pillar) are proportionally reduced if employment continues and cannot be combined with the public old age pension. In addition, the old occupational scheme in the public sector (second-pillar), where the pension is based on the final wage, is still in place except for the life-expectancy adjustment and introduction of indexation rules identical to those for the new old age pension scheme.

According to simulations from Statistics Norway, lack of alignment of the public sector schemes with the new flexible old age pension will significantly reduce the 2011 pension reform's contribution to the labour force in the long run. Incentives to continue working are weak in the public sector. Moreover, the different schemes and rules in the private and public sectors may reduce job mobility between the two sectors: in particular, workers may lose pension entitlements by moving from one sector to the other.

Better information must be better disseminated to facilitate the right decisions

Even if the new old age pension is actuarially neutral, interaction with taxation rules means that withdrawal of a full pension of a lower yearly amount over a longer period can be advantageous compared with other take-up patterns, and render partial or deferred pensions less attractive. The total combined effect of indexation rules, life-expectancy adjustment and taxation is, however, complex. Surveys show that many individuals have difficulties acquiring information that will help them reach a decision as to what is economically best for them – there needs to be better information dissemination.

Reform of the disability scheme will encourage the use of further work ability

A proposal to separate disability benefit from old age pensions passed Norway's Parliament in 2011. The disability benefit will be based on the average income of the three highest-income years of the five years preceding the onset of disability. This will make the calculation more similar to the way temporary health benefits prior to receiving a disability benefit are calculated. It will also draw a clearer distinction between disability benefits and early retirement benefits. One of the elements in the reform is to make it easier to combine work income and disability benefits. One aim is to reduce inflows to the disability benefit through prevention measures:

another is to encourage outflows by increasing the use of partial benefits and allowing these to be combined with part-time work. The new legislation is expected to enter into force in 2015.

Considerable geographical variations in disability rates indicate that practices vary greatly across the country. This is not addressed by the amended reform: entitlement criteria and procedures remain unchanged.

The following measures should be considered

- *Second-pillar pension schemes for public sector employees should be aligned with the first pillar.* Norway's future labour force growth would be boosted significantly by alignment of the public sector AFP and occupational schemes with the main principles of 1) the new old age pension scheme, and 2) the AFP and occupational schemes in the private sector. That would provide public sector employees with a more transparent system, greater flexibility, and better incentives to continue to work.

- *Consolidation of the AFP and occupational schemes should be considered, to promote greater simplification and transparency.* The steps taken to reform the second pillar in the private sector are positive, and rapid phase-in of these new provisions is recommended to realise the positive effects. In a longer-run perspective, further simplifications and more transparent pension costs could be obtained by consolidating the AFP and occupational schemes.

- *The disability scheme requires stronger gatekeeping.* Among the measures recommended by the OECD in 2013 (see *Mental Health and Work: Norway*), closer interaction among the key actors should be sought to ensure an interdisciplinary assessment of disability applications. Better tools also can contribute to a more uniform process. As an example, guidelines to general practitioners to improve gatekeeping related to sickness benefit were implemented in 2011; were similar concrete guidelines extended to the disability scheme, they would greatly help general practitioners in completing their medical assessment. Moreover, the information could be used to design targeted training programmes and as a basis for sanctioning doctors making clearly aberrant decisions.

- *Reduce the complexity in decision making.* Steps to improve tax neutrality should be taken to remove distortions in decisions regarding pension withdrawal, and make the system more transparent. In addition, a more coherent format should be developed for information about pensions and the consequences of different choices between work and

pension, including the impact of taxation. This could be done by, for instance, extending the services and information accessible through public websites such as *Finansportalen.no*, which is already certified by OECD's principles for financial education programmes.

Tackling employment barriers on the side of employers

Greater age neutrality in employer personnel decisions must be ensured

Based on managers' answers to the 2012 Senior Policy Barometer survey, qualified applicants above an average age of 57.4 are less likely to be invited to an interview for a job. That average age may be relatively high by international standards, but it must be assessed in the context of Norway's statutory pension age, which until 2011 was 67. About one-third of employers report that qualified applicants should have at least ten working years remaining before retirement to be invited to an interview. According to these survey data, individuals may encounter age barriers in the labour market as soon as their early 50s. Given the ageing of the labour force, increased mobility of older workers is becoming important to ensure sufficient flexibility in the economy.

The important role of social dialogue and the Agreement for an Inclusive Workplace

Norway's Inclusive Workplace Agreement (IA Agreement) is a central framework for tripartite co-operation between the social partners and the government. It was launched in 2001 and renegotiated in 2010 for the period 2010-13. The three goals of the Agreement are:

- A 20% reduction in sick leave compared with the second quarter of 2001. At the national level, this means that sick leave should not exceed 5.6% of all workers.
- Increased employment of people with reduced functional ability.
- The effective labour force exit age for an employee aged 50 is to be extended by six months compared with 2009.

The extensive tripartite co-operation is a good basis for dialogue to reach consensus and pragmatic solutions, exemplified by the IA Agreement. This consensus-driven policy making can, however, make it difficult to take more complex decisions. The IA Agreement could be reoriented toward making the targets above more binding and changing the senior policies from a "one-size-fits-all" model towards stronger promotion and acceptance

of a more individualised approach, to handle more effectively the large variation among older workers.

Greater consistency in setting age limits

In the new public pension system, pension rights can be accrued until the age of 75. There is, however, no co-ordination between rules regarding age limits for accrual of additional pension rights, employment protection legislation and other rules and regulations concerning mandatory retirement.

By amendments in 2010, the Work Environment Act states that employment in Norway can be terminated by employers at the age of 70. A lower retirement age can be decided under certain conditions. Occupational pension schemes often have 67 as the pension age. The Supreme Court has confirmed this practice as legal with the proviso that the scheme provides a reasonable benefit and the age limit is well known among, and is applied in the case of, all employees. The general mandatory retirement age in the public sector is 70, and there are lower age limits for certain occupations (policemen, firemen, ballet dancers, etc.).

In some countries, such as New Zealand and, recently, the United Kingdom, abolition of mandatory retirement has been central to policies to encourage and facilitate longer working careers. Low mandatory retirement ages may represent an arbitrary barrier to employment at an older age, since education, health and technological changes may have removed the original reason for such upper age limits.

The following measures should be considered

- *Ensure greater age neutrality in employer personnel decisions, starting with weak points such as the hiring process.* In Norway, the high share of employers who rarely or never recruit older applicants is an issue of concern. The OECD recommends promotion of a new target related to Sub-goal 3 in the next IA Agreement to progress towards an age-neutral hiring rate. A first step could be to reach the OECD average hiring rate of older workers. Hiring decisions should be monitored more closely. Trials with anonymised résumés where specific age information is left out can be efficient ways to get quantitative information as a basis for further action.

- *Achievements should be evaluated.* To ensure that the 2004 amendments to the Work Environment Act prohibiting age discrimination are respected, enforcement is needed and sanctions must be used when necessary. The Ministry of Labour, as well as the Ministry of Children, Equality and Social Inclusion, has responsibilities at the political level,

with the Labour Inspectorate and the Equality and Anti-Discrimination Ombud as the operative units. Given that nearly ten years have passed since implementation of the provisions, a formal evaluation of their impact would be timely. The evaluation should cover the transparency and effectiveness of where and how responsibility for implementation, monitoring and enforcement is placed.

- *Simplify and co-ordinate age limit rules.* The review of age limits that recently got under way should result in a more transparent and coherent system supporting the targets of the pension reform, and to remove age as the sole criterion for mandatory retirement. Removing barriers to work represented by the lower age limits should be accorded the highest priority. Regulations such as "the 85 years rule" in the public sector, allowing departure three years prior to the retirement age if the sum of age and seniority is at least 85 years, are anomalies in the new system, and should be removed.
- *Protect employment opportunities, not jobs.* The Work Environment Act states that the layoff notice period for older workers with long tenures will be longer than that for younger workers. The longer notice period can give better protection, but can also make it more costly to hire and retain older workers. Older workers could be better off with the standard notice period, combined with ensuring that older jobseekers have the same access to job-search assistance and active labour market measures as younger jobseekers.

Improving the employability of older workers

Reduce the inequalities in training participation by age, gender and skill

While men aged 50-64 with tertiary education had an employment rate of 90% in 2010, the corresponding employment rate for women with less than upper secondary education was only 50%. Norway has a comprehensive system of lifelong learning, and yet older workers participate less in education and training than younger colleagues. Evidence shows that older employees are very often most motivated to sign up for on-the-job training and education courses closely related to their work situation. One reason that older workers can have optimal training methods and intensity that are different from that of younger and mid-career workers is the shorter payback period. For older workers, greater focus is placed on informal on-the-job-training. The higher exit age from the labour market and increasingly clear need to maintain competence and skills are reasons to

have a particular focus on mid-career training and education; the skills acquired can improve employability at a later age.

New training and education methods to benefit older people

Distance education has increased with the development of ICT-supported learning. But even if the level of ICT competence has increased greatly over time, older people are not accustomed to digital learning in the same way as youngsters. Any further development of digital learning should therefore take the needs of older people into account.

Distance training cannot completely replace "local training" or campus training. Norway has a number of study associations represented across the country, as well as educational institutions offering flexible adult education. "Local training" will normally require a certain number of participants to be cost-efficient. An alternative can be for clusters of firms within a region or industry to serve as the basis for recruitment to education programmes. Education activities within clusters can have the advantage of balancing job-specific training with more general training.

Mentoring

Mentoring arrangements are used to ensure that important knowledge and experience are transferred from older to younger staff members before retirement of the former. There can also be arrangements for youth-to-seniors mentoring, to update older workers on fresh job-related knowledge emerging from the education system. Formal mentoring schemes are very new as a method in most countries, and evidence of their effectiveness is still limited. Development of guidelines based on good practices, and evaluation of projects and trials, will therefore be needed to improve this framework, and make it a useful tool for a broad range of employers.

Older workers will normally have obtained their most valuable knowledge through their work experience. The system of validation and assessment of informal learning and experience is well established in Norway, but could be used more extensively. More should also be done to inform the employers about this system, and about how to assess the certificates in a recruitment process.

Help private and public employment agencies to provide better employment assistance

Individual treatment in a universal framework

One question that remains highly topical is whether the needs of older unemployed people are best met by specially targeted measures, or by an all-age mainstreaming approach. The Public Employment Service (PES, known as NAV in Norway) offers universal follow-up services to jobseekers and people receiving health-related benefits, regardless of gender, age, occupation or domicile. A key challenge seems to be to differentiate at an early stage between those wishing to return to work who can manage with standard assistance, and those who need more extensive and specially adapted assistance.

Sufficient knowledge about the competences and needs of older workers and jobseekers must be ensured through tight interdisciplinary co-operation between the NAV office, the Working Life Centre and the Centre for Senior Policy. Older workers' low participation in active labour market measures and high inflows to disability benefits are particular concerns, and PES practices towards this age group should be reviewed. Universal programmes could include employment targets for the older age group to ensure they are accorded priority.

Finding a solution – at the workplace or through early intervention?

The probability of achieving a successful solution to a health or work-related problem decreases with the duration of the condition. Employees can become trapped in jobs that are too demanding, with disability or early retirement pension as the final outcome. Managers and supervisors may not always be aware of this situation, and the employees may be reluctant to admit their problems until it is too late. Even if an aim is to solve as many cases as possible at the workplace through co-operation, NAV must – already in the first meeting with employers and employees – be highly aware of the need for external guidance and help to find alternative solutions, even before a sickness absence has started. This may be particularly important in cases where early retirement is an alternative.

If necessary, sanctions

Substantial public resources are devoted to the Working Life Centres and the services to firms with an IA Agreement. In principle NAV can terminate the agreement, but that rarely happens. To ensure efficient use of resources and to encourage firms to achieve their IA goals, the option of

terminating the agreement should be taken if the partners do not fulfil their obligations.

Partial unemployment: labour market connection or activity trap?

The long-standing legislative provisions allowing partial unemployment benefits are positive in the sense that they allow beneficiaries to remain connected to their jobs during a temporary crisis in the firm, and help avoid loss of human capital and reduced employability. Requirements relating to mobility and job search are, however, less strict if a person is defined as "jobseeker for the local labour market". One of the criteria that can give status as "jobseeker for the local market" is being aged 60. As one out of three jobseekers above the age of 50 was registered as partially unemployed in 2011, practice of this provision should be monitored and less strict job-search criteria removed.

More focus on alternative channels of job-search support

In view of increasing levels of education, rapid changes in the labour market, and greater flexibility in the retirement process, the job-search and rehabilitation assistance requirements of older employers may need to become more differentiated. This raises the question of whether formalised or semi-formalised networks serving as channels for job search or for establishing oneself as self-employed could be an alternative to traditional support from NAV for some groups of older jobseekers.

Improve working conditions for older workers

Too many of the low educated in poor-quality jobs

Norwegian studies indicate that the choice between work and retirement is decided not only by economic incentives, but also by health conditions, work-related issues, and priorities regarding family and leisure time.

The majority of employees in Norway enjoy good working conditions; the share of the labour force exposed to harmful working conditions has been reduced over the past two decades. It is therefore worrying that the employment rates of low-educated male and female workers aged 55-64 have remained stable in Norway, not increasing over the past decade. The remaining work environment challenges should not be neglected. The work environment may have a large impact on job quality and the possibilities older workers have to continue working, and may especially be an issue in occupations often held by people with a low education level.

The need for targeting and cost efficiency

Since the first IA Agreement was signed in 2001, the Norwegian government and the social partners have encouraged companies to develop a more senior-friendly policy and implement special measures to retain older workers. Examples of such senior measures are flexible working hours, partial retirement, and reduced working hours with or without wage compensation. Research has, however, found that the initiatives most commonly offered by Norwegian firms often have the feature of providing benefits (so-called "gifts") for older workers who would have continued working anyway.

In order to be effective, the initiatives and instruments contained in senior policies need to be differentiated across occupations, sectors and industries, and implemented in a preventive approach. The measures and benefits for older workers are mostly granted only after the age of 62. These measures will have little effect on health-related impairments and earlier inflows to disability benefits. In 2011, nearly four out of ten disability pensions going to persons over fifty were granted on the grounds of musculoskeletal diseases and disorders and close to one in five left on the grounds of mental ill health.

The competence challenge at the local level

One reform implemented in the health sector (from January 2012) is called the "Co-operation Reform". Its most important goals are to put greater weight on prevention than on treatment; make more health services available close to where people live; and improve co-ordination and co-operation among different areas of the health sector.

Greater responsibility for health services at the local level, close to where people live, can facilitate co-ordination and co-operation among employers, NAV and other institutions that may have the role of keeping people in work or getting them back to work. A challenge, however, is the large number of very small municipalities in Norway. Small units may have difficulties developing and retaining sufficient competence to achieve the goals of the reform. Strong co-operation within clusters of municipalities to extend the competence base may be one way of tackling this problem.

Part-time work an alternative, full-time work the standard

In 2011, 21.3% of workers aged 55-64 worked part-time. Part-time work can be viewed as an alternative for people who cannot manage a full-time job. At the same time it can prove stressful – particularly for the so-called

"involuntary part-timers" – and may represent an underutilisation of the labour force if implicitly or explicitly subsidised relative to full-time work.

The 2011 reform of the old-age pension system, as well as the forthcoming disability benefit reform, aims to facilitate the combination of work income and a pension. It is important to ensure that the legislative and organisational framework is neutral regarding the use of part-time and full-time jobs. A main aim must be to ensure good working conditions to enable full-time jobs.

The following measures should be considered

- *Establish job-related training through the broad involvement of the relevant stakeholders.* New models and tools of learning must be adapted to the needs and potentials of adults. The objective should be to translate them into higher productivity and improved employability. Co-operation should be strengthened between the authorities and institutions responsible for education and training, employer and employee organisations, the Centre for Senior Policy and the Working Life Centres. The aim should be to clarify the scope and targets for lifelong training with a particular focus on mid-career workers; develop and promote efficient programmes; and translating the conceptual framework into concrete aspects, such as certification and assessment.

- *Assess early on the need of further help and assistance in job search or job retention.* An assessment of further needs of assistance should be implemented during the first meeting between the PES (NAV) and older workers or jobseekers, independently of their status as sick, unemployed or in work. Criteria and tools for the NAV officers should be developed to support this approach. Rules relating to the respective responsibility of the firm and the employee/jobseeker must be clarified, as well as the support and measures that can be given to employees who are still in work.

- *Facilitate the use of further work ability in working life.* Here, employers must take more responsibility. They may feel that they are taking a big risk by recruiting new employees with health impairments, making change to less demanding jobs difficult. Establishing networks of employers could pool some of the risks they will be facing, for instance by offering job trials in other firms in the network, without formal change of employer during this period.

- *Promote a "full-time culture" and good working conditions for all.* It is important to ensure that the legislative and organisational framework is neutral regarding the use of part-time and full-time jobs. Since some

forms of part-time work can be more stressful than full-time work, measures to facilitate the working situation for older workers must be available also for those in part-time work. A main aim must be to ensure good working conditions that allow as many as possible to continue in full-time jobs. In the municipality sector, where the share of part-time workers is very high, initiatives to promote a "full-time culture" should be extended and supported.

Chapter 1

The "live longer, work longer" challenge for Norway

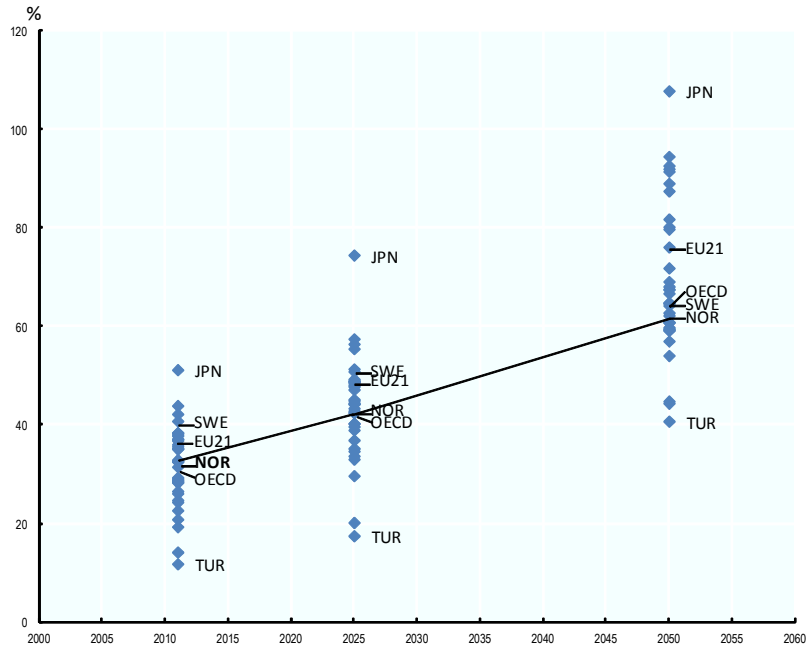
Norway's population will be ageing, even if fertility is higher in that country than in many others. This chapter presents the magnitude of the demographic challenge, and enumerates recent reforms in ageing and employment policies. These reforms were implemented in response to recommendations from the 2004 OECD report Ageing and Employment Policies: Norway.

The magnitude of the demographic challenge

Life expectancy in Norway is estimated to increase throughout this century. The population will be ageing, even if fertility is higher in that country than in many others (Ministry of Finance, 2013). A broad indicator of the rising economic burden that an older society may place on the working-age population is given by the old-age dependency ratio, i.e. the ratio of the population aged 65 and over to the population aged 20-64. In Norway this ratio is estimated to nearly double: from 32.7% in 2011 to 62.2% in 2050. This is in line with the average rise for the OECD area as a whole (Figure 1.1), although the increase in Norway is less dramatic than projected in most EU countries. In the EU21 countries, the ratio is projected to increase from 37.1% in 2011 to 76.1% in 2050.

Figure 1.1. **Demographic dependency ratios across OECD countries, 2011, 2025 and 2050**

Population aged 65+ as a percentage of the population aged 20-64

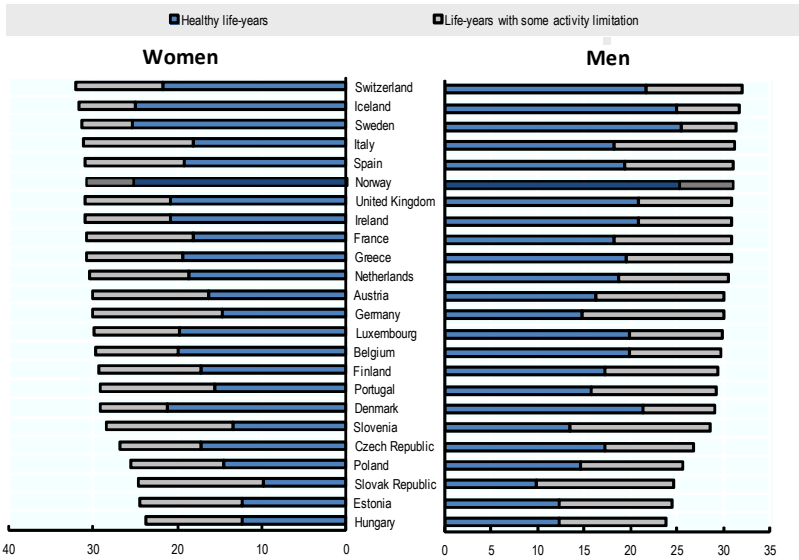


StatLink http://dx.doi.org/10.1787/888932814162

Source: United Nations Population Division Database, World Population Prospects – The 2010 Revision.

It is sometimes argued that the consequences of ageing could be offset by policies to encourage greater immigration, higher fertility or faster productivity growth. While these developments would help, they need to go hand in hand with attempts to mobilise available labour reserves to sustain economic growth. Thus, given the demographic prospects outlined in Figure 1.1, there is real pressure to further boost the employability of older people. Considering that active life expectancy – i.e. the expected healthy life-years remaining at the age of 50 – is 25 years for men and 26 for women in Norway, there is still room for improving labour prospects for the oldest cohorts well beyond the current level, even if the employment rates for the older age groups are relatively high in Norway. The country is better positioned than many others to meet the demographic challenge, given its strong potential – but further changes in incentives, attitudes and employability are prerequisites to realising that potential.

Figure 1.2. **Active life expectancy[a] at the age of 50, by gender, European countries, 2010**



StatLink http://dx.doi.org/10.1787/888932814181

a) Life-years with some activity limitations are estimated on the basis of modelled probabilities of experiencing different states of health. Due to the lack of satisfactory longitudinal data, a logistic parameterisation of probabilities of the various states on the basis of available cross-sectional data is used. The healthy life expectancy is then derived as the difference from the total life expectancy.

Source: Eurostat.

Recent reforms in ageing and employment policies

A major OECD multi-country review of ageing and employment policies took place during 2003-05, and was summarised in the synthesis report *Live Longer, Work Longer*, published in 2006. This report put forward an agenda for reform in the following three broad areas where policy action was required to encourage work at an older age:

- strengthening incentives to carry on working;
- tackling employment barriers on the side of employers;
- improving the employability of older workers.

Norway was one of the 21 countries[1] that participated in the 2003-05 review. The report *Ageing and Employment Policies: Norway* was published in 2004, and included the OECD's specific policy recommendations for that country. The summary assessment given in Table 1.1 indicates that, in response to these recommendations, Norway implemented a number of substantial policy initiatives to encourage work at an older age. The aim of this review is to provide an overview of the implementation of these measures and identify areas where more should be done, covering both supply-side and demand-side aspects.

Table 1.1. **Ageing and employment policies: Norway, situation at mid-2012**

OECD's recommendations to Norway in 2004	Action taken
A. Strengthening incentives to carry on working	
Strengthen the link between contributions and pension entitlements	++
Increase flexibility in the retirement decision	+
Limit the early retirement scheme	+
Reduce the rigidity in occupational pensions	+
Separate disability benefits from old age pensions	+
Reduce the number of recipients of long-term sickness benefits	+
Review eligibility rules in the state sector for the older unemployed	/
B. Tackling employment barriers on the side of employers	
Renegotiate the agreement on a more inclusive workplace after 2005 and introduce objective goals	+
Raise the average number of hours worked	+
Review immigration policies	+
C. Improving the employability of older workers	
Reduce the inequalities in training participation by age and skill	/
Help private and public employment agencies providing greater employment assistance to older people	/
Improve working conditions for older workers	+

/ = no (relevant) action taken; + = some action taken, but more could be done; ++ = substantial action has been taken.

Source: Answers to the 2011 OECD questionnaire. For further information, see *www.oecd.org/els/employment/olderworkers.*

Note

1. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see *www.oecd.org/els/employment/olderworkers.*

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Chapter 2

The labour market situation for older workers in Norway

Norway is one of the few OECD countries where labour force participation rates remain relatively high up to the age of 62. This is particularly notable for men, but Norwegian females also manage to have relatively high participation rates beyond the age of 60. Growth over the past decade was, however, lower than in most other OECD countries. This chapter sets the scene by examining developments in the labour market situation of older people in the wake of recent reforms in ageing and employment policies.

Employment for those over 50 is high in Norway

Norway is one of the few OECD countries where participation rates remain relatively high up to the age of 62. This is particularly notable for men, but women also manage to have relatively high participation rates beyond the age of 60 (Figure 2.1). Denmark, France and the Netherlands all have male participation rates just as high for 50-year-olds; however, exit from the labour market begins earlier than in Norway.

The differences in the exit rates for women are similar across those countries, though exit from the labour force in all countries is more gradual, and begins somewhat earlier than for men. In France and the Netherlands, exit already occurs in the early 50s. Meanwhile, part-time work among women in their late 50s in Norway is increasing. To some degree this is offsetting declining full-time rates and limiting a decline in participation rates prior to age 60. Much lower unemployment rates and higher pension ages in a growing economy are likely to explain Norway's better performance.

Employment and unemployment rates over the past decade

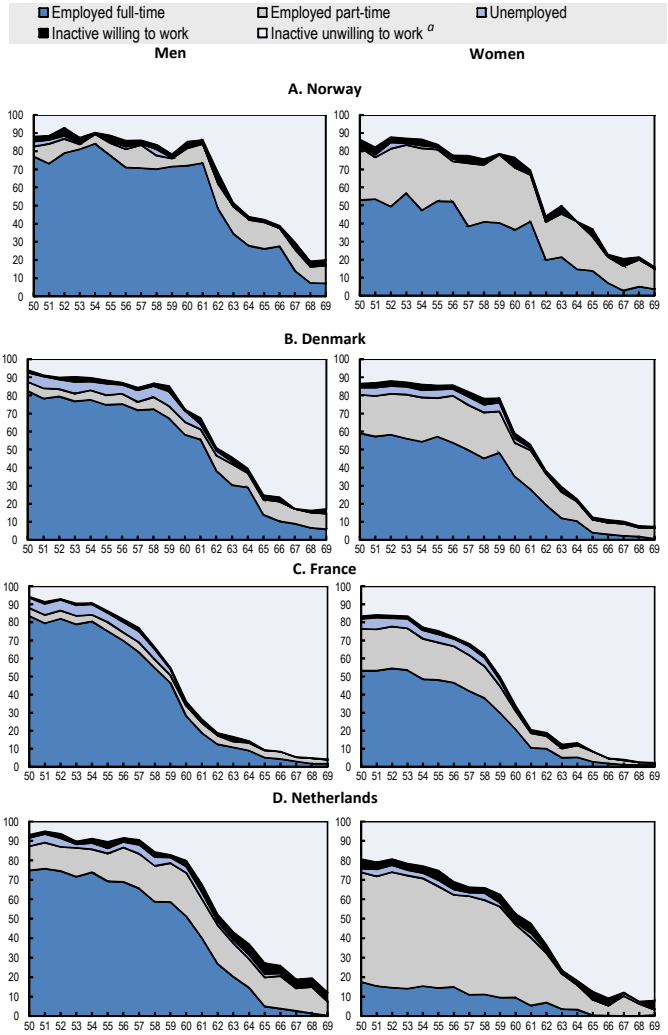
Employment

The overall employment rate for the 50-64 age group stood at 74.5% in Norway in 2011, well above the OECD average of 61.2%. This places the country among the best performers in the OECD area (Figure 2.2, Panel A). In 2001, the rate was already 74.1% and changed little over the next decade, compared with an increase of 5.6 percentage points in the OECD area during the same period. Looking at sub-groups, the employment rates of the age groups 55-59 and 60-64 increased over the past decade in Norway (Table 2.1), but less than the OECD average.

The employment rate for the 65-69 age group was 25.6% in Norway in 2011, compared with an OECD average of 18.5% (Figure 2.2, Panel B). The employment rate for this age group increased by 3.3 percentage points in the OECD area from 2001 to 2011, compared with a growth of 3.6 percentage points in Norway. Employment over age 65 is generally higher in OECD countries outside Europe; these countries also experienced the strongest growth over the past decade.

Figure 2.1. **Labour market status by single year of age and gender in selected OECD countries, 2011**

Percentages



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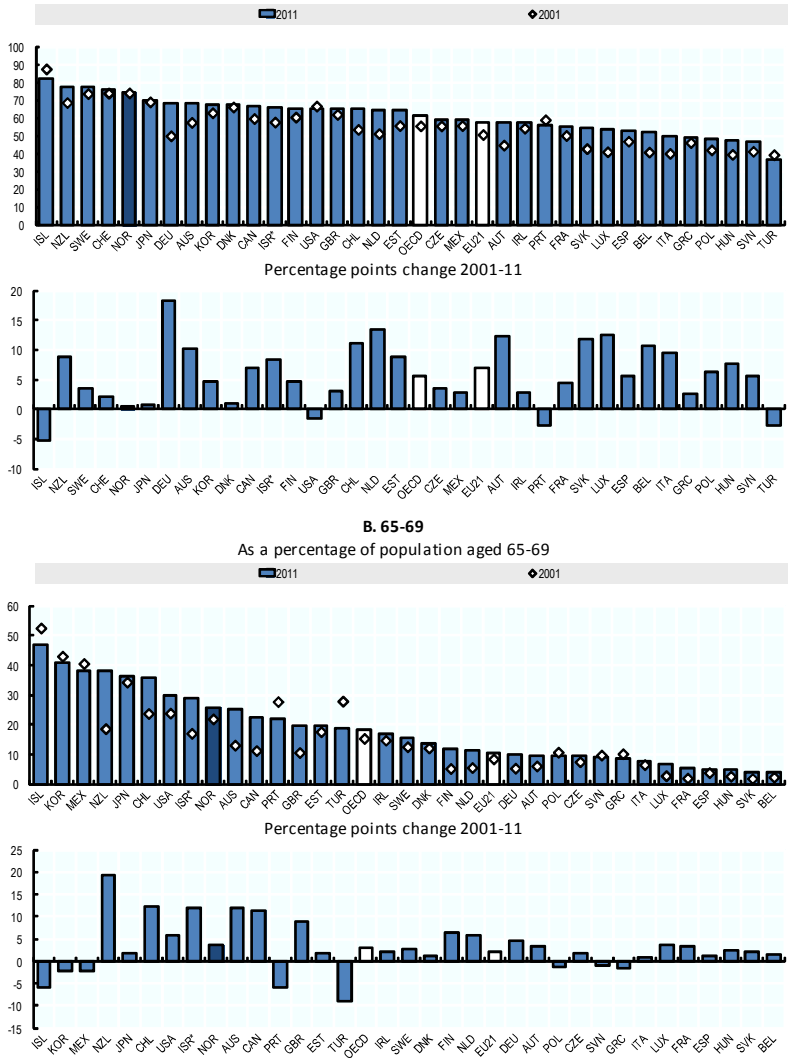
a) Inactive persons willing to work are defined as those without a job but who would like to work and do not look actively for a job in the reference week.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

Figure 2.2. **Employment rate of older workers aged 50-64 and 65-69, OECD countries, 2001 and 2011**



StatLink http://dx.doi.org/10.1787/888932814219

* Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

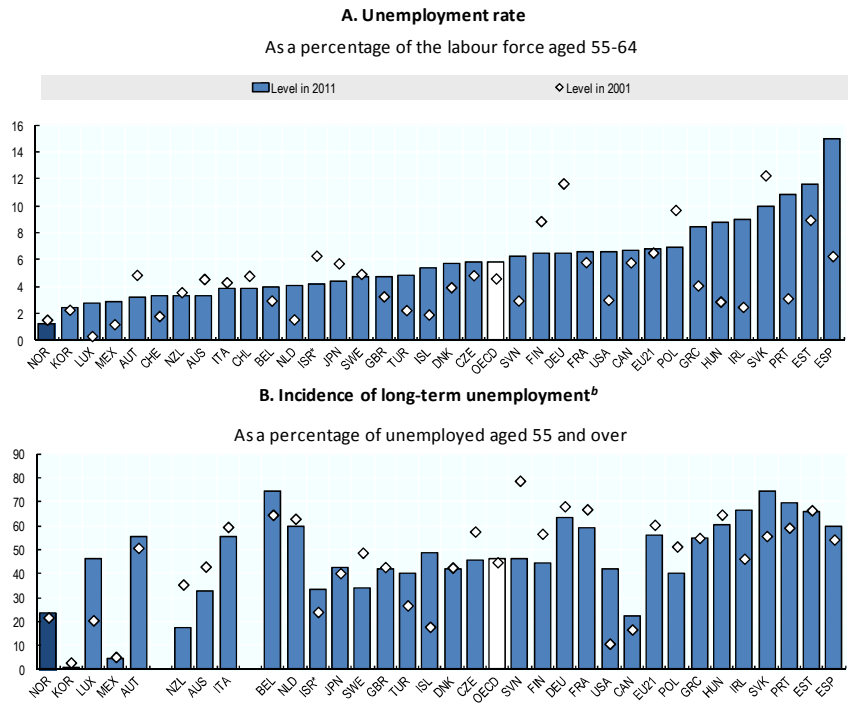
a) Data for Slovenia refer to 2002 instead of 2001.

Source: OECD estimates based on national labour force surveys.

Unemployment

In 2011, Norway had an overall low unemployment rate of 3.3%; the unemployment rate for the 55-64 age group stood at 1.3%, the lowest among OECD countries (Figure 2.3, Panel A). Moreover, the incidence of long-term unemployment of the same age group was just over one-half of the average incidence across OECD countries, 23.3% compared with 45.9% in 2011. Nonetheless, the Norwegian labour market is marked by high disability rates for older people (see Chapter 3).

Figure 2.3. **The older unemployed in OECD countries, 2001 and 2011**[a]



StatLink http://dx.doi.org/10.1787/888932814238

* Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

a) Data for Slovenia refer to 2002 instead of 2001.

b) Long-term unemployment is defined as a current spell of unemployment of one year or longer.

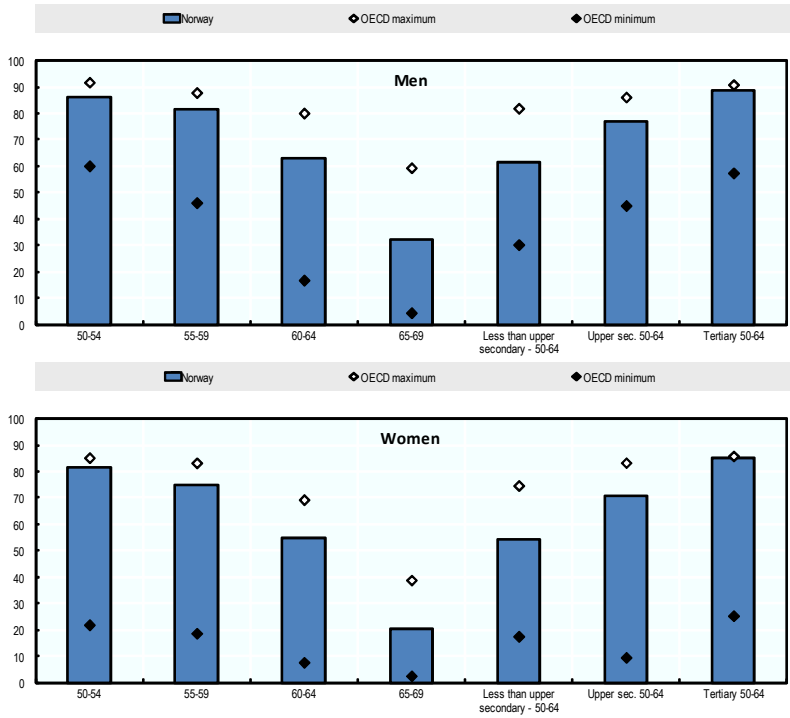
Source: OECD estimates based on national labour force surveys.

Beyond averages: the role of gender, age and education

Focusing on employment rates by age group and gender helps to disentangle the composition and cohort effects behind the aggregate trends. As Figure 2.4 illustrates, there are large differences across OECD countries. Norway is close to being one of the best-performing countries in terms of employment rates for the 50-54 and 55-59 age groups, and for those with tertiary education. The numbers are consistent with the exit pattern illustrated in Figure 2.1, revealing steep drops in Norway's employment rates after age 62. The oldest age groups and those with less than secondary education are less well placed, even if these employment rates exceed the OECD average.

Figure 2.4. **Socio-demographic disparities in employment, older workers, Norway and OECD, 2010**

As a percentage of the population in each group



StatLink http://dx.doi.org/10.1787/888932814257

Source: OECD estimates based on national labour force surveys.

There are considerable differences when looking at gender and education within Norway. Even if employment rates for women have increased greatly over time and stayed at 81.7% for the age group 50-54 in 2010, that share is still lower than for men at the same age (86.3%). For both genders, the employment rate increases in line with education attainments. While men in the 50-64 age group having completed tertiary education had an employment rate of 90.9% in 2010, the rate was only 61.5% for those with less than upper secondary education. The corresponding rates for women were 86% and 54.6%.

Examining these figures, one might conclude that education and skills play the biggest role in shaping the employment prospects of older workers. Indeed, one possible explanation of the increased aggregate employment rate can be the improved average education level of older people. For example, the share of the 55-64 age group having completed tertiary education has risen by 6.9 percentage points in just ten years, reaching 27.3% in 2010; this is nearly 5 percentage points higher than the OECD average (see Table 2.1).

These findings are confirmed by data on the expected number of years that Norwegian older workers are in employment between the ages of 55 and 64. On this indicator, Figure 2.5 shows that Norway is well-placed among OECD countries for both men and women, who respectively experienced on average 7.2 years and 6 years in employment in 2011, up from 6.8 and 5.2 years a decade earlier.

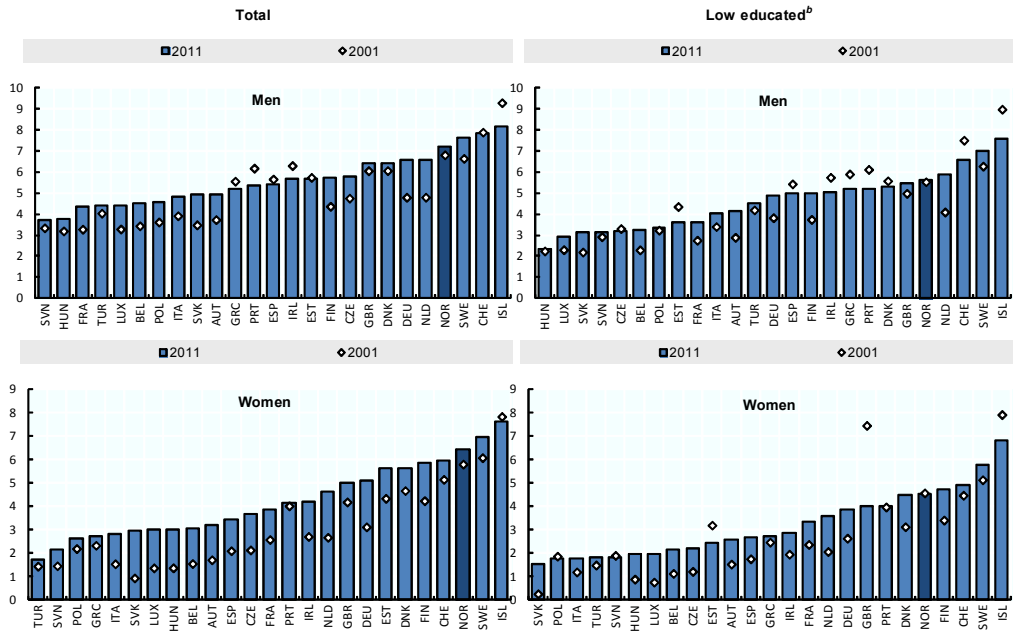
Men with less than upper secondary education in the same age group could expect to remain in work for 5.6 years, and women for 4.6 years. These numbers are still good compared with the OECD average; on the other hand there has been no change since 2001, and so there is room for further progress.

Labour dynamics for older workers

Mobility among older workers in Norway is low. The retention rate[1] – i.e. at which firms retain older employees in their workforce – is high after the age of 60, and increasing: 65.2% in 2010, 11 percentage points higher than in 2005. Comparing with the OECD average of 42.2% in 2010, it becomes clear that Norwegian employees tend to benefit more from stable jobs than older workers in all other OECD countries except Iceland (Figure 2.6).

Figure 2.5. **Expected number of years in employment[a] between the ages of 55 and 64, by gender, 2011 and 2001**

Years



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a) The expected number of years in employment is calculated as the sum of employment rates by individual years

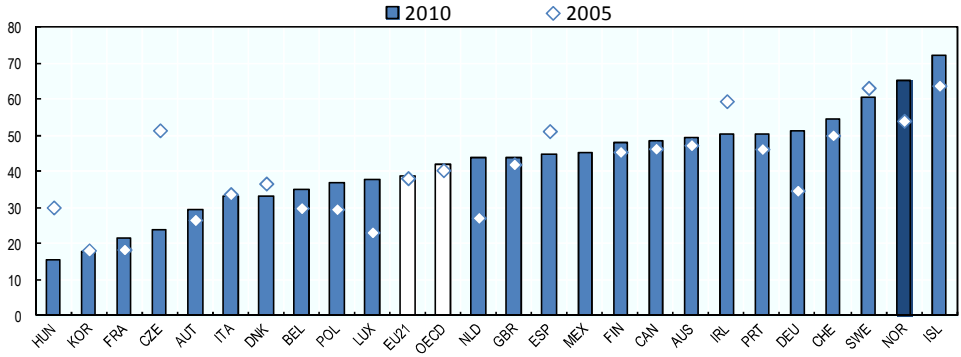
b) Less than upper secondary education.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

While older workers' retention rates are relatively high, the aggregate share of *new hires* of older workers is low in Norway (first panel of Figure 2.7); 4.9% for people aged 50-64 in 2011. Not only is the hiring rate low, but also the gap between the hiring rates of the 25-49 and 50-64 age groups is high.

Figure 2.6. **Retention rates[a] after the age of 60, OECD countries, 2005 and 2010**

Percentages



StatLink http://dx.doi.org/10.1787/888932814295

a) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

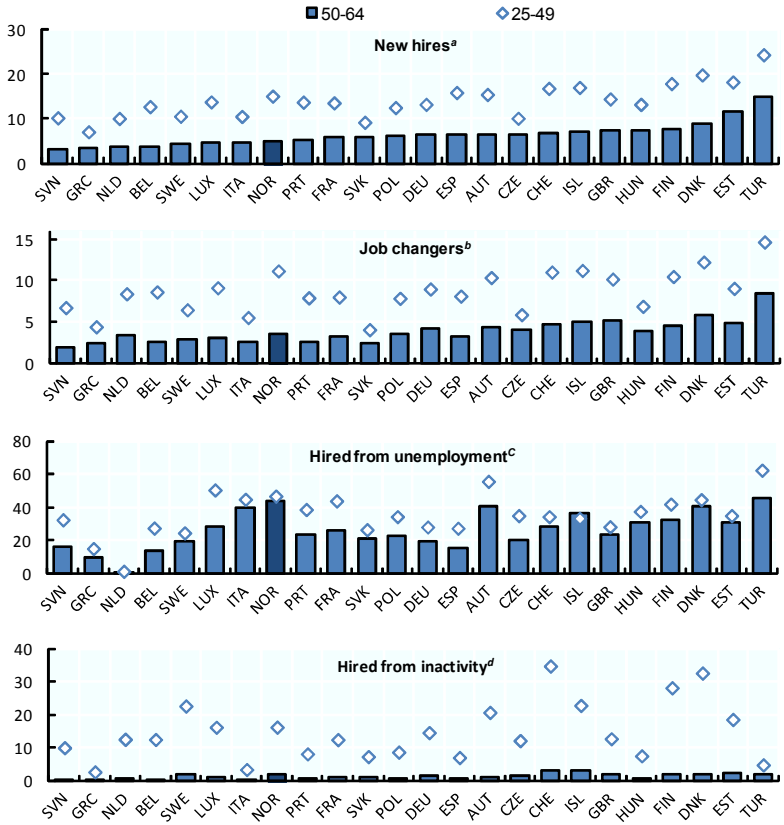
Source: OECD estimates based on national labour force surveys.

If relatively few older workers are switching jobs that can imply that these workers are locked into their current jobs. If in addition there are relatively few transitions from unemployment or inactivity into employment that could indicate that older workers are deterred from entering into new jobs once they leave existing jobs. Figure 2.7 breaks down the rate of new hires into job mobility or "job changers" (second panel) and the probability of finding a new job for older unemployed or inactive people (third and fourth panels).

As shown in the second panel in Figure 2.7, in 2011 the job-change rate among older workers was just 3.5% of employment one year earlier, one-third of the job-changers rate among prime-aged job changers. The chances of getting a new job while unemployed are among the highest across European countries (third panel in Figure 2.7). 43.8% of older unemployed persons were rehired in 2011, a figure very close to the rehiring rate for the prime-age unemployed. OECD (2011) and Halvorsen and Tägtström (2013) showed that unemployment benefit is used as a pathway to early retirement only to a limited extent in Norway, which may affect the composition of unemployment among older people. Conversely, once registered as inactive, few older workers go back to work. As the last panel in Figure 2.7 highlights, this is a common trend across European countries.

Figure 2.7. **Hiring rates by age group and status before hiring, European countries, 2011**

Percentages



StatLink http://dx.doi.org/10.1787/888932814314

a) All workers at the time of the survey with job tenure of less than one year as a percentage of employment in the age group a year before.

b) Those newly hired workers who were also employed one year before as a percentage of employment in the age group a year before.

c) Those newly hired workers who were also unemployed one year before as a percentage of unemployment in the age group a year before.

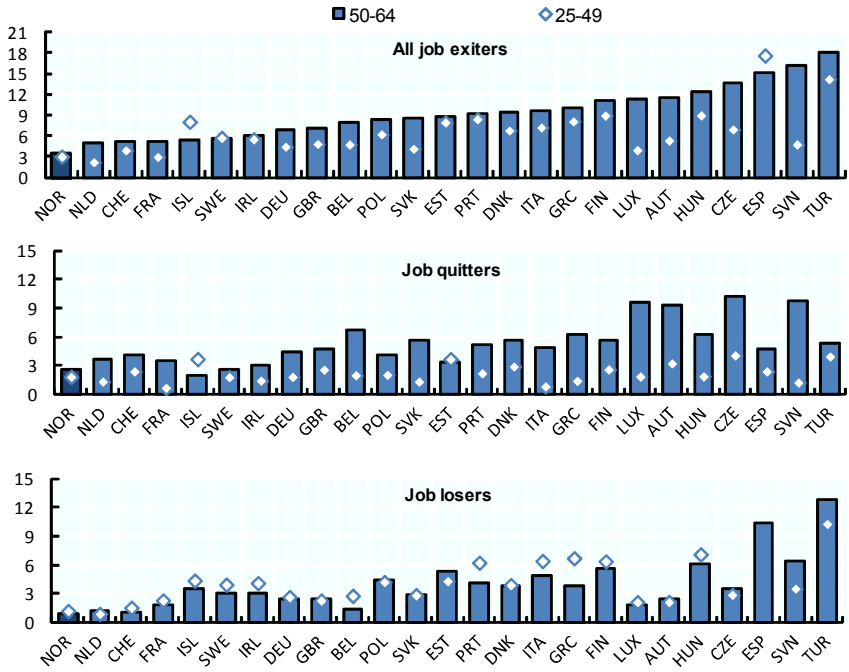
d) Those newly hired workers who were also inactive one year before as a percentage of inactive in the age group a year before.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

In Figure 2.8, exits from employment are split between those that occur for voluntary ("job quits") and involuntary ("job loss") reasons. In 2011, Norway had the lowest rates of "job quitters" and "job losers" among the countries for which data are available. Interestingly enough, this is true for both older and prime-aged workers, signalling very low exit and high job stability. This evidence is reinforced by the extremely low rate of "job losers". OECD (2006) concludes from the comparatively high employment rates among older people, combined with low hiring and firing rates, that there is relatively high employment protection practice for older workers.

Figure 2.8. **Job quits and job losses[a] among older workers versus prime-age workers, European countries, 2011**

As a percentage of employment in the age group a year earlier



StatLink http://dx.doi.org/10.1787/888932814333

a) The data refer to all persons aged 50-64 who are currently not employed but who had been working in a wage and salary job during the previous 12 months. Job losers refer to workers who lost their jobs involuntarily and job quitters to those who left their job voluntarily.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

Key stylised facts

Key indicators of the labour market for older workers in Norway over the past decade compared with the OECD average are summed up in Table 2.1.

Table 2.1. **Older workers scoreboard, 2001, 2005 and 2011, Norway and OECD**

	Norway			OECD[a]		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	74.1	73.3	74.5	55.6	58.4	61.2
of which 50-54	84.4	83.4	83.6	71.8	73.7	76.1
55-59	77.3	76.1	79.0	55.9	59.9	64.8
60-64	53.4	57.1	59.8	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	67.4	67.6	69.6	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	22.0	21.8	25.6	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% employment)	26.3	21.1	21.3	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% of employees)	2.8	2.8	2.0	9.0	9.1	9.1
-- Full-time[b] earnings, 55-59 relative to 25-29 (ratio)	1.20	1.22	1.25	1.32	1.33	1.34
Dynamics						
-- Retention rate[c], after 60 (% of employees *t-5*)	70.9	54.1	65.2	37.8	40.4	42.2
-- Hiring rate[d], 55-64 (% of employees *t-1*)	3.7	3.5	2.8	7.8	9.2	8.5
-- Effective labour force exit age[e] (years)						
Men	63.8	63.3	64.2	63.1	63.3	63.9
Women	63.2	61.8	64.3	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	1.6	1.7	1.3	4.6	4.8	5.8
-- Incidence of long-term[f] unemployment, 55+ (% of total unemployment)	21.8	25.1	23.3	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education[g] (% of the age group)	20.4	24.0	27.3	15.9	19.9	22.9
-- Participation in training[h], 55-64						
Absolute (% of all employed in the age group)	10.4	13.0	12.7	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.64	0.67	0.63	0.44	0.52	0.57

StatLink *http://dx.doi.org/10.1787/888932814675*

a) Unweighted averages for 34 OECD countries.

b) Mean gross hourly earnings, 1998, 2003 and 2008.

c) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

d) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

e) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-05 and 2006-11. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

f) Unemployed for more than one year.

g) 2000, 2005, 2010.

h) Job-related training during the last month.

Source: OECD estimates based on national labour force surveys and *OECD Education Database*.

The employment rates in Norway are well above the OECD average in all of the five-year brackets between 50 and 69. This is in line with an effective labour force exit age at 64.2 and 64.3 for men and women respectively, somewhat above the OECD average in the 2006-11 period.

Overall, job quality for older workers in Norway is good in the sense that the incidence of temporary work remains low. Full-time earnings for 55- to 59-year-olds are, at maximum, 1.25 times the earnings of 25- to 29-year-olds, which is lower than the OECD average (whose maximum is 1.34). This can partly be explained by a relatively compressed wage structure. The retention rate after 60 remains much higher than the OECD average – indicating that to a large extent, older Norwegians continue to work in their early 60s. On the other hand, the mobility of older workers is low in Norway, with a hiring rate of 2.8% in 2011 for the age group 55-64 – one-third of the OECD average of 8.5%.

Older workers in Norway have achieved a higher education level than the OECD average, with 27.3% of the 55-64 age group having completed tertiary education in 2010; the OECD average is 22.9%. Training participation is also higher, at 12.7%; the OECD rate is 9.4%. There is a substantial and relatively stable gap in training participation among older workers compared with younger age groups in Norway. Still, the training gap is lower in Norway than the OECD average.

Note

1. This indicator is defined as the ratio of employees aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

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Chapter 3

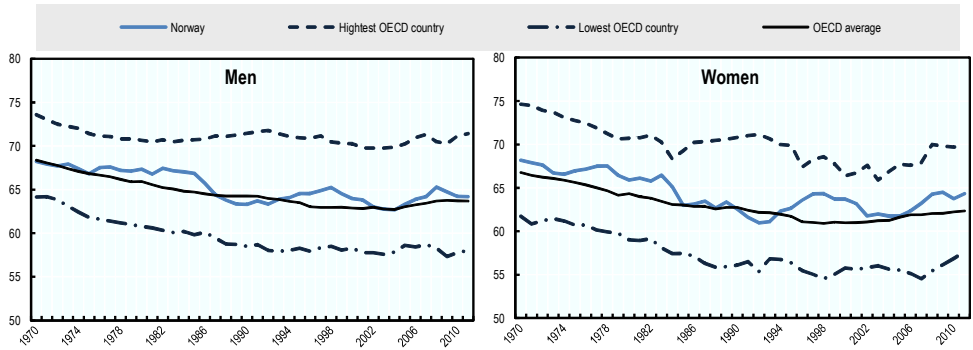
Making work rewarding for Norwegian seniors

Prior to the 2011 reform, the pensionable age in Norway was 67 – yet a large share of employees left the labour force before that age, mainly via disability benefits or the Contractual Early Retirement schemes (AFP) implemented in the late 1980s. In 2010, 58% of the population aged 62-66 received a pension; 35% of that share received disability benefits and 20% AFP. This chapter analyses Norway's actions to strengthen financial incentives to carry on working, including reform of its old age pension system and early retirement schemes.

Changes in the exit age

As noted in Chapter 2, the effective labour force exit ages for both men and women in Norway exceed the OECD average. Nonetheless, it is instructive to chart the developments surrounding this indicator. The effective labour force exit age fell at the end of the 1980s. For women, the exit age has increased since reaching an all-time low at the beginning of the 1990s; the exit age for men, while exhibiting some fluctuation shows no clear trend (Figure 3.1).

Figure 3.1. **Effective labour force exit age[a] by gender, OECD countries, 1970-2011**



StatLink http://dx.doi.org/10.1787/888932814352

a) The effective labour force exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

Source: OECD estimates based on national labour force surveys.

The 2011 pension reform

Key features

One reason for the high number of people leaving the labour market through alternative pathways before the age of 67 is that in most cases, losses in old age pension benefits were small. Also, the possibilities of combining income from work with a pension and without a financial penalty were restricted. Thus, the main objectives of the pension reform in 2010-11 were to increase the incentives to work and facilitate work opportunities for retirees (Box 3.1).

Box 3.1. **The 2011 old age pension reform: Basis for calculations**

The reform introduced a flexibility that made it possible for persons between the ages of 62 and 75 to draw old age pensions. In order to access the pension before the age of 67, the pension must, when the person in question attains the age of 67, be at least equal to the minimum pension level for those with an insurance period of 40 years.

The pension may be drawn fully or partially; the drawing alternatives are 20%, 40%, 50%, 60%, 80% and 100%. Work income and the pension may be combined without deductions in the pension. If one continues to work, additional pension entitlement is earned, up to and including the year in which one reaches age 75, even if one has already started drawing the pension. Pensions drawn with effect from 2011 and after are subject to a life-expectancy adjustment.

Pension payments will be indexed to wages, and then be subtracted by 0.75%. The minimum pension level will be indexed to wages, but adjusted according to the effect of the life-expectancy adjustment for pensioners who are 67. Pension rights in the course of acquisition will be indexed to the average wage rate.

New provisions have been introduced relating to pension calculations for people born after 1953. For those born between 1954 and 1962, part of the old age pension will be calculated according to the new earning provisions, and part according to the old. People born in 1963 or after will have their entire pension calculated in line with the new earning provisions.

All income earned between the ages of 13 and 75 counts towards the pension. For each year of pension earned, a pension capital is accumulated, amounting to 18.1% of income. All income up to a maximum of 7.1 times a base amount (in 2012, NOK 576 186) is included in the calculation.

The pension is calculated by dividing one's pension capital by an annuity divisor. The divisor is determined on the basis of the remaining life expectancy at the time pension drawing begins. This mechanism results in an annual pension amount that will be higher the longer the pension drawing is deferred. The system is designed to be actuarially neutral, meaning that the sum of the old age pension one receives during one's period as a pensioner is independent of the date when the pension drawing starts.

Those who are currently insured for pension purposes, and who have a total insurance period of three years between the age of 16 and the year they become 66, are entitled to a guaranteed pension. The condition of current insurance affiliation does not apply to those who have been insured for at least 20 years (on the basis of periods of residence, etc.).

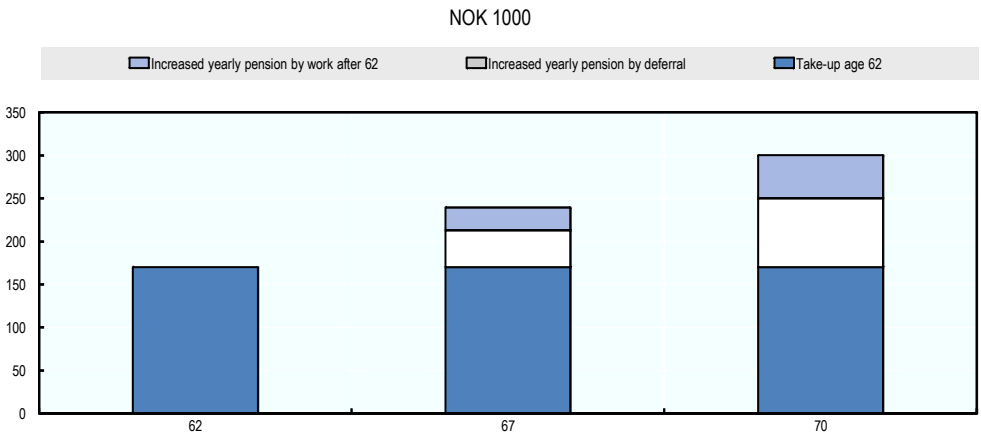
The guaranteed pension is granted at two different rates, depending on marital status and the income of the spouse/cohabitant. It is determined on the basis of the insurance period, and is independent from both previous income and paid contributions. A person who has at least 40 years of insurance is entitled to an unreduced guaranteed pension; the amount is reduced proportionally in the case of a shorter period. The guaranteed pension is reduced by 80% of the income-based pension.

Source: Ministry of Labour, Norway.

Increased flexibility and better incentives to work

The 2011 reform introduced flexibility into the pension system. The statutory retirement age of 67 was abolished, and actuarial methods for calculating pension benefits began to be applied. This means that take-up of pension benefits is now possible at any age between 62 and 75. A demographic component is factored into the pension calculations to take into account the effect of increased life expectancy at retirement age. Work income can be combined with benefits from the public pension system without any earnings test, and generates additional pension rights even after take-up of the pension.

Figure 3.2. **Simulation of effects of taking up a pension at 62, 67 or 70,[a] Norway, 2012**



StatLink http://dx.doi.org/10.1787/888932814371

a) Annual pension assuming a person belonging to the 1963 cohort, who at the age of 62 is registered with a stable annual income of NOK 471 000 over 40 years.

Source: Ministry of Labour, Norway.

The effect on yearly pensions of deferring total withdrawal from the labour market and generating additional pension rights after the age of 62 is illustrated in Figure 3.2. If a person earning a stable income over a career of 40 years makes the decision at age 62 to carry on working and defer withdrawal, the yearly pension will increase from NOK 170 000 to NOK 239 000 at the age of 67 and NOK 300 000 at the age of 70. The effect of one additional year of work is about 2.5%; the total effect of deferring the withdrawal one year and in addition generating new pension rights through work will typically be about 7.5% (Ministry of Labour, 2009). This improves the incentives to work: under the old system, a full pension was

obtained after an insurance period, based on residence, of 40 years, and the 20 best income years counted in calculation of the benefit.

No major changes in the rules pertaining to the public sector

The new old age pension system has improved the incentives to continue working. A major shortcoming, however, is that only about 40% of new pensioners, mainly those working in the private sector, are affected substantially by the new rules so far (Box 3.2). A challenge that lies ahead is to ensure broader coverage of – and application of the new system's principles for – employees in the public sector.

Box 3.2. **The effect of Norway's 2011 pension reform on different groups**

- Disabled (41%)
  - Moved to the old age pension at the age of 67, with half of the ordinary life-expectancy adjustment.
- Employees in the public sector (19%)
  - The former early retirement scheme for ages 62 to 66 is maintained.
  - Occupational pension from age 67 is included to some degree in the actuarial system.
- Employees in the private sector – collective agreement (16%)
  - Entitlements from the public pension system and collectively agreed supplementary AFP are included in the actuarial system.
- Employees in the private sector – no collective agreement (24%)
  - The self-employed and people with no or low labour incomes are included.

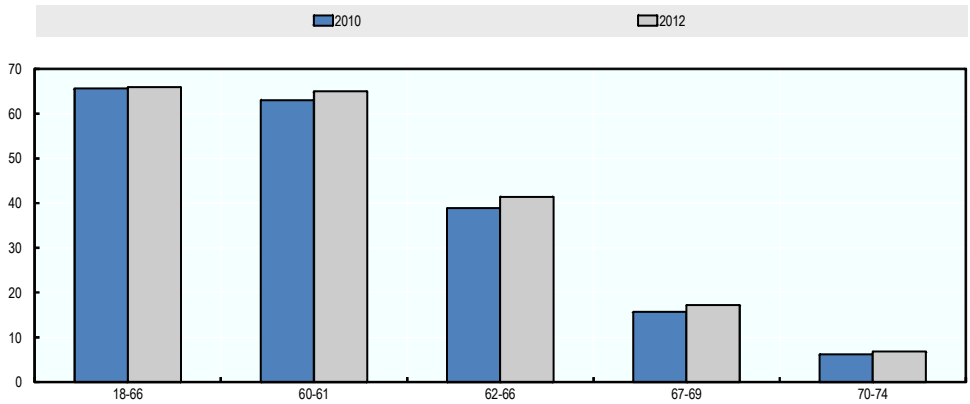
Source: Statistics Norway.

Key trends

The employment rate of people above the age of 60, and particularly in the age group 62-66, has increased after the implementation of the reform, while the total employment rate of the age group 18-66 has been stable over the same period (Figure 3.3).

Figure 3.3. **Employment rates by age group, Norway, 2010 Q2 and 2012 Q2**[a]

As a percentage of the population in each group



StatLink http://dx.doi.org/10.1787/888932814390

a) The self-employed are not included.

Source: Norwegian Labour and Welfare Administration (NAV).

In spite of these increases in the employment rates of older workers, it is too early to draw any conclusions about the effects of the 2011 pension reform. Employment rates have been slowly increasing beyond the age of 55 over the past decade – particularly for the 60-64 age group, as indicated in Chapter 2. Factors that are important in explaining this trend are higher employment rates among new cohorts of older women, and an increased average level of education in the older age groups (Ministry of Labour, 2012).

Employment rates have increased among older workers both in the private and public sectors, even if public sector employees are only modestly affected by the 2011 pension reform. From 2010 to 2011, for the 60-74 age group, the share of employees remaining in work has increased by 1.9 percentage points in the public sector and by 3.2 percentage points in the private sector. The increase was considerable for ages 61 and 62 in both sectors. In the private sector, the share remaining in work increased by 7.8 and 5.8 percentage points for ages 61 and 62, respectively.

64.3% of retirees in the 62-66 age group combined the old age pension with work in 2011. The self-employed are not included, so the real numbers are probably somewhat higher. The share of recipients combining pensions with work was higher for women than for men (71.1% and 62.8%, respectively). The share decreases with age for both genders.

Dahl and Lien (2011) indicate that 69% of those taking up flexible old age pensions in the second quarter of 2011 were registered as working six months earlier. Adjusted for this, about 90% of recipients of the new flexible old age pension who actually were working until pension take-up, stayed on working. Employment rates are only marginally higher for those of the same age not taking up their pension.

The old age pensioners aged between 62 and 66 continue working almost as much as they did prior to taking up their pension benefits. The average number of hours worked per week was 34.2 for those receiving a pension benefit, only 1.3 hours less than before beginning to receive the pension. Of those combining work and the old age pension, over 80% work at least 30 hours per week.

A difficult choice

Taxation must be taken into account to decide the optimal withdrawal age. People who receive a full old age pension or a public sector AFP of NOK 165 000 or less can in 2012 receive a special tax credit up to a maximum of NOK 29 300. The tax credit is reduced for partial pensions and with increasing pension income. There are no tax credits for pensions above NOK 518 950. The special tax credit is independent of labour income.

Receiving a full pension of a lower yearly amount over a longer period can offer greater tax relief than other take-up patterns; here, partial and deferred pensions are less attractive. It is, however, difficult to assess the full value of the tax credit, since interaction with other progressive elements in the tax system may reduce the value of the credit. A more neutral taxation would make it easier for individuals to make choices that support the objectives of the reform.

The total effect of indexation rules, life-expectancy adjustment and taxation is complex, and surveys show that many individuals have problems ascertaining what is best for them economically. Information must be accessible through channels used by broad groups of the population if it is to reach people who are not actively seeking it, including younger people.

Several tools are available in Norway for pension calculations and financial advice. *Finansportalen.no* is a web service provided by the Norwegian Consumer Council, and certified as meeting the OECD's criteria.[1] The portal is a tool to help consumers compare the different products offered by the financial services industry. The existing pension portals in Norway, already accessible via *Finansportalen*, would be a good basis for development of a more coherent framework, which could also cover taxation.

Sustainability must be monitored

The new system for accrual of pension rights, introducing a tighter connection between those rights and lifetime income, will be phased in gradually. Because of transition rules, the new system will be fully applied only for individuals born in 1963 and after. Life expectancy is increasing, and consequently life-expectancy adjustments of pensions mean that people must work longer – and therefore postpone taking up the pension – in order to receive the same yearly pension payment as before.

These adjustments can be seen as a substitute for increases in the pension age (Chomik and Whitehouse, 2010). The idea is that people will voluntarily work longer as life expectancy increases, to make up for the lower yearly pension payments. So far the evidence of the life-expectancy adjustment is limited, and it is too early to say if the effect on work participation of this sustainability mechanism is strong enough, or if further actions are needed to postpone retirement.

Based on the impacts of previous changes in the legislation concerning combinations of work income and pensions for those older than 67, Brinch, Hernæs and Zhiyang (2012) argue that it is unrealistic to expect large labour supply effects from future pension rights, but that there should be a large amount of early pension take-up and a large labour supply effect from flexible pension take-up. Other measures could then be needed to reduce exit through health-related benefits and to encourage groups with low work participation – for instance women in part-time jobs – to increase their working hours.

Public pensions in Norway are financed by tax revenues on a pay-as-you-go basis. The sustainability of public finances is evaluated as part of *Long-term Perspectives for the Norwegian Economy 2013* (Ministry of Finance, 2013a). Given the present tax level and welfare system, population ageing will create a gradually increasing gap between public revenues and expenditures if the labour supply remains unchanged. In 2060, this financing gap is estimated at 6% of GDP in the mainland economy.

Fredriksen and Stølen (2011) analysed the potential effects of the pension reform by looking at the ratio of expenditures to old-age pension and tax revenues, which they estimate to increase from 10.4% in 2010 to 15.6% by 2050. In the pre-2011 pension system, the ratio was estimated to increase to 19.7% by 2050. The Labour Ministry has given the Norwegian Research Council a mandate to evaluate the 2011 pension reform over the period 2011-18. If the estimated effects are achieved will depend on a number of factors, including the effects of the "second-pillar schemes".

High take-up of an early pension combined with work suggests a large labour supply potential after age 62, and that the minimum retirement age could become an issue in discussions of further initiatives to strengthen sustainability. Midtsundstad and Bogen (2013) point out that the minimum retirement age of 62 was not really discussed as part of the pension reform. Brunborg (2013) concludes that the only factor that may significantly affect the future ratio of the working and non-working population is longer working lives. He projects that this ratio will remain at the current level if the pension age is increased from 67 years to 78 years by the end of the century.

Options for mobility and early retirement

Contractual Early Retirement (AFP) in the private sector

About two-thirds of employees in the private sector are covered by the Contractual Early Retirement scheme (AFP) from the age of 62, whose origin goes back to the 1988 wage settlements. The scheme is a part of the so-called second pillar, which in Norway includes both AFP and occupational schemes.

The AFP pension in the old scheme (pre-2011) was calculated on the basis of the retiree's earnings history and a projection of the income the individual would have made had they worked until the former pension age (67) in the national insurance scheme. The AFP terminated at the age of 67 and was then replaced by the old age pension. Combinations of work income and AFP above a low income threshold reduced the AFP in proportion to the gained income.

As part of wage settlements in the private sector, the AFP for those aged 62-66 is changed in line with the changes in the public old age pension system (Box 3.3). From 2011, the AFP scheme in the private sector provides a supplement to the public old age pension, and can now be combined with work income, without any income test.

Trends in take-up

Because the old scheme is phased out gradually over a period until the end of 2015, a large number of recipients are still covered by the old scheme. According to information from the administrator of the scheme – Fellesordningen for AFP – the number of recipients in the new scheme had increased to almost 20 000 by the end of 2012. It was estimated that a similar number of eligible people deferred their AFP pension.

Box 3.3. **Contractual Early Retirement (AFP) in the private sector**

The earliest take-up age is 62. The yearly payment will increase if take-up is deferred until the age of 70. AFP in the private sector can be combined with work income, without any reduction in the pension.

Employees are entitled to AFP in the private sector if, until take-up of the benefit, they work in an enterprise that has the scheme as a part of its collective agreement. They must meet certain criteria regarding membership in the scheme and accrued rights in the national insurance scheme. As a main rule, the employee must have been a member of the scheme at least seven out of the last nine years before reaching age 62. In addition, eligibility depends on receipt or previous receipt of an old age pension from the national insurance scheme. There are less strict rules for persons born before 1955.

The yearly AFP is calculated at 0.314% of all pensionable income in the years up to and including the year in which one reaches age 61. All incomes up to a ceiling of 7.1 the base amounts (in 2012, NOK 576 186) are included. The supplement typically amounts to a supplement to the public old age scheme of slightly above 20% for the entire remaining lifetime. There is no gradual benefit.

The AFP is adjusted for life expectancy. The benefit cannot be combined with disability benefits or survivor's benefit.

The new scheme includes people born in 1948 or after, and who are entitled to AFP later than 1 January 2011. People born between 1944 and 1947 can be entitled to the new AFP, according to transition rules, as long as they have not taken up AFP from the old scheme.

Source: Ministry of Labour, Norway.

About 75% of the 20 000 who have their AFP from the new scheme, combined work income and private sector AFP by the end of June 2012. The share of people in the age group 62-66 who stopped working the preceding 12 months fell from 23% after the second quarter of 2011 to 15% one year later. So far, the new AFP in the private sector seems to have developed satisfactorily in accordance with the intention of the pension reform, by increasing flexibility and incentives to combine work and pension. It is, however, not possible yet to conclude how much of the increased combination of work income and AFP is due to the reform as distinct from the relatively tight labour market, considering that there are labour shortages in some sectors and occupations.

Eligibility criteria and reduced mobility

The different AFP schemes for employees in the private and public sectors are a major structural barrier in the Norwegian labour market (OECD, 2012). The requirement of a certain service period before the age of

62 in order to be entitled to an AFP pension in the private sector means that newcomers above the age of 55 would not be eligible. In addition to reducing individual job mobility, this rule will hinder mobility between the private and public sectors. It is important to ensure that employees who transfer between the public and private schemes do not have their pension entitlements revoked. Rules preventing loss of pension rights for people who change jobs across sectors would improve transparency and support mobility, which can be important in the later phase of a career.

Contractual Early Retirement (AFP) in the public sector

In the public sector, which accounts for about one-third of all employment in Norway, the old AFP system is still in place as a separate early retirement scheme for the 62-66 age group (Box 3.4). The annual pension is mostly independent of the retirement age for that group. AFP pensions are proportionally reduced if the recipient is still working, and AFP cannot be combined with the public old age pension; this creates a very high "implicit tax" on continued employment and a strong incentive to retire early.

Box 3.4. **Contractual Early Retirement (AFP) in the public sector**

A public sector worker is entitled to AFP if he or she works in a public enterprise or institution where AFP is included in the collective agreement. The benefit can be received from the age of 62 and if the special requirements regarding income, work relations, membership and accrual of pension rights in the national insurance scheme are met. The main condition is a ten-year minimum vesting period in the public old age pension scheme after the age of 50.

The employee must be working until take-up of the AFP. After take-up, the AFP benefit is reduced in proportion to the work income. AFP in the public sector cannot be combined with an old age pension from the national scheme, disability benefits, a survivor's pension or a work assessment allowance.

The benefit is calculated as the old age pension for a person working until the age of 67, without any life-expectancy adjustment, and there is an added supplement of NOK 1 700 per month. At the age of 65, the benefit may be calculated in the same manner as the occupational pension.

Source: Ministry of Labour, Norway.

From the end of 2011 to the end of 2012, the share of recipients receiving the public sector AFP declined by 0.8 percentage points. About 25 400 persons received AFP in the public sector by the end of 2012.

Work incentives in the public sector relatively unchanged

The result of the present situation is that incentives to continue work have not changed much for employees in the public sector. A surprisingly high take-up of the old age pension by employees in the 62-66 age group may indicate that they are interested in more flexibility, as in the private sector. The overwhelming majority (90.7%) of the employees in the public sector taking up a flexible old age pension were still working by the end of 2011.

Simulations done by Statistics Norway show that in the short run, the schemes for AFP and occupational pensions in the public sector will not have any significant effect on the labour force (Fredriksen and Stølen, 2011). In the long run, the lack of alignment of the public sector schemes to the new flexible old age pension will, however, significantly reduce the pension reform's contribution to the labour force. According to their simulations, the labour force in 2025 would increase by about 25 000 persons if the public sector introduced an AFP and occupational system providing the same incentives as in the private sector. In 2060, labour force loss is projected to increase to about 80 000 persons on the grounds of lower incentives. Without any alignment, the effect on the labour force of the 2011 pension reform is estimated to be only three-quarters of the original estimate of a 240 000-person (7%) increase.

Negotiations between public sector employers and unions should therefore seek to reform the public sector scheme so as to fully align it with the principles of the reformed private sector system. This would support higher job mobility in society by facilitating job changes across sectors without loss of AFP rights. At the individual level, a more transparent system with better incentives to continue working after the age of 62 will facilitate planning of work-retirement choices beyond the age of 67.

Occupational pension schemes

Occupational pensions in the private sector

Mandatory occupational schemes were introduced in the private sector in 2006. Previously, implementation of an occupational scheme was a voluntary decision on the part of the firm. The schemes could be either defined-contribution or defined-benefit schemes. Over time, there has been a transition from the latter to the former. Before the 2011 pension reform, the earliest take-up age in the occupational scheme was, as a main rule, 67.

Both the defined-benefit and defined-contribution occupational pension schemes have been aligned with the new public old age pension, to match

the take-up flexibility offered. It is now possible to receive benefits from the occupational scheme from the age of 62, and it is possible to combine those benefits with work without any reductions in the benefits – that is, there is no earnings test. In the defined-benefit schemes, pensions are adjusted for the time of withdrawal, so that deferring receipt will increase the benefits.

Further reforms in progress

Further regulatory work has begun on adapting defined-benefit occupational pensions to the principles of the new public pension system. A commission report (Ministry of Finance, 2012) was presented to the Norwegian Minister of Finance in June 2012, after which the ministry held a public consultation. The models proposed are built on the same principles for pension earning as the reformed public old age pension and the new private sector AFP scheme, where all years of income are accounted for. This will contribute to more transparency and make it easier for employees to understand all of the information concerning the different schemes. Complicated transition rules can, however, delay achievement of the positive effects (Ministry of Finance, 2013b), and are an argument for a rapid phase-in of the new legislation. Good information services through, for example, public web services will also help.

In the future: one single second pillar?

As a result of the changed AFP scheme, employees in many private sector firms are in fact members of two more or less parallel second-pillar schemes, but with different rules and regulations. For employees with an AFP pension but only minimum occupational pensions, the AFP will provide the largest supplement by far to the public old age pension (Hippe and Lillevold, 2010; Christensen et al., 2012). There are arguments in favour of merging the two second-pillar elements and adapting AFP to the framework of the occupational schemes. Simplifications are possible, and total pension benefits and costs will be more transparent. Studies show that with a good defined-benefit scheme and a lifelong AFP on the top of the public old age pension, the replacement rate may in some cases be close to 100%.

Occupational schemes in the public sector

The old occupational pension system in the public sector, based on the final wage, is still in place, excepting introduction of the life-expectancy adjustment and the same indexations as in the public old age scheme. Persons born before 1959 are, however, guaranteed that the sum of the pension from the occupational scheme and the national old age pension will be 66% of the final wage after life-expectancy adjustment. For persons born

in 1959 and later, the rules are not yet legislated. The occupational pension can be drawn beginning at age 67. A full occupational pension is attained after 30 years of service if the employee works in the public sector at retirement, while 40 years of service are required if the employees leave the public sector prior to retirement. Contrary to the private sector, working beyond the point where the increase in life expectancy is compensated does not result in higher pension benefits for employees in the public sector.

As suggested earlier, different schemes and vesting rules may have considerable effects on the pension payments as a consequence of job changes between the public and the private sectors. The complexity of the current situation is, however, hard to navigate through, and studies are inconclusive with respect to the effects of occupational pensions on mobility. Hernæs et al. (2011), for instance, find little effect of occupational pensions on job mobility. However, the relatively few job changes among older workers in Norway highlighted above, as well as a tendency to move within segments of the labour market, must be taken into account.

Proposals for future reforms

A system that provides a pension as a share of the final wage is not readily adaptable to new principles based on lifelong pension earning, flexibility and life-expectancy adjustment. Reform of the public sector occupational scheme based on a principle of pension earning of yearly incomes will make it possible to develop a more transparent and understandable pension system, particularly for those who have their career in both the private and public sectors. Private and public sector schemes should to the extent possible be based on common principles for vesting and withdrawal, supporting mobility between the two sectors without the threat of lost pension rights.

Disability benefits as a pathway to early exit

Key trends

Detailed analysis of exit from the labour market reveals large differences across countries (OECD, 2011). A special feature of the Norwegian labour market is that exit through unemployment benefit is low compared with most other countries but exit through disability benefit is high – even with disability rates decreasing somewhat over the past decade (Table 3.1). By the end of 2011, 19.7% of the 55-59 age group and 30.4% of the 60-64 age group received disability benefits. The share of disabled people is particularly high for older women: 23.5% in the age group 55-59 and 35.7% in the age group 60-64.

Table 3.1. **Disability benefit recipiency rates by gender, Norway, 2000-11**

As a percentage of the population in each group

		2000	2005	2010	2011
Total	50-54	14.7	13.7	12.2	12.4
	55-59	21.7	22.2	19.6	19.7
	60-64	35.5	33.6	31.8	30.4
	50-64	22.3	22.4	20.9	20.5
Women	50-54	18.2	16.5	14.4	14.9
	55-59	25.9	26.7	23.5	23.5
	60-64	39.6	38.3	37.1	35.7
	50-64	26.3	26.4	24.7	24.3
Men	50-54	11.4	11.0	10.1	10.1
	55-59	17.4	17.9	15.8	15.9
	60-64	31.3	28.8	26.6	25.2
	50-64	18.3	18.5	17.2	16.8

StatLink http://dx.doi.org/10.1787/888932814694

Source: OECD estimates based on Statistics Norway data.

After age 50, inflows to disability benefits in 2011 were above average in industries such as transportation, retail trade, accommodation and food service, professional, scientific and technical services, and health and social work activities. After age 60, inflows from manufacturing industries and the construction sector were also above average. Geographical variations in disability rates are well documented. Bragstad and Hauge (2008) found that geographical differences are, to a large extent, related to age structure, employment, unemployment and industry composition.

Overall in 2011, 82% of the recipients of disability pension were on a full pension. This share is higher for men than for women. After the 2011 pension reform, those who receive a partial disability pension may take out a partial old age pension, but the sum of the two parts cannot exceed a full pension – i.e. a 50% disability can be combined with a maximum of 50% old age pension. In December 2011, 1 555 persons combined an old age pension with a partial disability pension.

Key findings

The "grey area" between disability and unemployment

For Bratsberg and Røed (2011), the increasing number of disabled people in Norway is not explained by ageing. The effect of an ageing population is counteracted by increased education. They conclude that the explanation must be found in the relation between health issues and the labour market. Bratsberg, Fevang and Røed (2010) argue that there is a "grey area" between disability and unemployment, and they claim that the risk of disability increases with the incidence of unemployment. The increasing numbers of disabled people could indicate that the "real" unemployment rates are higher than the registered rates. Other reasons may be that work requirements are becoming tougher, or changes in social norms and attitudes to disability. Rege, Telle and Votruba (2009) and Bratsberg, Fevang and Røed (2010) looked into the effect of firm closures and downsizing on the probability of claiming disability benefits. Both studies found a positive correlation between firm closures and downsizing and rising inflows to disability benefits.

Increased longevity means that care of elderly parents is becoming more of an issue. This has raised questions about the burden for women, and possible effects on work capacity, employment and early retirement. Kotsadam and Jakobsson (2012) find that care for elderly parents has an effect on women's labour force participation in European countries, but that that effect is small in Norway and cannot be used as an explanation for the higher incidence of disability among older women.

Social benefits – a broad way out for older workers

Outflows from the disability benefit scheme to work are very low, as is the rejection rate of claims for disability benefits. The share of older recipients of the previous temporary disability benefit was low. OECD (2013) observes in a review of mental health and work that the older the disability beneficiary, the milder is the mental disorder. That finding suggests that there should be more temporary benefits relating to the older age groups. While developmental and early childhood disorders may often be indeed permanent and disabling, it is far from obvious why more moderate neurotic or (e.g.) depressive disorders – that mostly start later in life and do not prevent establishing oneself in the labour market – should have such permanent disabling effects. The recommendation to block the exclusion perspective as early as possible by developing a rapid basic decision about eligibility for a permanent disability pension is one way to stimulate and support efforts to come back to work.

Myklebø (2011) analyses re-entry to work among recipients of social benefits. She finds that 66% of the unemployed and 36% of people who had been registered as having reduced work ability were in a job six months after their last registration at the NAV. Re-entry to work is indeed highest among those who had been registered as unemployed. The probability of restarting work was 74% for the 45-59 age group, declining to 57% for people above the age of 60. The likelihood of leaving the labour market once more because of health problems is highest for the 60-66 age group. Among those previously registered as having reduced work ability, 45% of the 60-66 age group were receiving a disability benefit six months later.

A study by Statistics Norway shows that there is a substantial potential among younger disabled people to work if financial incentives are increased (Ravndal Kostøl and Mogstad, 2012). The study does not, however, find any effects of economic incentives among disabled people in the 50-61 age group. One reason could be that younger people have more years ahead in work, so their economic gain will be larger. Another reason could be that disability benefits for older workers may be the last stop in a more complex pathway out of the labour market, often connected to poor working conditions and the local labour market situation. This result is supported by Bråthen (2011). Based on data from the Norwegian labour force survey, he estimates that nearly 32 000 people receiving disability benefits would like to start working. But while 22% of recipients in the 35-49 age group report willingness to work, the share is only 9% among people above the age of 50.

New directions for reform

According to the 2011 legislation, disability pensioners are partly sheltered from the life-expectancy adjustment at the time they are transferred to the old age pension scheme. The reason is that disability pensioners cannot be expected to work longer to compensate for the effect of the life-expectancy adjustment. On the other hand, the result could be increased inflows to disability benefits to escape the effect of the life-expectancy adjustment. It will be important for the Norwegian authorities to monitor this situation closely over the coming years. A review of how disability benefits have adapted in reality to the reform is planned for 2018. This review must take into consideration that the partial sheltering of disability benefits will increase the gap between relatively generous disability benefits and the old age pension considerably, as life expectancy is increasing. Such sheltering is probably not sustainable in the long run.

Disability benefits separated from the old age pension in 2015

A substantial decline in inflows to disability benefits of older and middle-aged people is required to obtain a substantial increase in

employment rates of people in the upper age brackets. A proposal to separate disability benefits from old age pensions was amended by Parliament in 2011, in line with recommendations from the OECD. Calculation of the benefit will become more similar to the way temporary health benefits prior to receiving a disability benefit are calculated. This should make the distinction between disability benefits and early retirement benefits clearer. The new disability benefit will also be made more flexible when combined with work income (Box 3.5).

Box 3.5. **The main features of the reformed disability benefit in 2015**

The disability benefit replacement rate for new recipients will be 66% of their previous income. This is somewhat higher than the average replacement rate in the old system. The disability benefit will be taxed as income.

In the present scheme, the disability benefit is calculated in the same manner as the old age pension. The new disability benefit will be calculated on the basis of the income from the best three out of the past five years preceding the onset of disability.

The new scheme will make it easier to combine work and disability benefits, especially for those with varying work ability. It will always pay to work more. The disability benefit will be adjusted when work income increases. The pension will be reduced when the income is higher than 0.4 base amount (over NOK 30 000). For current disability pensioners, this income limit will be NOK 60 000 until 2019.

Transition from the disability benefit to the old age pension will take place at the age of 67. Those covered by the new old age pension of the national insurance scheme will accrue rights to the age of 62.

Disability pensioners will have their old age pension partially exempted from life-expectancy adjustment from 2011. The reduction is 0.2 percentage points per cohort. This is a temporary arrangement that will apply to disability pensioners born between 1944 and 1951, i.e. disability pensioners who will receive an old age pension in the period 2011-18. In light of the monitoring of the disability pensioners' adaptation to the new provisions in the next few years, it will be considered in 2018 whether, and how, a permanent shielding system should be designed.

The government aims for the rules to enter into force in 2015. The current disability pensioners will be less affected by the reform, although some changes will also apply to them.

Source: Ministry of Labour, Norway.

The amended disability reform does not include any changes in the replacement rates or eligibility criteria. However, based on observations that disability pensioners in the present scheme have to some degree adapted to the maximum work income that can be earned without reassessment of their disability, the reform is considered to have the potential to substantially increase the amount of part-time disability recipiency by facilitating combinations of work income and disability benefits.

Access to part-time jobs

In Norway as well as in many other OECD countries, over the years there has been a trend to promote partial health-related benefits. In Norway and Sweden, partial absence from work accounts for about one-third of the long-term sickness absence. Various studies show that use of partial sickness absence certificates contributes to reduced lengths of absence spells, and improves employment perspectives in subsequent years (see Røed, 2012 for an overview). Participation requirements reduce the leisure component of the insurance. But there is also increasing evidence that work in most cases is good for health and can aid recovery. For example, Black (2008) finds that long-term "worklessness" can have negative health effects.

The focus on the use of partial benefits and the use of remaining work ability is positive. This should not, however, weaken efforts to reduce the inflows to disability benefits as such, or efforts to improve the probability of remaining in full-time jobs. The approach adopted depends greatly on the availability of part-time jobs. So far, much seems to rely on economic incentives for individuals, combined with social responsibility among employers (see Chapters 4 and 5). OECD (2013) discusses the responsibility of employers, and recommends development of a substantial co-financing obligation of the disability costs. More financial responsibility for the employers will increase the incentives of prevention and adaptation of the working conditions, and reduce outflow of the labour market to early retirement and health-related benefits.

Stronger gatekeeping to equalise practice

Geographical differences in receipt of disability benefits may indicate that practices of the criteria for entitlement to disability benefits vary across Norway. The disability assessment process is comprehensive, but rather fragmented (OECD, 2013). Closer interaction among actors in the process could ensure an interdisciplinary assessment of the case. Better tools can also contribute to a more uniform assessment and rehabilitation process. As an example, guidelines to general practitioners to improve gatekeeping related to sickness benefits were implemented in 2011. OECD (2012) has recommended extending a similar system to disability benefits. Feedback on their practice compared with other doctors may give the general practitioners useful information, and could be used to design targeted training programmes. More systematic information about and feedback on practice may also be used to sanction doctors making clearly aberrant decisions.

Combinations of old age pension and other social benefits

Previously, there was a principle that a person could not receive more than one full benefit from the National Insurance System. This was changed in

2011 with the introduction of the flexible old age pension, under which individuals who opt for early pension receive lower yearly payments along with the option to combine work and pension without any earnings test. New legislation entered into force in 2011 that allows combining an old age pension with unemployment benefits or health-related benefits (Box 3.6). The challenge of the approach is to avoid increased use of these benefits as a replacement for or supplement to an old age pension or as a *de facto* exit from the labour market before the age of 62. A reduction of the replacement rate in the case of sickness absence from 100% to around 80%, as recommended by the OECD (2013), could to some extent reduce such incentives.

Box 3.6. **The old age pension in combination with other social benefits**

With sickness benefits

Individuals aged 62 to 67 years can receive sickness benefits for a maximum period of one year in combination with an old-age pension, if they meet the conditions for receiving sickness benefits. Individuals aged 67 to 70 years receiving a labour income of at least two times the base amount (in 2012, NOK 162 306) are entitled to a maximum of 60 days of sickness benefits.

With unemployment benefits

The same rules and conditions for entitlement to unemployment benefits apply to both old age pensioners aged 62 to 67 and younger age groups.

With work assessment allowances

The same rules and conditions for entitlement to work assessment allowances apply to both old-age pensioners aged 62 to 67 and younger age groups.

With disability benefits

A full disability pension cannot be combined with an old age pension. A partial disability pension can be combined with a partial old age pension between the ages of 62 and 67, but the sum of the two partial pensions cannot exceed a full pension.

With a survivor's pension

An old age pension and a survivor's pension cannot be combined.

Source: Ministry of Labour, Norway.

A study based on data on the third quarter of 2011 so far shows no indications that the pension reform had such negative effects (Lien, 2011). Its development is evaluated by comparing inflow rates in the private and public sectors – since the pension system in the public sector is kept relatively unchanged – with small changes in the incentives to take up other benefits. The possibility of combining work income with a pension may reduce the incentives to take up benefits that cannot be combined with work. Still, it is too early to judge. Development should therefore be closely

monitored, including sick-listing practices, access to advice and assistance, and fulfillment of mutual obligations.

Key stylised facts

The 2011 pension reform allows flexible retirement between the ages of 62 and 75, and improves incentives to work. The pension benefit is actuarially calculated, with a life-expectancy adjustment an explicit element. Pension and work income can be combined without any financial restrictions, and employment for retirees generates additional pension rights. An obvious shortcoming of the reform, however, is that so far only about 40% of all new pensioners are affected substantially by the new rules. Pensions for disabled people and public sector employees are to a large extent calculated as in the old pension system. The following measures should be considered to further improve incentives to carry on working:

- Second-pillar pension schemes in the public sector should be aligned with the first-pillar.
- The Contractual Early Retirement scheme (AFP) should be consolidated with occupational schemes.
- Stronger gatekeeping to the disability benefit scheme should be introduced in order to reduce inflows.
- The complexity of the reform should be reduced and dissemination of information pertaining to it improved, in order to help older workers make more informed decisions about work and retirement.

Note

1. In March 2008, the OECD launched the International Gateway for Financial Education, *www.financial-education.org/home.html*, which serves as a clearinghouse for financial education programmes, information and research worldwide. At the G20 Leaders' Summit in Los Cabos, Mexico in 2012, the OECD/INFE High-level Principles on National Strategies for Financial Education were endorsed.

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Chapter 4

Encouraging employers in Norway to hire and retain older workers

Older peoples' opportunities for remaining in the labour force are largely determined by employers. In general, hiring and firing decisions with respect to older people depend on employers' perceptions about the adaptability and productivity of older workers, and on wages and other labour costs compared with what they have to pay for younger workers. These decisions are also affected by employment protection legislation and other labour laws. The purpose of this chapter is to provide an overview of measures taken, or that could be taken, to promote age diversity at the workplace; the evidence regarding senior wages, costs and productivity; and measures to protect employment opportunities rather than jobs.

Promoting age diversity

The IA Agreement

The IA (Inclusive Workplace) Agreement, which dates back to 2001, is a central framework for tripartite co-operation between the government and the employer and employee organisations (Box 4.1). The Agreement was renegotiated in 2010, to cover the period 2010-13. The aim of the IA Agreement is to prevent and reduce absence due to illness; to help bring employees back to work; to improve the working environment; and to prevent exit from working life.

Through the IA Agreement, the Norwegian authorities have assigned the social partners a more active role in the efforts to prevent early retirement and increase the recruitment and retention of older workers. The basic principle of the Agreement is that early retirement is an outcome of workplace conditions, and therefore needs to be counteracted by policies and initiatives for older workers in individual firms. The main role of the social partners at all levels is to promote such policies and initiatives.

The multipartite Council for Working Life and Pension Policy, under the leadership of the Minister of Labour, is responsible for following up on the IA Agreement at national level. The parties to the agreement must report every six months on the measures and strategies they have implemented and results achieved. In 2012, 58.4% of Norwegian employees worked in firms with an IA Agreement. The evaluation group (Ministry of Labour, 2011) states that the overall achievements are difficult to measure using one single indicator. The targets for Sub-goals 1 and 2 have not been reached after more than a decade.

The evaluation of the IA Agreement for the period 2001-09 (Osberg Ose et al., 2009) concluded that the target for Sub-goal 3 was achieved in the period under review, but the overall effect of the Agreement could not be concluded. The evaluation found about one-third of managers and union representatives agreeing that the focus on senior policy had increased thanks to the IA Agreement. Statistics from NAV (the Public Employment Service) show that the expected remaining time in the labour force among 50-year-olds has increased steadily over the period 2001-11. In 2011, a 50-year-old worker could expect to have on average 11 work years left. This is 0.1 years (five weeks) more than in 2009 and 1.4 years more than in 2001.

Box 4.1. **A more inclusive working life through the IA Agreement**

Employers, employees and public authorities have signed an IA Agreement for the period 2010-13 in a joint effort to prevent and reduce sick leave and promote inclusion. This is the third IA Agreement after previous agreements covering the periods 2001-05 and 2006-10.

The three national goals of the IA Agreement are:

1. Reduce sick leave by 20% compared with the second quarter of 2001. On a national level, this means that the incidence of annual sick leave should not exceed 5.6% of the workforce.
2. Increase the employment of people with reduced functional ability.
3. Extend the 2009 average period of active employment for people over age 50 by six months.

Based on these three goals, the firm must set the following sub-goals as part of its work on health, security and environment:

1. Sub-goal 1: Sick leave

– Set goals for work with sick leave and for sick leave levels.

– Establish activity goals that can be tested.

2. Sub-goal 2: People with reduced functional ability

– Set activity goals for follow-up and facilitation efforts with employees with reduced capacity to work, to prevent a transition from work to passive benefits.

– Set activity goals for how the firm can make room for people selected by the NAV (Public Employment Service) who want to test their work and functional abilities in ordinary working life.

3. Sub-goal 3: Exit age

– Have a life-cycle perspective as part of the firm's human resources policy and systematic preventive work.

– Set activity goals for how the firm can incentivise older employees to extend their working career.

Source: Ministry of Labour, Norway

The Centre for Senior Policy

The Centre for Senior Policy is a national centre whose main actions include raising awareness among employers and employees of older workers' resources; advocating what is needed to motivate workers to stay longer at work; and stimulating age diversity at the workplace. Through

co-ordination and co-operation with authorities, firms, the social partners and professional organisations, the Centre – whose board is made up of representatives from the social partners – works to encourage and develop appropriate policies for older workers in the labour market.

Still not an age-neutral society

One of the main conclusions of a peer review conducted by the EU Mutual Learning Programme (2012) was that raising awareness and building trust are keys to engaging the social partners on the issue of demographic change and active ageing. The peer review points to the Centre for Senior Policy as a useful tool. The discussion papers presented by Norway to the review stress the long road from attitudes to action:

> The pension reform and the IA Agreement, including the efforts of the Centre for Senior Policy, appear to have contributed to a change in attitudes, at least at the central level, with clear expectations of increasing employment rates among older workers from the authorities as well as the organisations in the labour market. The extent to which this is reflected in the practices of employers, the priorities of the trade unions and in the retirement behaviour of employees still remains very little documented. Parts of the Norwegian trade-union movement still adhere to the notion of the "toilers", but in contrast to earlier times, this concept is no longer applied solely to industrial workers, but also to healthcare personnel and teachers. The opposition to the pension reform voiced by some trade unions has therefore resulted in the AFP scheme being retained as a subsidised early retirement scheme in the public sector. The trade union movement placed heavy emphasis on the distribution effects. Certain grass-roots elements of the NTUC (Norwegian Confederation of Trade Unions) have therefore called for a revision of the AFP scheme, since it is shown that certain groups of employees and low-paid women in particular, stand to lose because of the heightened requirements to take early retirement at age 62. In other words, strong opposition forces are still at work, and Norway is still far from being an age-neutral society. (Midtsundstad, 2012).

Concrete targets, strong commitments

Conclusions from the peer review (EU Mutual Learning Programme, 2012) indicate that a dedicated "driving force" may be needed to continuously concentrate minds and actions on the long-term targets regarding the employment and employability of older people. Mykletun, Furunes and Solem (2012) found in a study among managers in the Norwegian municipal and health sectors signs of a laissez-faire leadership

approach to these issues: "As long as they are not called upon by anybody higher ranked in the organisational structures, they simply do not intervene or even care". To move forward, direct dialogue and networking with top managers, line managers, supervisors and unions at the local level should accord priority to improving the esteem of older workers and to promoting implementation of good age management as part of companies' business strategies. One way to ensure strong involvement from the board and from the ministry could be to concentrate on a selected number of key issues over a certain period, and establish more concrete and measurable targets.

New directions to put forward

Towards an individual strategy for each older worker

People with higher education have higher employment rates in older age groups than those with low education (Figure 2.4). Workers in physically demanding jobs may want to seize their opportunity to retire early for health reasons. Measures such as adaptations of working conditions, shorter working hours, training or switching to less onerous work tasks may be effective in keeping those workers employed longer. Other categories of older workers may be encouraged by seeing that their contributions are valued; by getting assigned new tasks and challenges; by meeting the same requirements as younger staff members; and by seeing their contributions rewarded by wage increases.

An efficient strategy must be much more individually tailored than the "one size fits all" policy for seniors so often in place. Greater diversity will bring about greater possibilities for their employment, but it will also be more challenging to handle as a line manager. One aim of the IA Agreement is to find individual solutions – a very different approach from collective agreements and standardised "senior rights".

Midtsundstad and Bogen (2011) highlight that the local trade union representatives often have difficulties finding their appropriate role in the dialogue between employers and employees, and that they are more often acting as "watchdogs" rather than as "driving forces". This would indicate that meetings between employers and employees are not sufficient to change practices. The same researchers found that among firms with an IA Agreement, more than half reported that they have a senior or life-phase policy. Very few, however, have carefully monitored or evaluated its implementation.

The current IA Agreement expires in 2013. After more than a decade, there is time for a reorientation based on past experience. The social partners must put more efforts into actions to ensure that their local representatives contribute actively to bringing about change in attitudes and practices, by

promoting and acquiring acceptance for policies and management related more to individual criteria and less to age-differentiated life phases and collective solutions for everyone. To have any effect, targets must become more binding and sanctions used when necessary. Since it may take some time to change attitudes and traditions, sub-targets with a shorter time horizon can help toward keeping focus and measuring progress.

Target the goal for older workers towards an age-neutral hiring rate

The target regarding older workers in the existing IA Agreement should become more challenging for firms as part of the 2013 renegotiation. The OECD recommends promotion of a new target towards an age-neutral hiring rate. A first step could be to reach a hiring rate for older workers that matches the OECD average.

Employers' attitudes and practices toward older workers

Assets of older workers

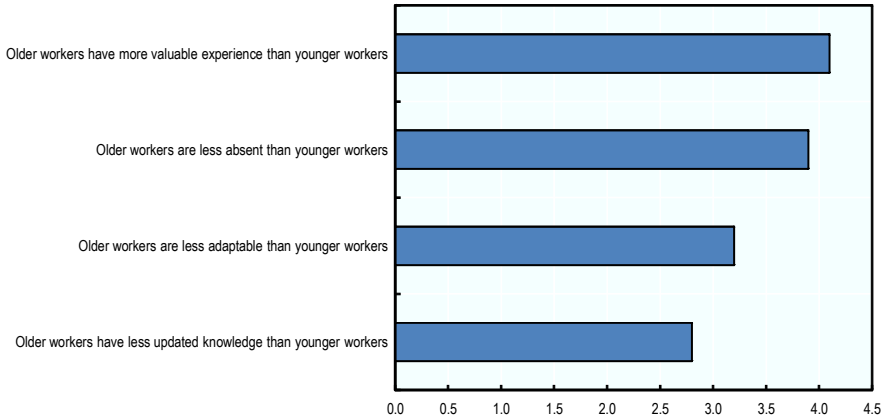
In the first quarter of 2012, the Centre for Senior Policy conducted a qualitative survey of employers' attitudes and practices toward older workers. A majority of the respondents agree that workers above the age of 50 contribute just as well as younger co-workers (Figure 4.1). Older workers have a very high score when it comes to valuable experience and reliability. Their scores regarding flexibility and updated knowledge fall more at mid-level.

The Centre for Senior Policy has collected data on attitudes to and among older workers since 2003, forming a "Senior Policy Barometer". In 2012, only one out of five firms reported that they had recruited workers above the age of 50 during the previous 12 months (Figure 4.2).

The Barometer for 2012 reveals the kind of jobseekers employers prefer – and seniors rank relatively low. Experienced jobseekers rank on top, youths second and graduates third, while seniors rank fourth together with immigrants, elderly people rank fifth, and disabled people sixth (Figure 4.3). The difference in the survey between *seniors* and *elderly* is defined through the interview. In Norway, to be a "senior" is often assessed more positively than to be "elderly". If "seniors" rank somewhat higher among employers than "elderly" workers, the difference is not large.

Solem (2012a) discusses the gap between reported attitudes and concrete actions. He concludes that there is a risk that hiring practices discriminate against elderly people. This risk varies across sectors. As a result, elderly people may be screened out early in the recruiting process simply on the basis of age and without an individual evaluation.

Figure 4.1. **Employers' statements[a] about older employees, Norway, 2012**



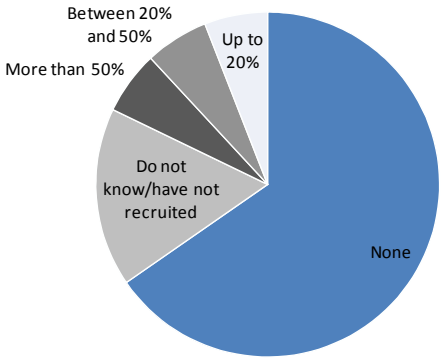
StatLink http://dx.doi.org/10.1787/888932814409

a) Data refer to responses to the following question: "Do you agree or disagree with these statements?". Responses are scaled from 1 to 5 where 1 is "strongly disagree" and 5 "strongly agree".

Source: Centre for Senior Policy.

Figure 4.2. **Recruitments[a] above the age of 50, Norway, 2012**

Percentages



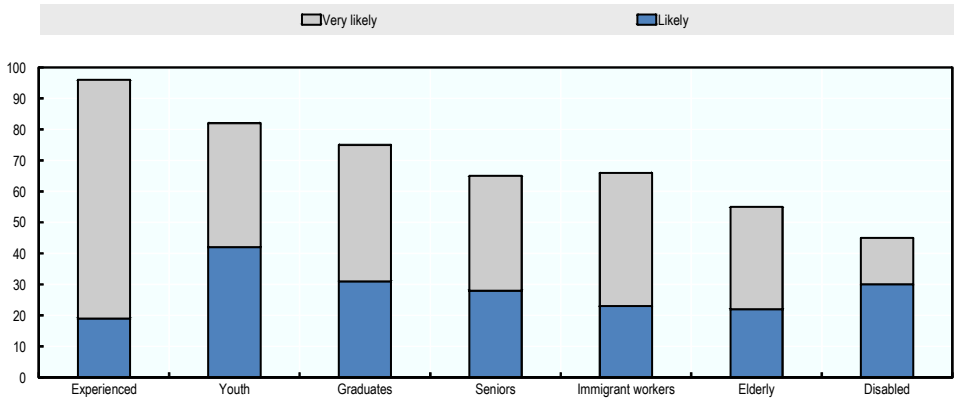
StatLink http://dx.doi.org/10.1787/888932814428

a) Data refer to proportion of employers responding to the following question: "Which proportion over the age of 50 of the staff you have recruited in the past 12 months?".

Source: Centre for Senior Policy.

Figure 4.3. **Managers' priorities regarding recruitment, Norway, 2012**[a]

Percentages



StatLink http://dx.doi.org/10.1787/888932814447

a) The interviewees define "seniors" and "elderly" through the interview.

Source: Centre for Senior Policy.

More age management

Looking at data covering the period from 2003 to 2009, Solem (2010) finds that managers improved their perceptions of older workers until 2007, after which the trend flattens out. The observed change is interpreted as a consequence of the onset of the financial crisis. Solem later (2012b) looked at effects of the crisis and found that the negative outcome for older workers was temporary; yet this group is among the least popular to recruit, both in rising and falling cycles. Major differences can be observed across sectors and industries, partly related to the tightness of the labour market. But Solem (2012b) found that management and organisational cultures also have substantial effects.

A mobile labour force is important for ensuring sufficient flexibility and change in the economy. If not improved, today's low mobility among older workers may have considerable consequences as the labour force is ageing. Action is clearly needed, and in recent years *age management* has attracted increased attention as a method of managing the work ability of personnel (Box 4.2).

Box 4.2. **Retaining senior competence – Siemens AS (Norway)**

Challenges before 2011

1. An average retirement age in Siemens AS of 62.8.
2. Lack of senior competence in the labour market.

Project goal

Motivate and enable seniors to make active choices to prolong their career in the company.

New senior policy from January 2011

1. Clear communication from the company that retention of senior competences is a high priority.
2. The age limit in the company is increased from 67 to 70.
3. All 60-year-old employees are invited to a three-day senior seminar that focuses on possibilities for seniors, options related to pensions and work, legal issues, health issues and Siemens' policy.
4. Introduction of "Milestone Dialogues" between the managers and employees aged 55 and 60. The dialogue focuses on motivation, competence, and the possibility of working longer for the company. This is an open and direct dialogue where intentions are discussed and the necessary actions defined (e.g. development actions, or changes in job content). Managers are trained in the dialogue concept by HR before inviting their employees.
5. Two weeks of extra spare time for seniors above the age of 64 in full-time work.
6. The possibility for seniors above the age of 60 to do fitness training two hours a week within normal working hours.

Results since the implementation early 2011

1. The average retirement age has increased by almost two years.
2. Currently, seven employees have exceeded the former age limit of 67, and are still working.

According to Ilmarinen (2006), age management is the everyday management and organisation of work from the viewpoint of the life course and resources of people. It is a way of handling change, whether caused by the ageing process or by other age-related factors. Young people need management that supports and improves their situation; seniors need other solutions to maintain their work ability and motivation. Combining those solutions with the objectives of an organisation requires continuous development of everyday methods and practices, and age management must become a part of managers' regular training (Box 4.3).

Box 4.3. **Retaining senior competence – Statsbygg (public construction and property manager)**

Challenges and goals

1. Lack of professionals in technical skills;
2. Ageing workforce;
3. Difficulty in retaining talents;
4. Becoming an attractive employer and role model for the industry.

A life-phase policy aimed at:

1. Increased productivity through flexible working arrangements and facilitation;
2. Work-life balance;
3. Equality for all employees through individualised treatment.

Measures in the late phase

1. All employees above the age of 62 are granted an additional 14 days of holiday leave. (Employees may choose an increased salary or a combination of salary and holiday.)
2. Seniors are generally allowed to step down or enter advisory roles. No formal procedure, but there is a culture to support such changes.
3. Thirty positions are duplicated for a limited period. This enables juniors to gain competences while supporting seniors with higher computer skills.
4. Senior employee training courses: biannual sessions with all employees above the age of 58. The purpose is to increase knowledge about possible alternatives as a senior in Statsbygg.

Results

1. The average retirement age increased from 63.7 years in 2007 to 66.6 years in 2011.
2. Sick leave among seniors above the age of 60 decreased from 7.7% in 2008 to 4.7% in 2011.

Furunes and Mykletun (2011) analysed an ageing worker management programme in the Swedish company Vattenfall Nordic AB. One of their conclusions is that implementing an age management programme takes time and requires several integrated approaches as well as insights into management and leadership theories. If those theories and management principles are to have a strong influence on managers' attitudes and behaviour, they should be taught and promoted in training and education;

age management must therefore be included in regular training courses for managers. Ilmarinen (2013) remarked that managers should not be trained as experts in occupational gerontology. The goal is for them to know the most important facts and to be able to avoid the myths and stereotyping in working life.[1]

Change in practice is often motivated by the policies employers actually observe to be effective. A number of companies now see older workers as a valuable resource, and focus on the possibilities for them to continue working and on their further development. Examples of such companies, Siemens AS and Statsbygg (the Norwegian public construction and property manager), are presented in Boxes 4.2 and 4.3. Their concept is based in part on a change in the dialogue between the managers and senior staff members: instead of retirement, discussion centres on further work.

Age discrimination

Prohibition of age discrimination in theory

Age discrimination is prohibited in Norway, as set forth in amendments to the Work Environment Act in 2004. Typical examples of differential treatment on grounds of age are: job ads in which firms are looking for employees within a certain age group; giving notice to the oldest in a workplace, all things being equal; and too-low pay for young employees.

The Equality and Anti-Discrimination Ombud has a law enforcement role; duties include making statements related to judgements or conclusions reached in connection with complaints regarding violations of laws and regulations that are within the Ombud's working scope, and providing advice and guidance concerning this legislation. In the period 2007-12, the Ombud handled 529 complaints regarding age discrimination.

The 2012 Senior Policy Barometer indicates that 19% of employees had experienced or observed age discrimination. The Barometer also indicates that the incidence of age discrimination in Norway remained stable over time (Dalen, 2012). For Solem (2012a), the evidence of this stability – as well as the finding that emotion, more than concrete perceptions, seems to decide the attitudes to older workers – can be interpreted as a culturally based view on ageing. Furthermore, Furunes and Mykletun (2007) found that positive and negative attitudes to older workers coexist in the Norwegian hospitality sector, but the negative attitudes were in line with traditional stereotypes of ageing. They concluded that this underlying prejudice may be one of the reasons why age diversity management has failed within the sector.

According to the 2012 Senior Policy Barometer, 33% of managers report that applicants for vacancies should have at least ten years left until retirement to be invited to an interview for the position. This share is higher in the private sector (39%) than in the public sector (9%). On a more direct question related to the same issue, managers answered that they would be reluctant to invite a qualified applicant above the age of, on average, 57.4 years to an interview. Managers in the private sector report reluctance at 56.2 years and above, while 62.2 years is the limit reported by managers in the public sector.

Practices against age discrimination

Neumark and Song (2011) indicate that supply-side social security reforms to increase employment among older individuals may be hindered by age discrimination. By testing the effects of increases in the full retirement age in the United States, they found evidence that benefit-claiming reductions and employment increases were sharper in states with stronger discrimination protections. It is reasonable to believe that what matters, is not only the formal legislation, but also its enforcement and practice. The Ombud thus has to focus on an area not always well defined ("borderland") between legal and illegal practices explained by Solem (2012a) if they are to actively frame good standards of practice, and to combat age discrimination.

Discrimination may to some extent be a consequence of ignorance among employers. To avoid "borderland" practices gradually becoming accepted, appropriate actions are necessary to ensure that practices are implemented as intended by lawmakers. An efficient way of diffusing information may be to make it an integrated part of other information frequently accessed by employers, employees and social partners. The Ombud as well as the Labour Inspectorate currently present web-based information, but this will not reach those not actively seeking it. The United Kingdom is an example of a country supplying a broad range of web-based information, with anti-discrimination information an integrated element.[2]

The high share of employers that rarely or never recruit older applicants should be addressed in particular. It is difficult to find objective explanations for this practice; employers and unions themselves should have an interest in investigating the issue and highlighting the potential benefit in adapting more age-neutral recruitment processes. Hiring decisions should be monitored more closely and within the frame of the IA Agreement. Some countries – such as Germany, for example – have conducted trials with anonymised résumés. This can be an effective method for forcing the topic into the limelight, and for gathering information to be used as background for further initiatives. The value of public information campaigns to combat

age discrimination is disputed. Such campaigns can, however, be efficient in combination with other events such as the launch of new measures, or when backed by results from trials or other evidence that can illustrate the occurrence and effects of age discrimination.

To ensure that anti-discrimination legislation is respected, sanctions must be applied when necessary. The Ministry of Labour, as well as the Ministry of Children, Equality and Social Inclusion, has responsibilities at the political level; the Labour Inspectorate and the Equality and Anti-Discrimination Ombud are the operative units. Approximately ten years after the implementation of an act, a formal evaluation of its impact would be timely, and should include the transparency and effectiveness of how the responsibility for implementation, monitoring and enforcement is placed.

Mandatory age of retirement

Different age limits in Norway

The Work Environment Act states that employment in Norway can be terminated at the age of 70 (Section 15-13). This regulation was incorporated into the Act in 2010. The upper age limit of 70 was also generally accepted prior to that but on a less formal legal basis. The age limit stipulated in the Work Environment Act applies independently of the age limits of pension vesting in the new pension system (75). The Act states that an employer can terminate employment when an employee is 70 or older, with age the sole justification for what is considered a fair dismissal. The rule means that the employee's job protection ceases at the age of 70. Employers and employees may agree that employment will continue after the age of 70, in which case the employee will have the possibility to accumulate pension benefits/earn pension points for another five years.

The rule was reviewed in 2009. The Minister of Labour proposed to raise the age limit to 73 or 75. However, the proposal was shelved following a broad agreement among the social partners to keep the age limit at 70. While that is the general mandatory retirement age in the public sector, the effective retirement age is currently about 65.

There are also lower age limits for some occupations, particularly in the public sector; examples are policemen, firemen and staff in the military forces. In the public sector in Norway, it is also possible to retire three years prior to the mandatory age, if the sum of age and seniority is at least 85 years ("the 85 years rule"). Some groups of public employees with a special low age limit of 60 can consequently retire as early as 57.

Having a lower mandatory retirement age than 70 is also possible in the occupational pension schemes, which often have 67 as the pension age. The

Supreme Court has confirmed this practice as legal, based on the conditions that the scheme provides a reasonable benefit and the age limit is well known among and applied to *all* employees. In addition to this, the lower firm-specific mandatory age limit must not be discriminatory.[3] The condition about consequent practice implies that there is limited room for flexibility.

Evidence in other OECD countries

There are no biological reasons why employment protection should lapse at a particular age. In Norway, a 50-year-old person can expect to have more than 25 healthy years ahead of him or her (see Figure 1.2). That said, there is great variation among socio-economic groups. Age is not the best indicator to decide if a person should retire, and therefore should not be the unique indicator. The decisive factor is the ability to manage the job, and to adapt to changes in the job, or to alternative work. Hippe et al. (2012) cite competence and health as criteria that provide more information about a person than their age. They add: "As it is becoming more difficult to decide a person's age only from his or her appearance, then perhaps age is not so important (…)".

The issue is discussed by Ilmarinen (2006): "The significant increase in individual differences makes a good retirement age hard to estimate and generalize (…). Finding an optimal and justified period of retirement along the course of life is (…) rather difficult. One thing is, however, crystal clear – having age as the only criterion is the most unjust solution for retirement."

Abolishing the employer's option to terminate the contract when the employee reaches 70 can make employers more reluctant to hire older workers. This must be balanced against the detrimental effect mandatory retirement ages may have on the perceptions of ageing and work ability. A mandatory retirement age may, by its very existence, preserve a view that work capacity is reduced when the employee reaches a certain age. This is most problematic for the lower retirement ages. One effect can be the perception in some occupations that further training is unprofitable for both the employer and an employee already in his/her early 50s, which can in turn cement the view that work capacity is reduced at a certain age.[4]

Across OECD countries there are many very different policies dealing with mandatory retirement ages. Currently there is an observable trend towards either the abolition of such rules or an increase in age limits (Box 4.4). Most recently the United Kingdom removed the mandatory retirement age in 2011, and Canada removed remaining regulations regarding mandatory retirement in federal law in December 2011. Moreover, recent court judgements in the Netherlands and Germany have challenged the default discontinuation of permanent contracts at the state retirement age of 65 (Eurofound, 2012).

Box 4.4. **The mandatory retirement age in selected OECD countries**

Countries where mandatory retirement is not permitted at any age:

- **Australia**: The effect of the Age Discrimination Act 2004 was to prohibit mandatory retirement. Some instances of mandatory retirement continue to exist for judges and Australian Defence Force personnel, but they are currently being reviewed.
- **Canada**: Between 2000 and 2009, removal of mandatory retirement in all provinces, with exceptions for particular occupations. Removal of mandatory retirement in the federally regulated sector effective December 2012, unless there is a bona fide occupational retirement.
- **New Zealand**: Between 1993 and 1999, mandatory retirement was made illegal**,** and the state pension age was increased from 60 to 65 over the same period.
- **United Kingdom**: The default retirement age was removed from legislation in 2011.
- **United States**: In 1986, the United States became one of the first countries to outlaw mandatory retirement. There are exceptions for a number of specific positions.

Some countries where mandatory retirement is permitted, with a minimum permitted mandatory retirement age set by legislation:

- **France**: Since 2010, the mandatory retirement age is raised to age 70. For civil servants, except for certain specific positions, the mandatory retirement age is the full pension age, normally five years after the statutory pension age.
- **Japan**: Under the Law on Stabilisation of Employment of Older Persons, in cases where employers set the retirement age of their employees, it shall not be lower than 60. In addition, if employers have set a retirement age that is less than 65, they are obliged to take measures to raise or abolish that mandatory retirement age – or to introduce a continuous employment system – to secure stable employment for their employees until the age of 65.
- **Sweden**: Since 2001, employees are covered by employment protection legislation until age 67.

Country in which mandatory retirement is legal, with no minimum age set by legislation:

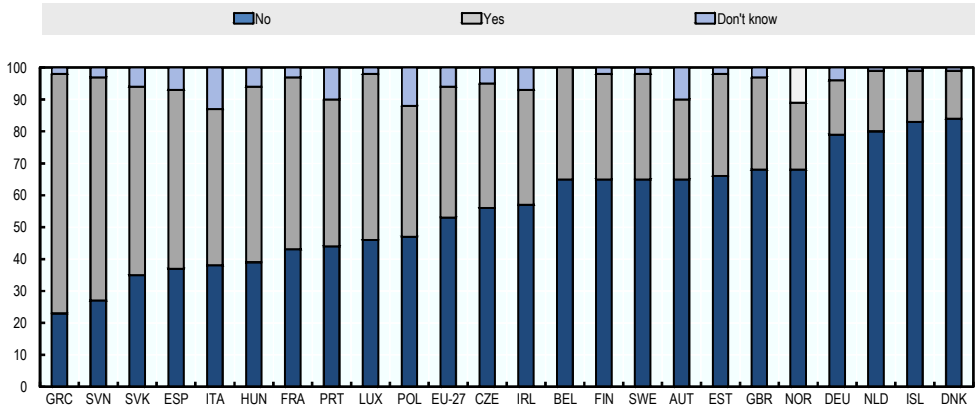
- **Ireland:** The usual retirement age in contracts of employment is the statutory retirement age.

Source: Wood, A., M. Robertson and D. Wintersgill (2010), "A Comparative Review of International Approaches to Mandatory Retirement", Department for Work and Pensions Research Report No. 674, United Kingdom; responses to an OECD questionnaire.

Eurobarometer (2012) showed that 53% of the population in EU countries were not in favour of mandatory retirement. The variation across countries is pronounced (Figure 4.4). The majority in Northern Europe is against, while those in Southern and Eastern Europe generally support it. In Norway, 68% of respondents were against having mandatory retirement ages.

Figure 4.4. **Attitudes[a] towards a compulsory retirement age, European countries, 2012**

Percentages



StatLink http://dx.doi.org/10.1787/888932814466

a) Data refer to the proportion of people responding to the following question: "Regardless of the official retirement age, should there be an age when it is compulsory to stop working?".

Source: Eurobarometer (2012), "Active Ageing", Special Issue, No. 378, European Commission.

Proposals for further reforms

In some countries, abolition of mandatory retirement has been one of the central elements of a policy to encourage and facilitate longer working careers. Particularly, low mandatory retirement ages may represent an arbitrary barrier since better education, health, and technological changes may have removed the rationale for such age limits. Flexibility introduced in the reformed Norwegian pension system has removed reasons to leave before the pension age that are not related to health. Rules such as the 85 years rule in the public sector are consequently anomalies in the new system, and should be removed. One should also be aware of the risk that other age limits may take up the role of new normative age limits, contrary to the intention of abolishing 67 years as the formal pension age.

Norway has a complicated mixture of negotiated and legislated age limits.[5] Connections between the age limits, how the protection legislation is practiced, and the pension system are complex and should be topics for a review. The Minister of Labour has recently initiated a re-examination of certain age limits. The aim should be to obtain a more transparent and coherent system – supporting the targets of the 2011 pension reform – and to remove age as the only criterion for mandatory retirement.

Seniority wages, labour costs and productivity

Labour costs

The ratio of full-time earnings of workers aged 55-59 to those of workers aged 25-29 was 1.25 in 2008 (Table 2.1). This ratio was even lower in 1998, and is consistently below the OECD minimum average of 1.32. Overall, the wage structure in Norway is relatively compressed, although wage inequalities are increasing (OECD, 2011a). Most of the wage and salary agreements are age-neutral. In sectors with a seniority wage scale, most workers will reach the highest wage brackets when they are still in their 40s. This is illustrated by the flat wage profile after the mid-40s (Figure 4.5).

OECD (2011b) explores how "seniority wages" affect the labour market for older workers. The degree to which earnings are linked with age is measured by the ratio of earnings of those aged 55-59 to those aged 25-29. This had the expected negative correlation with the employment rate for 50- to 64-year-olds, but the link is weak and insignificant. There is, on the other hand, a strong negative relationship between seniority wages and the hiring rates of 50- to 64-year-olds.

Non-labour costs

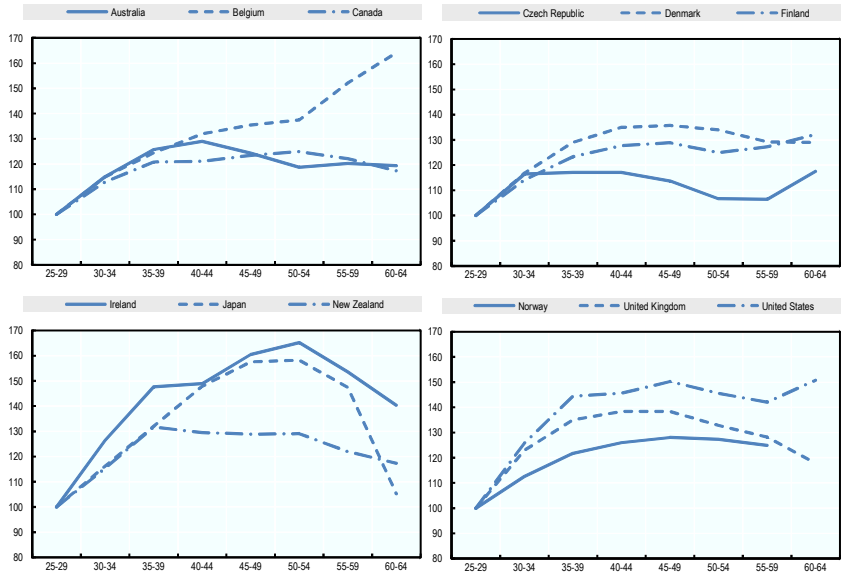
If labour costs other than wages are higher for older workers, this may represent a disadvantage. Important indirect labour costs in most countries are payroll taxes, social insurance contributions, paid holidays, employer-paid sickness absences, and pension premiums. If the costs of training, for employer or employee, to be fully productive in a new job are high, this may be a disadvantage for older workers with few years left until retirement, since there is little remaining time to amortise these costs.

Workers aged over 60 are entitled to an extra week of holiday in Norway. In the state sector, collective agreements give workers aged over 62 the right to eight extra days off per year above the aforementioned week. The different state agencies can extend this extra holiday to 14 days through local agreements. In the municipal sector, teachers have some

reductions in teaching hours after the age of 56. Some employers, on a voluntary basis, give workers above the age of 62 more holidays or shorter working hours with full wage as part of their senior policy.

Figure 4.5. **Age-wage[a] profiles of full-time workers, in selected OECD countries, 2010 or latest available year[b, c]**

Indexes 25-29 = 100



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a) Data refer to gross mean weekly earnings for Australia, Canada, Ireland, New Zealand, United Kingdom and United States; they refer to monthly gross mean earnings for all the other countries.

b) 2008 for Belgium and Norway, 2009 for Czech Republic, Denmark, Finland and Ireland.

c) These graphs must be interpreted with caution because they may reflect compositional effects – for example, if the least qualified are the first to exit the labour market.

Source: *OECD Earnings Database.*

The average sickness absence is somewhat higher for older workers than the overall average, mostly due to very long sickness periods for some older workers. The employer pays no wage after the first 16 days of sickness absence. Thus, costs related to sickness absence for older workers should in general not be much higher than for other age groups.

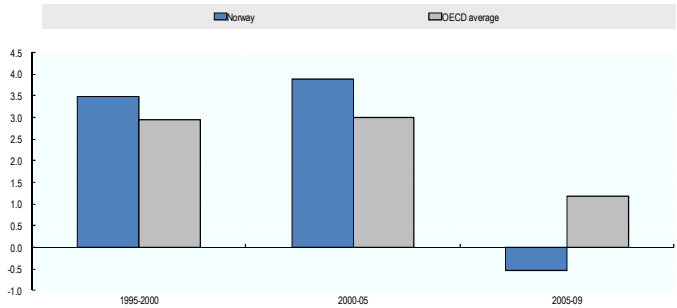
In the private sector, there is a move from defined-benefit to defined-contribution pension schemes. An estimated 80% of employees in the private sector are members of a defined-contribution scheme. Because of transition provisions, many older workers are still covered by defined-benefit schemes. Calculation of the premium is based on a linear principle, where the length of the contribution period and tenure may have an effect. If older workers have higher wages than their younger counterparts, this will contribute to higher pension premiums to be paid by employers.[6]

Productivity

What really matters are gaps between labour costs and productivity. Norway has a high labour cost level, and aggregate productivity growth has been negative over the past few years (Figure 4.6). The evidence of higher costs and lower productivity as relates to older workers is weak, however, and cannot be an explanation of the observed drop in productivity. Solem (2012a) focuses on the difference between work ability and productivity. While work ability decreases somewhat with age, productivity seems less affected. To some extent, reduced work ability can be compensated by strategic use of achieved competence and experience.

Figure 4.6. **Productivity growth,[a] Norway and OECD area, 1995-2009**

Annual average growth rates in percentages



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a) The business sector, excluding real estate.

Source: OECD Productivity Database.

Measuring individual productivity by age is extremely complex due to the difficulties in separating out the personal contribution to the output of firms from other compounding factors on the one the hand, and to lack of data availability on the other. A large number of studies of the relationship between productivity and age show no clear results. This can also be due to

differences in the types of jobs. In some jobs, experience and expertise are beneficial; in others, physical strength and quick reactions are crucial. Hellerstein and Neumark (2004) showed that workers aged 55 and over have lower productivity relative to their wages, and are overpaid by 20% compared with workers in the 35-49 age bracket. Van Dalen, Henkens and Schippers (2010) sent a questionnaire to a sample of Dutch companies and organisations. They found that older workers were considered to have better skills and to be more reliable, more accurate and more committed to their work. Younger employees score higher on qualities such as new technology skills, mental and physical capacity, willingness to learn and flexibility.

Börsch-Supan and Weiss (2011) studied the production process of a large car manufacturer in Germany. The estimated profiles did not show any decline in the relevant age range between the ages of 25 and 65. Their overall conclusion is that productivity does not decline, at least until the age of 60. Their results indicate that even in a work environment requiring substantial physical strength, decline in strength with age is compensated by characteristics that appear to increase with age but which are hard to measure directly, such as experience and the ability to operate well in a team when stressful situations occur.

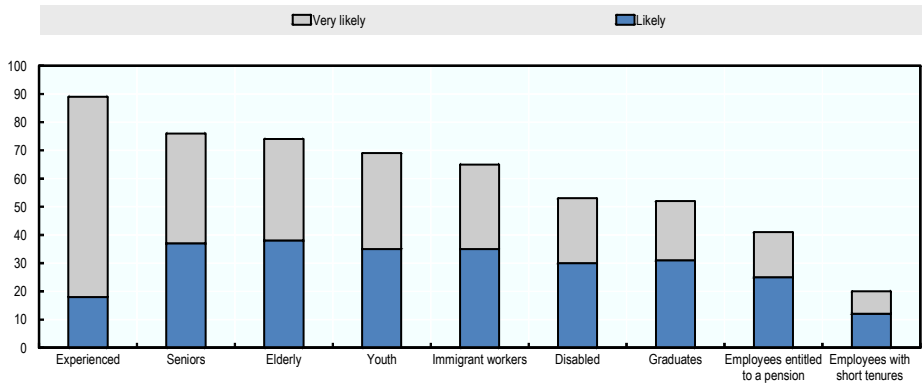
Available evidence of the relation between age, productivity and labour costs in Norway is limited; a closer examination of these issues would certainly improve the basis for further policy measures.

Employment protection practices

According to the 2012 Senior Policy Barometer, managers report that in downsizing situations they would prefer to keep "experienced" workers, followed by seniors and older workers (elderly) (Figure 4.7). The difference in the survey between the terms seniors and elderly, which is defined through the interview, is of little importance with respect to this issue. One interpretation of the survey can be that managers are more positive about the older workers they already know – since they are confident about their qualities and productivity – while older people they do not know are more easily connected to general, negative stereotypes. This can be a sign that negative and persistent perceptions of ageing are more decisive for recruitment and attitudes towards older workers than actual experience.

Figure 4.7. **Protection in case of downsizing, Norway, 2012**[a, b]

Percentages



StatLink http://dx.doi.org/10.1787/888932814523

a) Data refer to the proportion of employers responding to the following question: "How likely is it that the firm wants to keep the following types of employees in a downsizing?".

b) The interviewees define "seniors" and "elderly" though the interview.

Source: Centre for Senior Policy.

In addition, the answers to the survey can be influenced by employment protection legislation. The Work Environment Act states that the notice periods for older workers will be longer than for younger workers. According to the provision, if an employee is dismissed after at least ten consecutive years' employment with the same firm, the period of notice will be at least four months if submitted after the employee has reached 50 years of age; at least five months after the age of 55; and at least six months after the age of 60. The employee for his/her part may terminate his/her contract of employment with no less than three months' notice. Collective agreements can also be important explanations of employment protection practices. The *OECD Employment Outlook 2013* will include a broader discussion of employment protection in OECD countries.

Holden and Rosén (2011) studied a job-search model with employment protection legislation. They found that if the result of the job match is uncertain at the hiring stage, a discriminatory equilibrium may exist where workers with the same productive characteristics are subject to different hiring standards. Layoffs may be costly for the firm, and to avoid the risk the employer may avoid hiring workers from the discriminated, i.e. more protected, group – simply on the grounds that they are from this group. OECD (2006) did not find any significant relationship between the strictness of the

protection legislation and job loss among older workers. The results may, however, be due to the definition of job loss, since job exits for normal or early retirement reasons may in fact have been involuntary. Higher costs because of a longer notice period for older workers with long tenure can increase the pressure towards early retirement in layoff situations. Therefore, there are arguments in favour of considering whether older workers in general would be better off with a standard notice period, combined with ensuring that older jobseekers have the same access to job-search assistance and active labour market measures as younger jobseekers.

Key stylised facts

Even if age discrimination is prohibited by Norwegian law, about one-third of employers report that qualified applicants should have at least ten years of their career remaining before retirement in order to be invited to an interview. Individuals already in their early 50s may meet barriers in the labour market mainly because of their age.

Moreover, there is no co-ordination among the age limits in vesting rules, employment protection legislation and other rules and regulations concerning mandatory retirement. The Work Environment Act states that employment in Norway can be terminated by employers at age 70; occupational pension schemes often have 67 as the pension age. The following measures should be considered to tackle barriers on the side of employers:

- Ensure greater age neutrality in employers' personnel decisions – starting with weak points such as the hiring process; setting targets for neutral hiring rates across ages; and systematic monitoring of hiring decisions.
- Evaluate the achievements of amendments to the Work Environment Act that prohibit age discrimination, with the aims of seeing whether they have been effective or not, and – if they are not – ascertaining what could be done to make them more effective.
- Simplify and co-ordinate age limit rules, with the aim of removing age as the sole mandatory reason for retirement. Rules such as "the 85 years rule" in the public sector, allowing retirement three years prior to the retirement age if the sum of age and seniority is at least 85 years, are anomalies in the new system, and should be removed.
- Align the notice period for older workers with long tenures with the standard notice period, while ensuring that older jobseekers have the same access to job-search assistance and active labour market measures as younger jobseekers.

Notes

1. Training of managers and supervisors in age management has recently been conducted through one- to three-day courses in Finland, the Netherlands, Germany, Austria, Australia and Sweden.
2. See *www.businesslink.gov.uk.*
3. See Council Directive 2000/78/EC of 27 November 2000, establishing a general framework for equal treatment in employment and occupation.
4. How businesses can operate without fixed retirement ages and how they can benefit from employing older people are, however, issues drawing increased attention (Department for Work and Pension, 2011, 2013).
5. Details can be found at *www.seniorpolitikk.no/fakta/arbeid/aldersgrenser-i-norsk-lovgivning.*
6. Norway introduced a 4-percentage point reduction of the payroll tax for wages of employees over the age of 62 in 2002. Ellingsen and Røed (2006) concluded that the change had no effect on the probability of an older unemployed person getting a new job. In light of this evidence, the measure was abolished.

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Chapter 5

Strengthening the employability of older workers in Norway

In addition to strengthened economic incentives and age-friendly employer practices, employability and willingness to stay on are prerequisites for increasing employment rates for older workers. Three key factors here are up-to-date skills, ready access to employment services, and better working conditions. This chapter provides an overview of related measures – taken or that could be improved upon – to boost the employability of older workers.

Reduce inequalities in training participation by age and skill

Key trends

The employment rates of older people are correlated with their education in Norway, as in most other OECD countries. In 2010, while men aged 50-64 with tertiary education had an employment rate of 90%, the employment rate of men with less than upper secondary education was only about 60% (Figure 2.4). (The employment rates in Norway exceed the OECD averages at all education levels.)

The education level of the 50-64 age group has increased considerably in Norway over time, but seems to have stabilised, particularly for men, in recent years (Table 5.1).

Table 5.1. **Distribution of people aged 50-64 by educational attainment, Norway, 1996-2011**

As a percentage of the age group

	Less than upper seconddary education		Upper secondary and post-secondary non-tertiary education		Tertiary education	
	Men	Women	Men	Women	Men	Women
1996	29.4	37.1	46.8	45.6	23.8	17.4
1997	28.5	34.5	46.8	48.8	24.7	16.7
1998	25.3	31.3	50.9	49.6	23.8	19.0
1999	24.8	29.2	52.5	51.1	22.8	19.7
2000	22.7	28.9	50.7	48.5	26.5	22.6
2001	23.0	27.5	48.0	49.5	29.0	23.0
2002	23.8	26.1	47.9	51.6	28.3	22.2
2003	21.4	24.2	53.5	53.6	25.1	22.2
2004	19.6	22.5	53.0	55.1	27.4	22.5
2005	17.8	21.0	54.1	54.4	28.1	24.6
2006	21.2	24.1	51.0	49.5	27.8	26.4
2007	20.6	24.4	50.4	47.3	29.1	28.3
2008	19.4	23.8	51.4	47.6	29.2	28.6
2009	19.0	23.8	52.3	47.9	28.8	28.3
2010	19.1	23.2	52.0	48.1	29.0	28.8
2011	19.1	22.8	51.3	47.3	29.5	29.9

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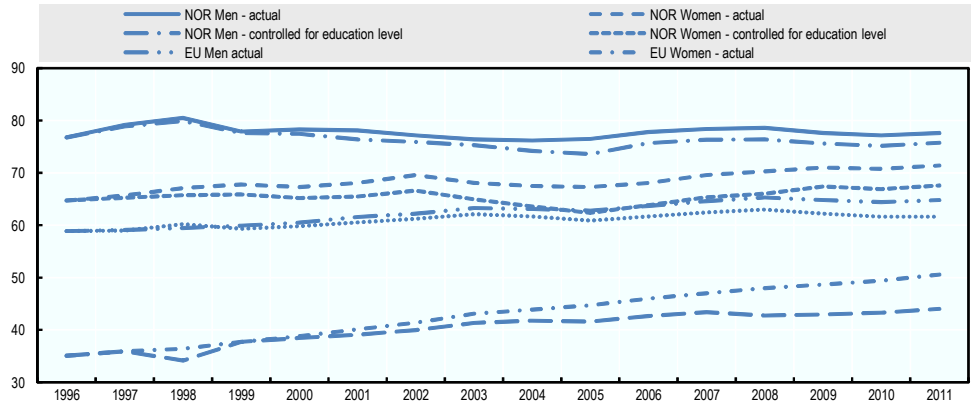
Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

The trend in educational attainment has helped maintain the level of employment rates for men, but has not significantly increased them (Figure 5.1). For women, higher education has contributed more to increase of the employment rates. This effect has been strongest in the EU area, but to some extent also observed in Norway.

The close relation between education level and employment participation is clear evidence of the need for training. Training can be important to advance the employment prospects of those with less education, as well as to maintain and develop competences achieved through initial education. The proportion of workers above the age of 55 participating in job-related training is higher in Norway than in most other OECD countries, but is still lagging considerably behind the best performers (Figure 5.2). Participation in job-related training declines with age in Norway as in other OECD countries: 12.7% of the 55-64 age group participated in job-related training in 2011 compared with 20.1% for the 25-54 age group.

Figure 5.1. **Employment rates by gender, actual and adjusted[a] for demographics, Norway and the European Union, 1996-2011**

As a percentage of the population in each group



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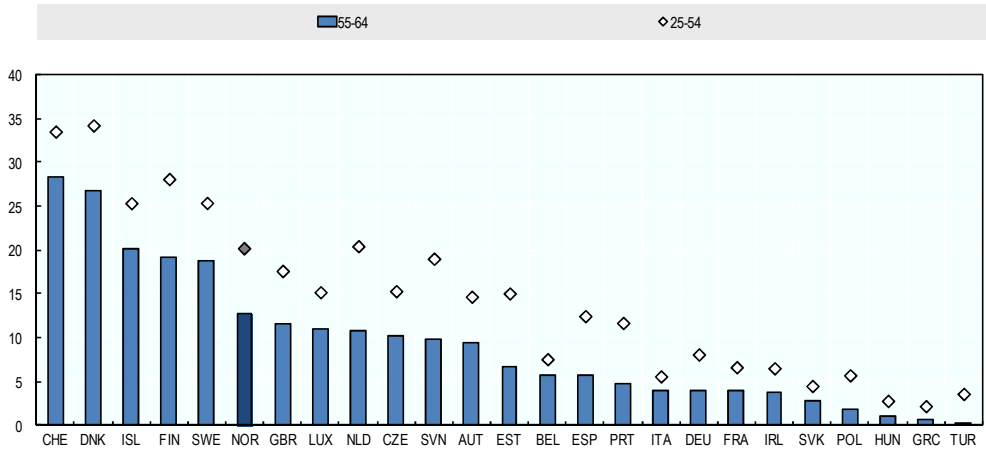
a) Employment rates are adjusted for educational attainment by imposing unchanged 1996 population distribution by educational attainment to the employment rates by education level to recalculate the total employment rates by gender.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

Figure 5.2. **Incidence of job-related training by age group, European countries, 2011**

As a percentage of all employed in the age group



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Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

Key challenges

Ensuring a basic level of education

Lifelong learning is one of the principles of Norwegian education policy. An objective of adult education is to increase flexibility in the labour market and contribute to economic growth. Another of its aims is to reduce income inequality. Many people with low basic skills develop strategies to avoid difficult situations in their current job. These may work to a certain extent, but problems will often arise if the individual needs to look for a new job, or if there is restructuring.

Ensuring a basic level of education among adults has been accorded priority in public policy. Adult education measures are universal and not related to age in particular. Municipalities and counties are responsible for primary- and secondary-level education for youth, but also for adults. Vox (Norwegian Agency for Lifelong Learning) is an agency under the Ministry of Education and Research. Its main goal is to promote active citizenship, improve employability, and increase participation in learning. Vox manages government subsidies for the operational costs of study associations, distance-learning institutions and study centres, as well as

providing financial support for the pedagogical development of lifelong learning.

Vox also has a support programme, launched in 2006, that promotes basic competences in working life, known as *Basiskompetanse i arbeidslivet* (reading, writing, arithmetic and basic ICT). Seniors and the elderly are encouraged to participate, and to an increasing extent they do. As much as possible, the teaching and learning activity should be given at the workplace in combination with work, and the basic skills in the training programme should be linked to other job-relevant learning. Since 2006 over 25 000 individuals have participated in the programme, about 40% of them aged 50 and over.

Validate informal learning

Many of the competences obtained through working life are not documented. An evaluation of *informal learning* is important for the individual, so that his or her competences can be validated when applying for admission to continuing education and during changes in working life. In 2001 Norway established a system for assessing informally obtained competences. More than 50 000 people have applied for this assessment; half of them were assessed as having the competences required to study at institutions for higher education.

The Ministry of Education and Research has now adopted a national qualification framework for lifelong learning (NKR), which will extend the assessment of informal competences in relation to most formal skills. The aim is to increase flexibility, mobility and efficiency within education and the labour market. The framework will be connected to the European Qualification Network (EQF) to enable comparisons of qualifications in all EU/EEA countries.

Actions are also being taken to provide further education or updating of skills to people who have already acquired a medium or higher level of education. The Work Environment Act regulates the rights to participate in training and education, and collective agreements provide additional opportunities. Training institutes offer opportunities for skilled and specialised workers to widen their abilities. Universities and colleges have an important role to play in supplying additional education for adults at a tertiary level. In 2010, more than 18 000 students were above the age of 45, accounting for 28% of the adult students aged 30 and over.

Firms are responsible for work-specific training. In co-operation with suppliers of training and education, firms are estimated to account for about half of the training courses in the Norwegian labour market. The Ministry of Education and Research assumes that the workplace will become an even

more important place for learning in the future, since the need for specialised competences not available in schools or universities will increase. Over the past 20 years, the policies to develop the competences of adults were to a large degree designed in a collaborative effort between the education and labour market authorities and the social partners.

Underutilising the most efficient training methods

The evidence is still inconclusive regarding the effect of training. Mixed results can, however, have to do with the complexity of the issue, and highlight the need for clarification of scope and definitions. Dostie and Leger (2011) found that the decrease in positive productivity impacts from firm-sponsored classroom training is likely to be the main explanation for the inverse relation between training and age. On the other hand, Picchio and van Ours (2011), using data from the Netherlands, found that firm-provided training significantly improves employability, and that older workers who receive training are more likely to remain employed. They found that an employee aged 50-64 with a given set of characteristics is 6 percentage points less likely to be out of the workforce if they had received training on the job in the previous year than those who had not received training. Borghans, Fouarge and de Grip (2011) looked at data from Dutch lifelong learning surveys. They found that people learn as much from one hour of informal learning as from one hour of formal learning, and that only 7% of the total learning time was related to formal learning.

The informal learning will often be acquired through daily work. According to Dæhlen and Nyen (2009), learning-intensive work can provide a subjective measure of the scope of informal learning in work.[1] They found that among the oldest age category – age 60 and above – those reporting that they are engaged in learning-intensive work were far fewer in numbers than other age groups. This may to some extent be a cohort effect. Another explanation may be that older employees are more likely to end up with jobs that do not require or provide opportunities for informal learning in daily work.

Zwick (2011) mentions firms not offering the "right" training type and content as an important reason for the differences in training participation during the life cycle. Older employees prefer, and get higher returns from, informal and self-determined training, with a clear focus on practical and relevant work problems. They also profit more from training content that mainly can be tackled by abilities such as communication and management skills.

Stimulating willingness to train

Cedefop (2012) has concluded that ageing workers do not always see the true job-related and personal benefits of investing in their knowledge, skills and competences through training. Making people aware of those benefits – which can relate to their current job, but also more widely to career progression and employability – can be crucial to increasing the participation of older people in training. In a survey of employees in the municipality sector, Hagen and Nadim (2009) found that most of the older employees reported having good learning opportunities, and that their participation in courses and training was sufficient. However, older employees reported to a larger extent than younger a lack of suitable learning and training types.

Borghans, Fouarge and de Grip (2011) found that willingness to train was lower among older workers, but that their willingness was higher when training was offered by the employer than when offered by public institutions. A shorter payback period is a reason why the optimal training methods and intensity for older workers can be different from those for younger and mid-career workers, with more focus on informal on-the-job training. A higher exit age from the labour market and their increased awareness of the need to maintain competence and human capital can increase older workers' need and willingness to participate in training.

In spite of information furnished to older workers about preferred and efficient training methods, they do not have higher participation rates in the more effective types of training. Given that other decisive determinants of training effectiveness – such as training duration, financing and how to initiate training – do not change over the life cycle, a wrong allocation of training content and types seems to be a critical reason for training's lower effectiveness. Training in the mid-career phase could be crucial as a measure to improve employability and so reduce early exit from work, while ongoing inclusion in training at the workplace may help older workers to keep higher levels of productivity and work engagement. Management has to take into consideration changes in workers' needs and considerations over the life cycle in order to maintain training efficiency and individual motivation to participate in training.

The challenge of mentoring arrangements

Some employers have had positive experiences when making use of formal mentoring arrangements, where young and older employees work together for training purposes. This arrangement is most frequently used to ensure that important knowledge and experience are transferred from the older to younger staff members before retirement, but can just as well be

used to bring older workers up to date on new job-related knowledge from the education system (youth-to-seniors mentoring).

Even if the experience with such programmes is reported to be positive, they are often seen as expensive or difficult to implement. Development of guidelines based on good practices and adjusted to the situation within different branches could be a way to extend the use of such mentoring arrangements. It is necessary to clarify which mentoring programmes can draw on subsidies or other active labour market programmes. Formal mentoring schemes are a very new method in most countries, and evidence is still limited as to their effectiveness.[2] Albæk, Bach and Jensen (2012) concluded from their literature survey that mentoring may have positive effects, but those effects are difficult to measure. Evaluation of projects and trials will therefore be important to improve this framework and render it into a useful tool for a broad range of employers.

Older workers will normally have obtained their most valuable knowledge through their work experience. The system of assessment and validation of informal learning is well established, but could be used more extensively. Many older jobseekers could improve their chances of mobility in the labour market if they added a certification of job-related learning to their résumé. More should also be done to inform employers about methods for assessing such certificates in a recruitment process.

Helping private and public employment agencies provide better employment assistance

NAV provides follow-up services to jobseekers and people receiving health-related benefits. Assistance is universal, and similar situations and challenges are addressed in the same manner, regardless of gender, age, occupation or domicile. Youth, immigrants and the long-term unemployed are, however, given priority.

The NAV office in each municipality is responsible for the follow-up of individual cases. Offices are supported by various special units. The Working Life Centres were established, as part of the IA Agreement, as specialised units in NAV at the county level. Regarding Sub-goal 3 (Box 4.1) on senior policy, the issues prioritised in their dialogue with firms are management; how to maintain and improve competences; how to share responsibility for a prolonged career between employee and employer; removal of myths; and organisational culture.

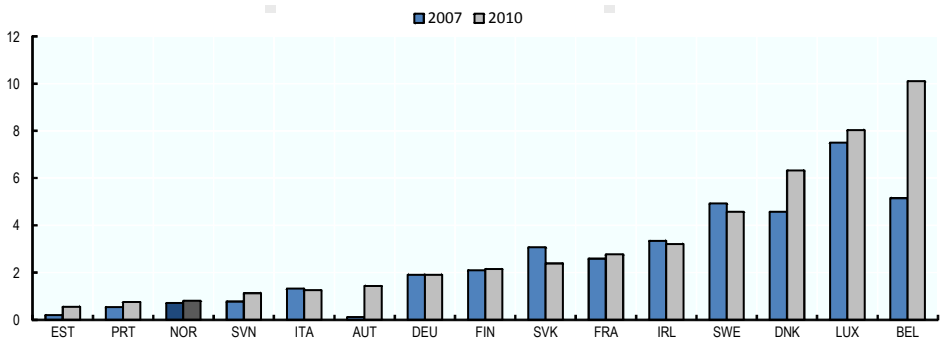
Active labour market programmes

Unemployment among older workers is low in Norway (see Table 2.1). Register-based statistics from NAV show that the length of the unemployment period increases with age, and that those unemployed over the age of 60 are less likely to be back in work within a 6- to 18-month time frame after ending participation in an active labour market measure than are younger unemployed persons.

The low share of older participants in active labour market programmes (ALMPs) in Norway (Figure 5.3) can to some extent be explained by low unemployment among older workers. The participation rate decreases sharply with age. While 3.1% of the labour force younger than 25 in Norway attended an ALMP in 2010, the rate declined to 2.6% for the age group 25-54 and to 1.0% for the age group above 55.

Figure 5.3. **Older participants[a] in ALMPs,[b] 2007 and 2010**

Participants in measures of categories[c] 2 to 7 as a percentage of the labour force aged 55+



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a) Data refer to the groups of participants "aged 50 and over" or "55 and over".

b) Italy: In category 2, data on participants in "Training post compulsory education and post diploma" are not available by age groups. The total number of participants for this measure represents 12% of the total participants in training in 2009, and 27% in 2007.

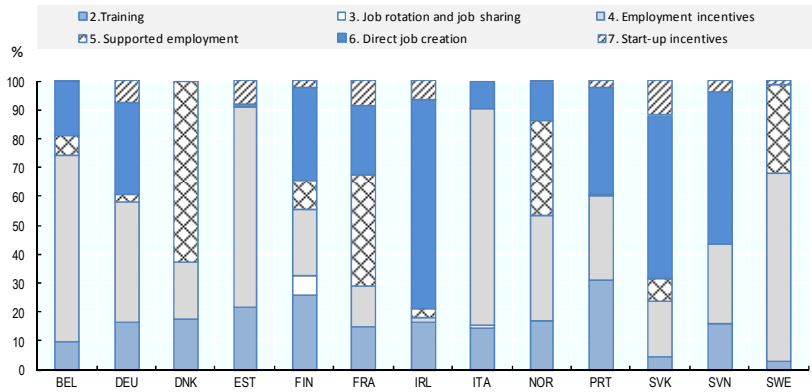
c) The measures are as follows: 2 = Training; 3 = Job rotation and job sharing; 4 = Employment incentives; 5 = Supported employment; 6 = Direct job creation; 7 = Start-up incentives.

Source: Eurostat (2011), "Labour Market Policy – Expenditure and Participants", detailed underlying data supplied to the OECD by Eurostat; *OECD Labour Force Statistics Database.*

Norway does not have any targeted ALMPs for older people. Older participants are most likely to get an employment incentive (e.g. a wage subsidy), or take part in some sort of supported employment (Figure 5.4). But the older unemployed also participate in training and direct job creation programmes.

Figure 5.4. **Older participants[a] in ALMPs by programme, 2010**

Percentage of total participants in ALMP measures for categories 2 to 7



StatLink http://dx.doi.org/10.1787/888932814599

a) Data refer to the groups of participants "aged 50 and over" or "55 and over".

Source: Eurostat (2011), "Labour Market Policy – Expenditure and Participants", detailed underlying data supplied to the OECD by Eurostat; *OECD Labour Force Statistics Database.*

Individual action planning and targeted group activities

As a consequence of the ageing labour force, and of the widespread shift in policies from early retirement to longer working lives, public employment services increasingly have to provide effective employment assistance to jobseekers close to retirement age. One question that remains very topical is whether the needs of older unemployed people are best met by specially targeted measures, or by an all-age mainstreaming approach (ESF Age Network, 2012a).[3]

In order to strengthen PES capacities for service delivery, the European Commission has launched a specific mutual learning programme, the PES to PES Dialogue.[4] A summary of discussions in a peer review of PES and older workers highlights:

As older unemployed are far from being a homogenous group, there is a widespread consensus among the participating PES that the best route towards achieving the reintegration of unemployed workers is through competent individual action planning based upon a resource-oriented profiling, positively drawing out and marketing the skills of older workers. This sometimes requires not only professional training, but also awareness raising among PES staff. Moreover, there is evidence in some organisations that the creation of specific teams with lower counsellor-to-client ratios to tackle some of the additional challenges facing many older workers is successful (e.g. Perspektive 50+ in Germany) (European Commission, 2012).

In addition, several national PESs have had positive experiences using group activities targeted at the older unemployed. For example, in the Netherlands and in Germany, group counselling in self-help groups has proved successful in tackling social isolation and the lack of networking skills to effectively deliver job-search skills. Kraatz (2012) states that there must be a balance between universal and targeted services. The ESF Age Network (2012b) observes that countries may, depending on their specific situation, opt for special programmes targeting older jobseekers or for universal programmes aimed at all age groups. The Network recommends that universal programmes include targets for the older age group.

The low participation in ALMPs and high inflows to disability benefits among older workers in Norway are reasons to review NAV practices towards this age group. Even if challenges and possibilities can differ, sharing good practices can be the basis for development of new policies and initiatives. Box 5.1 gives some examples of sound principles for PES practices towards older unemployed workers.

Box 5.1. **PES practice – Some lessons**

- The issues of ageing need to be mainstreamed into services for both employers and jobseekers.
- A shift towards preventive measures is needed, e.g. financial support of in-house training, training networks for SMEs, and financial support to adapt workplaces for workers with restricted work ability.
- The tools for awareness-raising require careful design.
- There is a role for measures targeted specifically at older workers, although individual action plans remain the most efficient overall approach.

Source: EU Mutual Learning Programme for Public Employment Services (2012), "PES and Older Workers: Toolkit for Public Employment Services", DG Employment, Social Affairs and Inclusion, Brussels.

Individual assessment and early intervention

Early intervention is already a central element in Norwegian rehabilitation policy. For groups of seniors with a mix of labour market problems and somewhat reduced health conditions or poor work ability, it may be particularly important to keep or restore the motivation to work. Some Working Life Centres indicate that they should have advised firms more explicitly at an earlier stage to take older workers out of work before they are no longer able to perform (Midtsundstad and Bogen, 2011). Many employees work too long in jobs that are too demanding, with disability benefit or early retirement as the final outcome. Managers and supervisors may not always be aware of this situation, and the employee may be reluctant to admit there is a problem until it is too late.

A high degree of awareness of the need for guidance and help to find alternative solutions from NAV at an early stage may help reduce early exit from the labour market. Regular meetings with employees and employers should, to the extent possible, produce an assessment of further needs of assistance, independent of the person's status (i.e. sick, unemployed or in work). Criteria and tools for and the competence of the NAV officers should be developed to support this approach. A set of guidelines focusing on awareness raising, early guidance and employability could be based on available experience related to Sub-goal 3 of the IA Agreement (Box 4.1).

Easy, available tools for employers

As mentioned above, the Working Life Centres are specialised units in NAV, serving firms with an IA Agreement. In particular:

- a national co-ordination unit develops the portfolio of tasks covered by the Centres, including exchanging information and sharing effective practices;
- each IA firm has a regular contact person in a Centre assisting it in efforts to work in a focused and goal-oriented manner and to develop more inclusive workplaces;
- access to subsidies is facilitated for the IA firms;
- subsidies for the company health service are provided.

Midtsundstad and Bogen (2011) found that most of the firms assisted by the Centres were satisfied with the service they received. Many of them had, however, not received any specific support, and a large number did not want any assistance. It is not clear whether they did not want assistance because

they felt that they were managing well enough on their own, or because they were not interested in issues related to prolonging working careers.

The experience of the Centres is that firms often want to find a "quick fix" to a problem, and request information about measures and initiatives that have worked in other firms. Since firms are extremely diverse in their situations and needs, the Centres are reluctant to resort to pure "copying", and encourage firms to design measures and policies based on the specific situation in their own company.

One possible way to avoid pure "copying" while at the same time meeting firms' needs for easy and available support is to develop guides and tools based on empirical evidence and good practices. Many managers and supervisors will need support and advice to incorporate a more individual approach in daily work. Close co-operation among the Centre for Senior Policy, the Working Life Centres and the social partners could prove a good basis for further development and promotion of such tools and guidelines for firms.[5]

The different partners must fulfil their obligations

Substantial resources are devoted to the Working Life Centres and their assistance to firms with an IA Agreement. Some subsidies and remuneration of company health services are also reserved for those firms. In principle the agreement can be terminated, but in practice that rarely happens. To ensure efficient use of staff and financial resources, and to encourage firms to achieve their IA goals, the option of terminating the agreement should be used if the partners do not fulfil their obligations and if targets are not reached.

Employers must take responsibility

The forthcoming reformed disability benefit system will be made more flexible so as to offer greater incentive to return to work. The added flexibility will help, for example, by allowing people starting off in a part-time job to gradually increase their working hours. For the reform to be successful, employers need to provide part-time jobs to disabled employees; to increase working hours if work ability and the health situation improve; and, if necessary, to adapt working conditions.

Employers may feel that they are taking a big risk by recruiting new employees with health concerns. Establishing networks of employers could pool some of the risks they will be facing – for instance, by providing job trials in other enterprises in the network without a formal change of employer during this period.

Partial benefits: a good concept nonetheless requiring monitoring

Partially unemployed people have the right to receive unemployment benefits if their working hours are reduced by at least 50%. NAV data on the registered unemployed in 2011 show that 60% of jobseekers were registered as fully unemployed, 25% as partially unemployed, and 14% as participants in ALMPs.[6]

While participation in ALMPs decreases with age, the share of partially unemployed jobseekers increases. In 2011, 18% of the jobseekers aged 15-29 were partially unemployed. In the 55-59 age group 33% were partially unemployed, as were 29% of those aged 60-64.

Legislative provisions allowing partial unemployment benefits to be combined with work income give beneficiaries the possibility to remain in work to some extent during a temporary crisis in the firm, which ultimately prevents a loss in human capital because of unemployment. Extensive use of these provisions should, however, be monitored and evaluated to ensure that the objectives are achieved. Requirements of geographical mobility and job-search activity are more lenient if a person is defined as a jobseeker in the local labour market. There are several criteria that define someone as being a "local jobseeker", and being over 60 is one of them.

No evidence is available on how these criteria are actually used in the provision's application. As one out of three jobseekers over the age of 50 was registered as partially unemployed in 2011, the practice of this provision should be monitored and less strict job-search criteria removed.

Alternative routes to employment

Geographical variations in Norway's disability rates (Bragstad and Hauge, 2008) may suggest that barriers to geographical mobility reduce the probability of returning to work. Such barriers may weigh heavily on people in the later phase of their career and enforcement of mutual obligations may need to be supplemented by other measures in order to overcome them. Particularly in parts of the country where few jobs are available, self-employment and work in the voluntary sector could be further explored.

In order to encourage and help unemployed people of all ages see self-employment as a viable alternative to benefits, the United Kingdom government introduced a New Firm Allowance as of 2011; this allowance is available to those who have been claiming Jobseeker's Allowance for at least six months. In addition there are Firm Clubs, which provide unemployed people interested in self-employment with a place to meet and exchange skills, make contacts, share experiences, receive support and encourage each other to put their business ideas to work.[7] The European

Commission has also funded projects to foster self-employment (Eurofound, 2012).

Given the increasing levels of education, rapid changes in the labour market, and greater flexibility in the retirement process, the need for job-search and rehabilitation assistance for older workers may have to become more differentiated. A Danish study of return to work after a period of retirement showed that private networks and direct contact with the firm were important to find new jobs for older people. On the other hand, they received negligible support from PES (Larsen et al., 2012). Hilsen and Salomon (2012) found in a case study involving Norwegian firms that various forms of social networks for pensioners in the firm resulted to some extent in their return to work, mostly as replacements or to fill temporary jobs. These findings show that alternative channels of job-search support such as formalised or semi-formalised networks may be efficient for some groups of older jobseekers.

Improve working conditions

Worn out or fit for new challenges?

A number of studies have found that the choice between work and retirement is based on a number of reasons related to economy and to personal and professional lives. Bråthen and Bakken (2012) found that in addition to the possibility of access to the AFP scheme, health conditions and retirement of the spouse had the strongest influence on the choice. Salomon (2012) stated that poor health, lack of economic incentives to continue working, lack of flexibility in working hours and discrimination are important factors bringing people out of working life. Midtsundstad and Nielsen (2013) found similar results in a study of early retirement in the municipal sector: a desire for more leisure, reduced health and exhaustion, and retirement of the spouse were the main motivations to retirement, while those staying on beyond the age of 62 emphasised interesting work, positive attitudes on the part of employers, and good health.

Ongoing evaluation of the pension reform may offer keener insight into possible changes in priorities as a result of the reform. On the other hand, Finseraas and Jakobsson (2013) found that informing people about the main elements in the pension reform more fully had no effect on their retirement plans. The authors put forward two hypotheses: the information could still be too general, or the improved incentives may not be strong enough to dominate other factors influencing the decision between work and retirement. Overall, these studies clearly demonstrated that financial incentives are not the sole criterion.

Other studies highlight the large diversity among employees and across occupations. This is supported by data showing that employment rates are clearly related to occupation and education level. Midtsundstad, Hermansen and Nielsen (2012) summarised the research in this way: "Well-educated people retire later than less educated people. And whereas early retirement is related to health problems, heavy professional burdens, and long careers among blue-collar workers and low-ranking white-collar workers, these factors are less important among high-ranking white-collar workers and managers (…). In other words, research on early retirement shows that workplace conditions also affect the decision to retire early, in addition to the design of pension systems, individual resources, and factors related to the domestic sphere or the family."

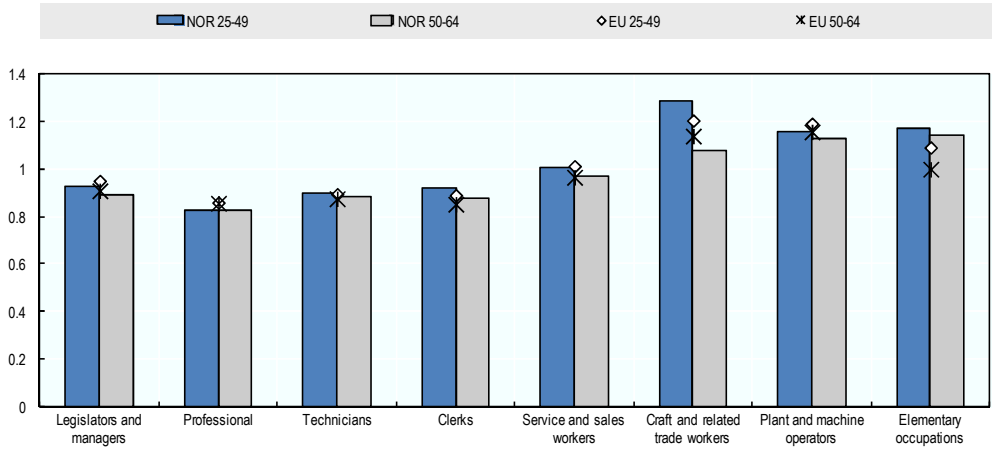
Further improvement of working conditions

The majority of workers in Norway enjoy good working conditions (Ministry of Labour, 2011): nine out of ten employees report satisfaction with their jobs. The working hours are well adapted to their family lives and social responsibilities, and the majority find that they have an influence on their working day. The share of the labour force exposed to harmful working conditions has decreased over the past twenty years. In view of this, it is worrying that employment rates of less educated workers in the 55-64 age group have remained at the same level and not increased over the past decade. In most European countries, less educated older women have increased their work participation (Figure 2.4).

The remaining challenges relating to working conditions should therefore not be neglected. The physical and psychosocial work environment may have a large impact on whether older workers continue working, particularly in many manual and low-skilled occupations (Figure 5.5). The 50-64 age group assess in the survey their work arduousness the same way as younger age groups do. Only those working in crafts and related trades report substantially less strenuous conditions. Age apart, there are notable differences across occupations, notably between "white color" and "blue collar" jobs. Older people who have been exposed to physical or mental stress over a long working life may be a vulnerable group.

Stami (2011) found that problems related to the psychosocial and organisational work environment are most often found within some occupations in the health and care sector, the education sector and parts of the service sector. While some improvement has been reported in these sectors, seniors, and particularly workers aged 60-66, are less likely to get support or response from their supervisors than their younger colleagues (Mørk, 2011): 38% of the 60-66 age group report that they never or rarely ever receive any response from their supervisor.

Figure 5.5. **Index of strenuous working conditions by age group and occupation, Norway and Europe, 2010[a]**



StatLink http://dx.doi.org/10.1787/888932814618

a) The index can be read as the within-occupation, within-country variation compared to the strenuous working conditions across the whole sample's responses. The items range from physical to mental stress experienced at work.

Source: OECD estimates based on the Fifth European Survey of Working Conditions.

Designing policies to match the great diversity among older workers

The Ministry of Labour (2006), in a white paper to the Norwegian Parliament on senior policy, stressed the need for a broad approach, since different measures can be efficient in different situations and towards different groups. The government pays considerable attention to industries with a large share of poor-quality jobs, or with a need for further improvement in working conditions (Ministry of Labour, 2011). Social dialogue is a centrepiece of their strategy. The aim of policies is to find a balance between information and advice, regulation, and surveillance and inspections. Policies are not age-specific, but improved working conditions will also mean more age-friendly conditions. However, that in no way diminishes the need to adapt working conditions to age if doing so could prevent early exit.

It is important to halt any further widening of the gap between a majority of employees with good and safe working conditions, and a significant minority remaining in poor-quality jobs. Information and communication are important, but cannot replace use of sanctions when

those are necessary. The Labour Inspection Authority sees to it that firms comply with the requirements of the Work Environment Act, carrying out 14 000-15 000 inspections each year. Supervision is mainly aimed at firms with the poorest working conditions, where there is little willingness to correct problems. This calls for clearly targeted measures. Special attention should be paid to industries and firms inducing high rates of exit out of the labour market to disability benefits or early retirement.

More women than men are at risk of leaving working life early in Norway – a challenge that is shared with other countries. In Sweden for example, the government has given the Swedish Work Environment Authority a mandate to develop special measures to prevent women from being forced to leave working life due to problems in the work environment. The focus will be on prevention of musculoskeletal disorders due to workload or working conditions. The mandate includes collecting knowledge and its dissemination, educating inspectors, and conducting a national surveillance activity.[8] These activities may produce evidence or measures that could also be of interest in a Norwegian context.

Regarding psychosocial working conditions, Norwegian data seem consistent with similar information from other countries showing that older workers often lack feedback from their managers and supervisors. Less feedback may to some degree be explained by more autonomous working situations, but lack of support and feedback can also reduce motivation to further develop and to stay in a job. Greater emphasis should be placed on age management in the firms to change attitudes and to encourage older staff members to remain as productive as possible. In the PÖYRY study (2011), about one-third of the municipalities surveyed reported that they had given their managers some degree of training related to senior policy. Any such training for line managers and supervisors should cover *inter alia* methods for engaging in dialogue with senior staff members (see Chapter 4).

Senior measures: targeting and cost efficiency

Since the IA Agreement was signed in 2001, the Norwegian government and the social partners have encouraged companies to develop a more senior-friendly policy and implement special measures to retain older workers. Examples of senior-friendly measures are flexible working hours, partial retirement, and reduced working hours with or without wage compensation. The effect of senior policy measures is difficult to quantify (Hilsen and Salomon, 2011), and measures taken by the firms are rarely evaluated (Midtsundstad and Bogen, 2011). Midtsundstad, Hermansen and Nielsen (2012) found that the initiatives most commonly offered by Norwegian firms, such as reduced working hours, extra days off and economic incentives, fail to produce the desired results. Measures and

benefits for older workers are mostly granted after the age of 62; they will have little impact on health-related issues or inflows to disability benefits before that age. Some benefits (so-called "gifts") create deadweight effects, as they are received by older workers who would have continued working anyway.

Midtsundstad, Hermansen and Nielsen (2012) add that special policies for seniors *can* have an effect, but in order to be effective the initiatives and instruments need to be differentiated among occupations, sectors and industries. Adapting the workplace is, according to some studies, often more effective in terms of reducing early retirement than benefits such as extra time off and age-related bonus arrangements (Midtsundstad and Bogen, 2011). Moreover, Midtsundstad, Nielsen and Hermansen (2013) and Midtsundstad and Nielsen (2013) found in analyses relating to the public sector that adapting conditions for older workers reduced sickness absence and exit to disability pension.

The relatively low cost efficiency of senior measures can to some extent be related to the financing of the previous AFP scheme in the private sector. The costs were then directly linked to the number of people taking up AFP in the firm. Changed financing of the scheme in the private sector, introduced via the 2011 pension reform, has cut this direct link (Chapter 3). That may indicate a need for greater cost-effectiveness of senior measures.

Health: short waiting times and greater co-operation

Even if overall health conditions in Norway are good, health-related benefits nonetheless remain a major pathway to early exit. Sickness prevention through good working conditions and good management is crucial. Short waiting times for treatment can be important for restoring work ability and maintaining motivation for work for older workers with a relatively short remaining career. Earlier intervention in the sick leave period, or even without any sick listing, requires a review of possible appropriate guidelines and measures.

A special programme was launched in 2006 in a co-operative effort between NAV and specialist healthcare, with the aim of preventing an absence longer than needed (*Raskere tilbake)*. NAV can provide special assistance to workers with moderate mental disorders or mixed diagnoses to avoid or shorten sick leave, and the specialist healthcare can offer supportive treatment. Some of these services have been evaluated, with small gains indicated (Holmås and Kjerstad, 2010); a more comprehensive evaluation is scheduled to be published in 2013. Such programmes are not particularly targeted towards older workers but can be especially important for them, to avoid long absences from work and loss of the ability and motivation to

come back to work. Older workers must be accorded the same access to and priority for these services as other age groups.

A new co-ordination reform within the health sector (*Samhandlingsreformen*) entered into force in January 2012. Its most important goals are to put more weight on prevention than treatment; make more health services available close to where people live; and improve co-ordination and co-operation among different parts of the health sector.

Greater responsibility for health services at the local level, close to where people live, can also facilitate co-ordination and co-operation with employers, NAV, and other institutions that may have a role in keeping people in or getting them back to work. A challenge, however, is the large number of very small municipalities in Norway. Small units may have difficulties developing and retaining sufficient competences to achieve the goals of the reform. Co-operation within *clusters* of municipalities to extend the competence base may be one way of reducing this problem. Co-operation and co-ordination with employers and institutions outside the health sector, as well as the competence issue, should also be monitored as part of the evaluation programme that began in 2012, administered by the Norwegian Research Council.

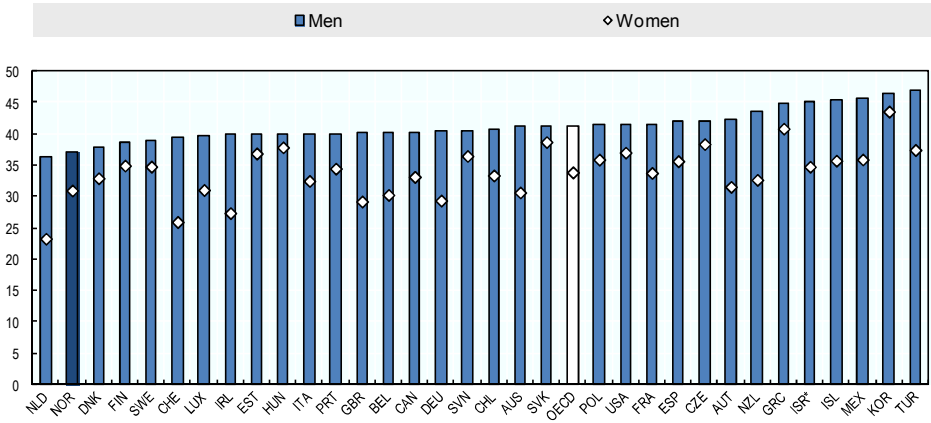
Part-time work: sometimes positive, sometimes negative

Weekly hours of work are relatively low in Norway (Figure 5.6), with the share of part-time work slightly above the OECD average: 21.3% of workers aged 55-64 in 2011 (Figure 5.7). This share has been relatively constant over the past decade, and includes more women than men. Part-time work is more widespread in some occupations than in others. It is most common within the hotel and restaurant sectors, domestic cleaning, retail sales and the care sector, and among medical and dental secretaries.

The right for people over the age of 62 to work part-time was introduced in the 2008 Work Environment Act. The possibility to engage in part-time work while receiving a pension facilitates phased withdrawal from the labour market. So far, the 2011 pension reform does not seem to have increased the incidence of part-time work. Average working hours do decline somewhat with age, but appear not to have really changed in 2011. That year OECD estimates, based on national labour force surveys, 4% of all employees aged 62-66 wanted shorter working hours. This is about the same share as for other age groups. As Norway already has shorter average working hours and extra holidays for older workers that could indicate that a policy of reduced working hours would do little to prolong working lives in general.

Figure 5.6. **Usual weekly hours worked by those aged 55-64, OECD countries, 2011**

Hours



StatLink http://dx.doi.org/10.1787/888932814637

* Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

Source: OECD estimates based on national labour force surveys.

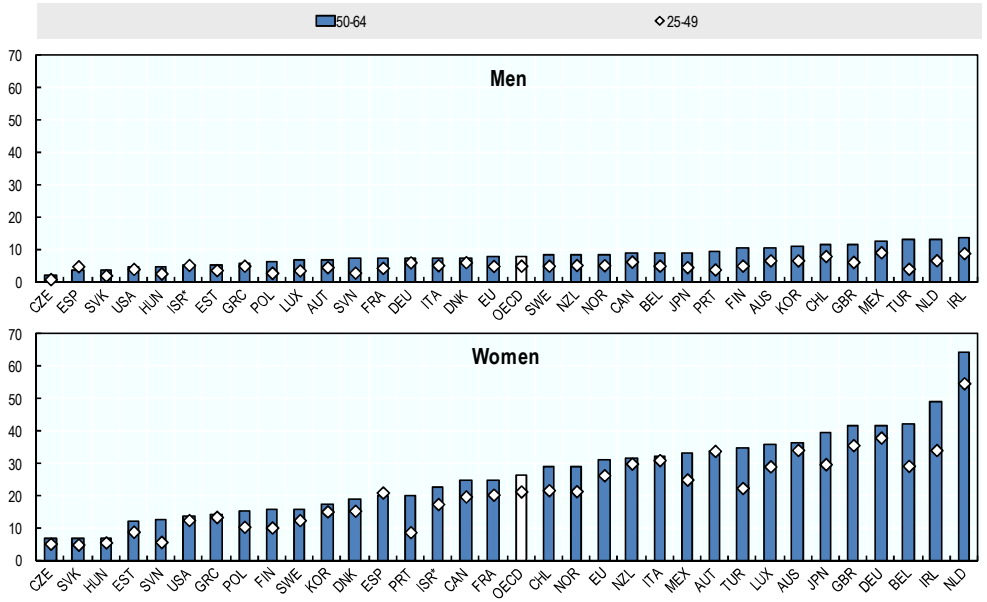
Part-time work can be stressful – especially for the so-called "involuntary part-timers", who make up an estimated 19% of part-time workers in Norway (Nergaard, 2010). The most common reason for involuntary part-time is reported to be that no full-time jobs are available. "Involuntary" part-time is most frequent in female-dominated occupations with no higher education requirements. Disability pension rates are often relatively high in occupations and sectors with a high incidence of this work category. The proportion of "involuntary" part-time is low for the age group above 55. Ingstad and Kvande (2011) report that about half of the nurses in nursing homes work part-time, and that the half working full-time find their work less stressful than the others. That may appear paradoxical, but may be explained by more continuity and better control over the work situation among those who work full-time.

Several initiatives have been implemented to reduce the incidence of involuntary part-time work, e.g. related to work planning, alternative work shifts, and training and education (Moland and Bråthen, 2012). The government moreover launched additional measures in 2011 (Ministry of Labour, 2011). Among the latter is an evaluation of the provision in the Work Environment Act according priority to longer working hours for employees in part-time jobs over new recruitment in a company. Another possible alternative that the government is considering is more regulation of part-time

work. In the municipality sector, where the share of part-time workers is very high – for instance, in the care sector – employers and employees have agreed to promote a "full-time culture" (Box 5.2). While these measures do not explicitly touch on age, better training, work planning and organisation can be important as preventive measures to improve employability, reduce early exit from work, and (thus) support longer working lives.

Figure 5.7. **Share of part-time work by gender and age, OECD countries, 2011**

As a percentage of employment in the age group



StatLink http://dx.doi.org/10.1787/888932814656

* Information on data for Israel: *http://dx.doi.org/10.1787/888932315602.*

Source: OECD estimates based on national labour force surveys.

There are both positive and negative features related to part-time work, and various factors must be taken into consideration to find a balance. Here, it is important that the legislative and organisational frameworks are neutral. Since some forms of part-time work can be more stressful than full-time work, measures to facilitate the working situation of older workers must also be available for those working part-time. A main aim must be to ensure good, and if necessary adapted, working conditions that allow as many as possible to continue in full-time jobs.

Box 5.2. **Promoting a "full-time culture"**

The social partners in the healthcare sector will be attempting to establish a common framework for creating a culture for full-time jobs as the norm in the sector; the issue is due to be discussed in the collective agreement negotiations in 2014.

Part-time work predominates in Norway's municipalities, with less than half (42%) of the employees working full-time. Half of the municipalities have less than 25% full-time employees. The share of part-time workers is particularly high in the care sector. Workers with primary-level education generally have the lowest working hours.

Norwegian municipalities have experimented with a range of pilot schemes or trials to reduce this prevalence of part-time work; those most frequently administered are training and education to provide better opportunities for full-time jobs, and alternative working schedules. Increase of the permanent staff is also an element of some of the pilots.

A main conclusion from evaluation of the trials is that the initiatives have had positive effects on the hours worked, the work environment, and the quality of the services produced. The effect on costs is less clear. Formal training and increasing the permanent staff are reported to be expensive measures. Resistance from staff members and legal and practical complications are most frequently mentioned as barriers to change.

Source: Moland, L.E. and K. Bråthen (2012), "Hvordan kan kommunene tilby flere heltidsstillinger?" [How Can Municipalities Increase the Number of Full-Time Jobs?], Fafo Report No. 2012:14, Oslo.

Key stylised facts

Research has found that the senior initiatives most commonly offered by Norwegian firms fail to produce the desired effects, as they provide benefits to workers who would continue working anyway. Special policies can have an effect, but in order to be effective the initiatives need to be differentiated among occupations, sectors and industries, and implemented in a preventive approach.

The share of those aged 55-64 working part-time in 2011 was 21.3%. On the one hand, part-time work can be seen as an alternative for people who cannot manage a full-time job. On the other, part-time work can under some circumstances be stressful, particularly for the so-called "involuntary part-timers", and may represent an underutilisation of the labour force. The following measures should be considered to improve working conditions for older workers:

- Co-operation should be strengthened among the relevant stakeholders to clarify the scope and targets for lifelong training, with a particular focus on mid-career workers; to develop and promote efficient programmes;

and to develop further the conceptual framework, including certification and assessment methods.

- Further need for assistance should be assessed during the first meeting between the NAV and older workers or jobseekers, independently of their status as sick, unemployed or in work.

- The use of remaining work ability should be facilitated by encouraging the establishment of employer networks; these could allow for job trials in other enterprises, or provide other flexible work arrangements tailored to older workers across firms.

- The legislative and organisational frameworks should remain neutral regarding the use of part-time and full-time jobs, and support initiatives to promote a "full-time culture".

Notes

1. Work is defined as learning-intensive if 1) the job requires workers to continually learn something new or master new things, and 2) daily work provides good opportunities for acquiring the knowledge and skills needed.

2. The "Generational Contract" implemented in 2013 in France is innovative, and its possible impact on employment prospects for youth and older workers will be analysed in 2013 by the OECD.

3. *http://esfage.eu/sites/esfage/files/newsletters/ESFAgeNetworkNewsletter7.pdf.*

4. *http://ec.europa.eu/social/main.jsp?catid=964&langld=en.*

5. The Centre for Senior Policy has developed a much-used web-based guide for the workplace: "WinWin" – see *www.vinnvinn.org/ home.99565.en.html.*

6. About 1% are registered as "Other jobseekers".

7. *www.oecd.org/employment/employmentpoliciesanddata/ageing andemploymentpolicies.htm.*

8. *www.oecd.org/els/employmentpoliciesanddata/Older%20 Workers%20Sweden.pdf.*

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Ageing and Employment Policies

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People today are living longer than ever before, while birth rates are dropping in the majority of OECD countries. Such demographics raise the question: are current public social expenditures adequate and sustainable? Older workers play a crucial role in the labour market. Now that legal retirement ages are rising, fewer older workers are retiring early, but at the same time those older workers who have lost their job after the age of 50 have tended to remain in long term unemployment. What can countries do to help? How can they give older people better work incentives and opportunities? These reports offer analysis and assessment on what the best policies are for fostering employability, job mobility and labour demand at an older age.

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Chapter 1. The “live longer, work longer” challenge for Norway

Chapter 2. The labour market situation for older workers in Norway

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