

## OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

### NORWAY (situation mid-2012)

*In 2011, the employment rate for the population aged 50-64 in Norway was 1.2 percentage points **higher than in 2005** and 13.3 percentage points **above the OECD average**. Further statistical information about the labour market situation for older workers in Norway is presented in the scoreboard in Table 1.*

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

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

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries<sup>1</sup> that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Norway since 2005 are described in this Note. A summary assessment of the extent to which Norway has followed the OECD's recommendations in the report *Ageing and Employment Policies: Norway* is given in Table 2.

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<sup>1</sup> 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](http://www.oecd.org/els/employment/olderworkers).

## **A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING**

### **A.1. OECD recommendations to Norway in 2004 – action taken**

#### ***Strengthen the link between contributions and pension entitlements***

The public pension system was reformed in 2010-11 to give stronger financial incentives to carry on working and to increase flexibility, in line with the OECD recommendations.

A close link between lifetime earnings and pension entitlements improves incentives to work. In the new pension system, entitlements are accumulated through income from work or through other types of pension earnings, from the ages of 13 to 75. Individuals will increase their pension entitlements each year, corresponding to 18.1% of their pensionable income up to a ceiling of approximately 115% of an average wage in Norway. The new rules will be implemented gradually for persons born between 1954 and 1962, and fully implemented in 2025 for persons born in 1963 and later.

#### ***Increase flexibility in the retirement decision***

The new pension system introduces flexibility into the pension decision. The statutory retirement age of 67 is abolished and actuarial methods for calculating pension benefits are applied. That means that take-up of pension benefits is now possible at any age from 62 to 75, and that the yearly benefits depend on the retirement age chosen and life expectancy at that age. A demographic component is implemented in the actuarial calculations to take account of the effect of increased life expectancy. It is possible to combine work and pension benefits from the public pension system without any earnings test.

#### ***Limit the early retirement scheme***

As part of the wage settlements in the private sector, the Contractual Early Retirement (AFP) scheme for persons aged 62-66 is from 2011 converted into a supplement to payments from the public old-age scheme of typically slightly above 20% for the entire remaining lifetime.

A similar agreement was not reached for wage settlements in the public sector, which covers about one-third of the workforce. In this sector the old system is still in place as a separate early retirement scheme between 62 and 66. AFP pensions are proportionally reduced when working, and AFP cannot be combined with public pensions.

#### ***Reduce the rigidity in occupational pensions***

Occupational pensions in the private sector are adjusted in line with the changes in the public pension system from 2011. That means: introduction of flexibility in terms of retirement age from 62; use of actuarial methods for calculating benefits; and the possibility of combining income and pensions without any earnings test. In 2012, further work will be done to adjust private pensions to the reformed public pension system.

No similar agreement was reached for wage settlements in the public sector. The old occupational scheme, where the pension is based on the final wage, is still in place; two differences are the introduction of life expectancy adjustment and of the same indexation as in the public pension system.

#### ***Separate disability benefits from old-age pensions***

A proposal to separate disability pensions from old-age pensions was amended by the Parliament in 2011. The disability benefit will be based on the three highest income years of the five preceding the onset of

disability. This will bring the calculation more in line with the way temporary health benefits prior to receiving a disability benefit are calculated, sharpening the distinction from early retirement benefits. The new disability benefit will also be taxed as labour income and made more flexible when combined with work. Eligibility criteria are not changed. The new legislation is expected to enter into force in 2015.

### ***Reduce the number of recipients of long-term sickness benefits***

No special action has been taken towards older workers, but the government and the employers' and employees' organisations have adopted a new Agreement of a More Inclusive Working Life (IA Agreement). See Section B for further description.

## **A.2. OECD recommendations to Norway in 2004 – no action taken**

### ***Review eligibility rules in the state sector for the older unemployed***

No major changes are made in the regulations since 2005 but the number of recipients has decreased sharply, to about 700 in August 2011.

## **A.3. Other implemented measures unrelated to specific OECD recommendations**

### ***Special unemployment rules for older people are abolished.***

Prior to 2011, people aged 64 and over were allowed to receive benefits until the age of 67. From now on, the unemployment benefits regulation for people aged 64-67 is the same as for people younger than 64. In addition, people aged 64 and over who are no longer eligible for unemployment benefits are guaranteed participation in an active labour market programme if they have been fully or partly unemployed the preceding six months.

## **B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS**

### **B.1. OECD recommendations to Norway in 2004 – action taken**

#### ***Renegotiate the agreement on a more inclusive workplace after 2005 and introduce objective goals***

The IA Agreement mentioned above is the central framework for tripartite co-operation among the government and the employers' and employees' organisations. The agreement was renegotiated in 2010 for 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 expulsion and withdrawal from working life.

The national goals from previous IA Agreements are maintained:

- A 20% reduction in sick leave compared with the second quarter of 2001. On a national level, this means that sick leave should not exceed 5.6% of all workers.
- Increased employment of people with reduced functional ability. Specific goals from earlier supplementary agreements are maintained.
- The goal is to increase the effective labour force exit age for an employee aged 50 by six months compared with 2009.

On the other hand, systematic preventive work in firms is now emphasised more strongly in order to achieve the goals mentioned.

The protocol includes measures targeted towards persons authorised to grant sick leave:

- access will be provided to professional support and guidance in handling authorised sick leave in relation to certain diagnoses and ailments/conditions;
- a system will be introduced to give regular feedback to the person granting sick leave on his/her own practices, compared with others;
- specialised training and practices will be required for everyone with the power to authorise sick leave.

### ***Raise the average number of hours worked***

A feature of the Norwegian labour market is the relatively extensive use of part-time work. This represents an opportunity for people who could have problems filling a full-time job, among them older workers. On the other hand, a large share of the labour force in part-time jobs reduces the total hours worked in the economy. About 10% of those employed part-time want to increase their working hours. A three-year programme was launched in 2011 to ascertain the kind of measures that could be effective. An evaluation is under way of current use of the legal right to have working hours extended for part-time – including older workers if a position becomes vacant.

### ***Review immigration policies***

A new Immigration Act from 2010 makes it easier for some categories of migrants to begin working and receive a residence permit. The new act consists of three basic elements:

- Registration for citizens from the European Economic Area (EEA) – EEA citizens no longer need to apply for a residence permit to stay and work in Norway. An EEA national who intends to stay in Norway for more than three months must register online, and then go to the police to have a registration certificate issued.
- Residence permit as a specialist – Workers who have received an offer of employment with an annual salary of at least NOK 500 000 from an employer in Norway can apply for a residence permit as a specialist.
- The early job start scheme – The scheme allows employers who meet certain criteria to recruit employees for countries outside the European Economic Area (EEA) directly and have them begin work before their application has been processed. The scheme applies to skilled workers, defined by expertise (they must at least have a vocational certificate) and specialists, defined by pay. It is the employer's responsibility to ensure that the employee meets the conditions for being granted a permit as a skilled worker or a specialist. The scheme also covers seconded employees and trainees being employed by an international company.
- To accelerate processing, the target set is 80% of applications treated within eight weeks.

## **C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS**

### **C.1. OECD recommendations in Live Longer, Work Longer – action taken**

#### ***Improve working conditions for older workers***

An amendment of the Working Environment Act in 2008 gives an employee who has reached the age of 62 the right to have his or her normal working hours reduced, if the hours can be arranged without major inconvenience to the enterprise. This measure, introduced in connection with implementation of the new, flexible pension scheme, is aimed at facilitating the combination of work and pension. It also allows a smooth transition from work to retirement, with the goal of keeping people connected to the working life longer.

An experimental programme in four state agencies offered employees who had reached the age of 62 20% reduced working time with full wage compensation to their employees in a selected number of counties over the period 2007-09. Employees in the rest of the counties were used as a control group. On average, the employees with reduced working hours carried on working longer before retiring, and a small health and welfare gain was recorded. However, also according to the evaluation, employees who would have worked longer without the offer of reduced working time reduced their working hours as well, and the evaluator assessed the effect on the total supply of working hours finally to be negative.

## **C.2. OECD recommendations in Live Longer, Work Longer – no action taken**

### ***Reduce the inequalities in training participation by age and skill***

The OECD had recommended pursuing lifelong learning at mid-career; in combination with improved attractiveness and potential returns for older workers; and promotion of later retirement.

### ***Help private and public employment agencies providing greater employment assistance to older people***

Older workers form a very heterogeneous group – in terms of health, skills, the types of job they hold and their local labour market situation; it follows that they require solutions tailored their individual circumstances. The OECD had recommended regular evaluation of programmes that help improve targeting.

## **C.3. Other implemented measures unrelated to specific OECD recommendations**

The Centre for Senior Policy encourages a broad range of activities aiming to support older people in work. The centre, an NGO funded by the Ministry of Labour, is based on a co-operative effort of the social partners. Its purpose is to make individuals, companies and politicians aware of the benefits of being adaptable in the workplace because the workforce is ageing. It provides information and promotes best practices regarding how to use and improve older workers' competence and employability, through research, information campaigns and forging of links with workers' unions, employers' associations and politicians.

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Norway			OECD <sup>h</sup>		
	2001	2005	2011	2001	2005	2011
<b>Employment</b>						
-- Employment rate, 50-64 (% of the age group)	74.1	73.3	74.5	55.6	58.4	61.2
<i>of which</i> 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
<b>Job quality</b>						
-- Incidence of part-time work, 55-64 (% of total employment)	26.3	21.1	21.3	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	2.8	2.8	2.0	9.0	9.1	9.1
-- Full-time <sup>a</sup> earnings, 55-59 relative to 25-29 (ratio)	1.20	1.22	1.25	1.32	1.33	1.34
<b>Dynamics</b>						
-- Retention rate <sup>b</sup> , after 60 (% of employees <i>t</i> -5)	70.9	54.1	65.2	37.8	40.4	42.2
-- Hiring rate <sup>c</sup> , 55-64 (% of employees <i>t</i> -1)	3.7	3.5	2.8	7.8	9.2	8.5
-- Effective labour force exit age <sup>d</sup> (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
<b>Unemployment</b>						
-- Unemployment rate, 55-64 (% of the labour force)	1.6	1.7	1.3	4.6	4.8	5.8
-- Incidence of long-term <sup>e</sup> unemployment, 55+ (% of total unemployment)	21.8	25.1	23.3	46.8	47.7	45.9
<b>Employability</b>						
-- Share of 55-64 with tertiary education <sup>f</sup> (% of the age group)	20.4	24.0	27.3	15.9	19.9	22.9
-- Participation in training <sup>g</sup> , 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

-- unavailable.

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

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

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

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. 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.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

[www.oecd.org/els/employment/olderworkers](http://www.oecd.org/els/employment/olderworkers)

Table 2. Ageing and employment policies: Norway (situation mid-2012)

OECD's recommendations to Norway in 2004	Action taken
<b>A. Strengthening financial incentives to carry on working</b>	
<i>Strengthen the link between contributions and pension entitlements</i>	++
<i>Increase flexibility in the retirement decision</i>	+
<i>Limit the early retirement scheme</i>	+
<i>Reduce the rigidity in occupational pensions</i>	+
<i>Separate disability benefits from old-age pensions</i>	+
<i>Reduce the number of recipients of long-term sickness benefits</i>	+
<i>Review eligibility rules in the state sector for the older unemployed</i>	/
<b>B. Tackling employment barriers on the side of employers</b>	
<i>Renegotiate the agreement on a more inclusive workplace after 2005 and introduce objective goals</i>	+
<i>Raise the average number of hours worked</i>	+
<i>Review immigration policies</i>	+
<b>C. Improving the employability of older workers</b>	
<i>Reduce the inequalities in training participation by age and skill</i>	/
<i>Help private and public employment agencies providing greater employment assistance to older people</i>	/
<i>Improve working conditions for older workers</i>	+
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2004), <i>Ageing and Employment Policies: Norway</i> and answers to the follow-up questionnaire from Norway.</p>	