



# Flexible retirement in Norway

Workshop – «Flexible retirement following the Scandinavian Model», German Bundestag, December 1st 2014

Senior Researcher Tove Midtsundstad

Fafo Institute for Labour and Social research

Oslo, Norway

# Before the 2011 reform

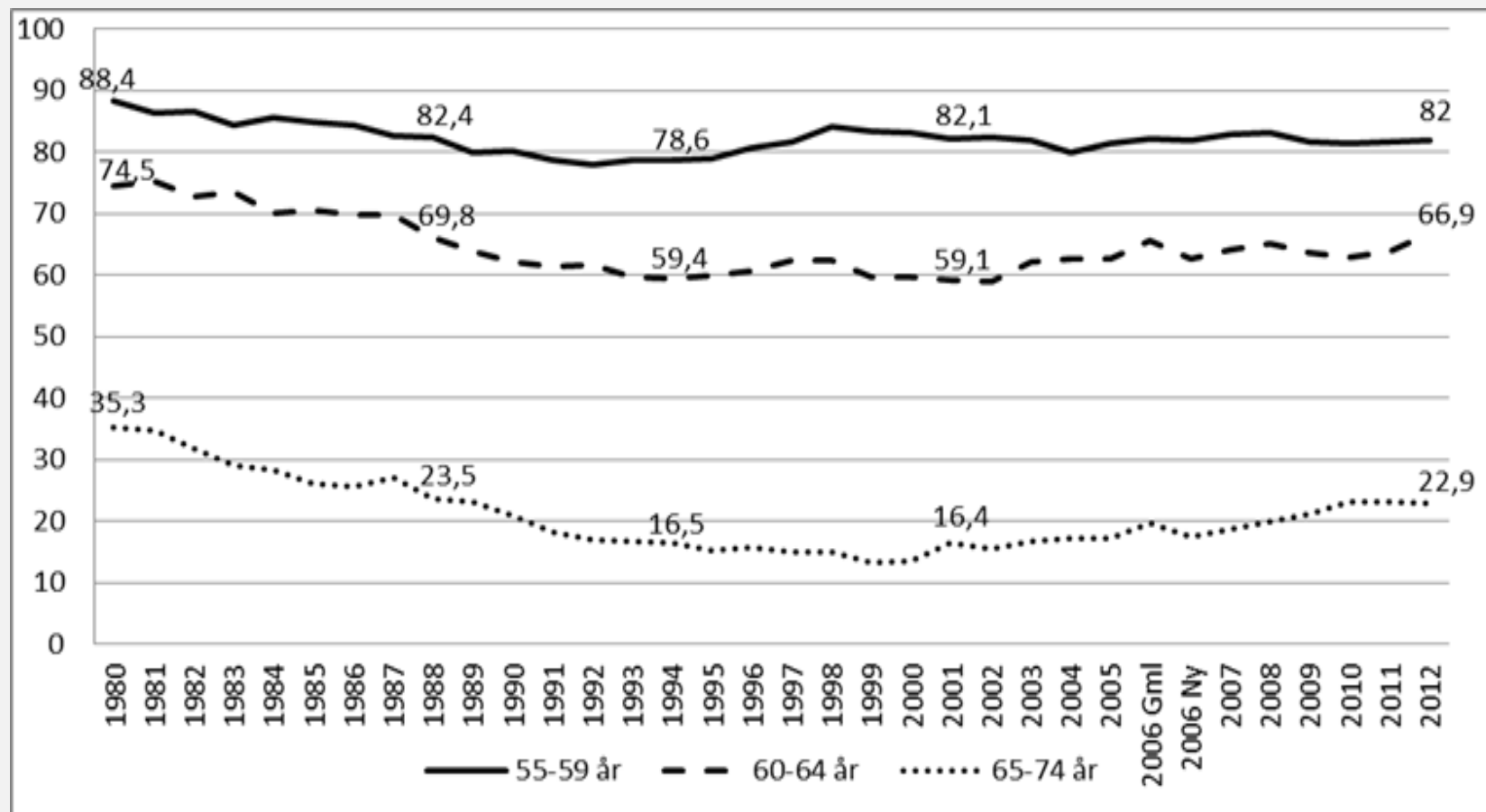
Old age pension	Private sector with AFP	Private sector without AFP	Public sector
<b>National Insurance scheme (NIS)</b>	67- years		
<b>Contractual early retirement scheme (AFP)</b>	62-66 years		62-64 years 65-66 years
<b>Occupational pension scheme</b>	67- years Only DB before 2001 Mandatory from 2006 (OTP)		67- years DB
<b>Special age limits</b>	Only a few occupations		30-40% 60- (57), 63- (60), 65- (62)
<b>Termination of the employee contract</b>	70 (67)		70 (mandatory)

# After the 2011 reform

Old age pension	Private sector with AFP	Private sector without AFP	Public sector
<b>National Insurance scheme (NIS)</b>	62- years actuarial neutral		62- years actuarial neutral (cannot be combined with AFP)
<b>Contractual early retirement scheme (AFP)</b>	62- years supplementary lifelong actuarial neutral		62-64 years 65-66 years
<b>Occupational pension scheme (OP)</b>	67 years DB (23 %) - lifelong DC (67%) – often 10 years		67- years DB lifelong
<b>Special age limits (OP)</b>	Only a few occupations		30-40 % 60- (57), 63- (60), 65- (62)
<b>Termination of employee contract (WEA, §13-15a)</b>	70 (67)		70 (mandatory)

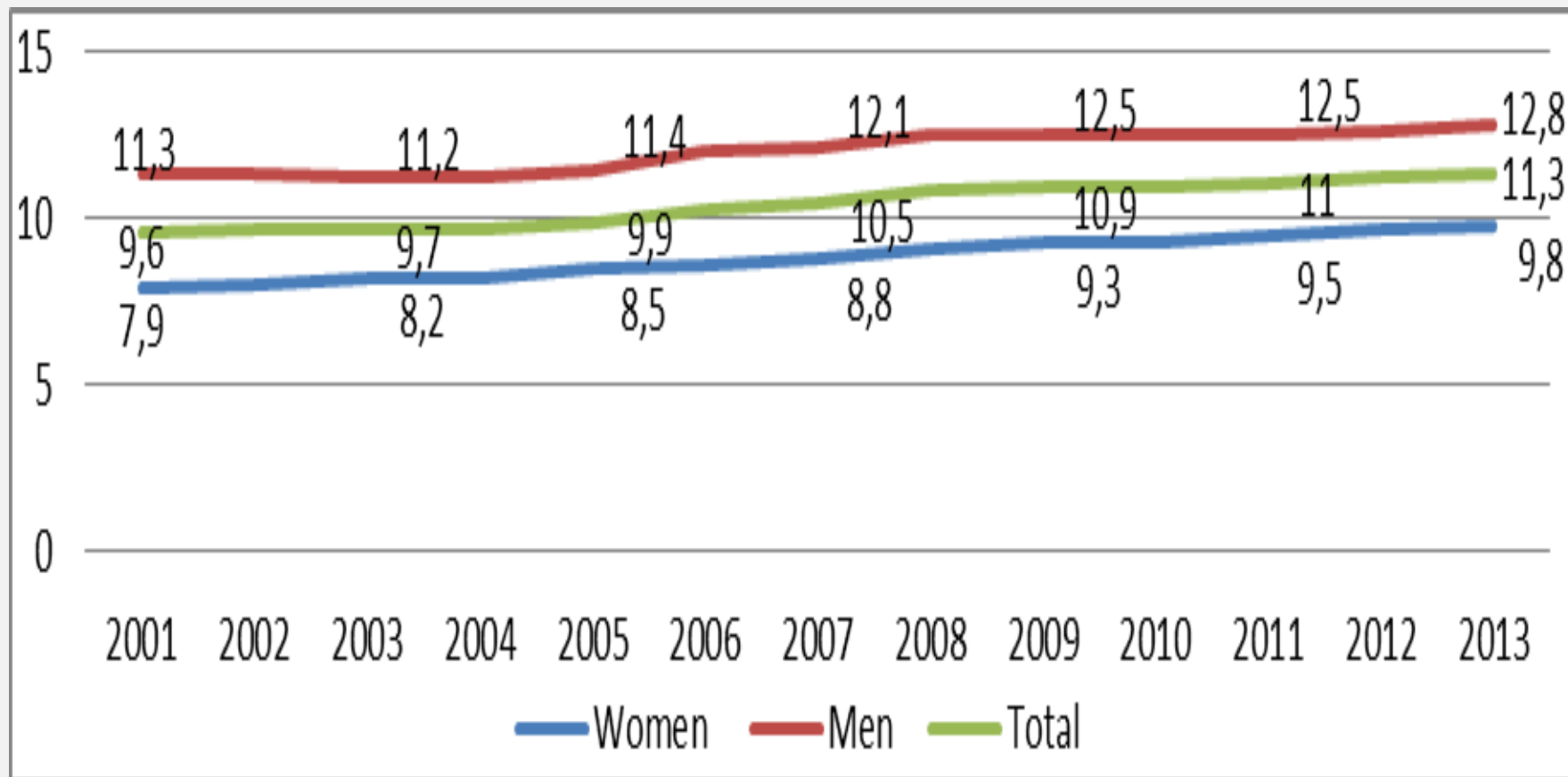
# Effects of the reform – so far

# Employment rates for men aged 50-59 years, 60-64 years and 65-74 years, 1980-2012.



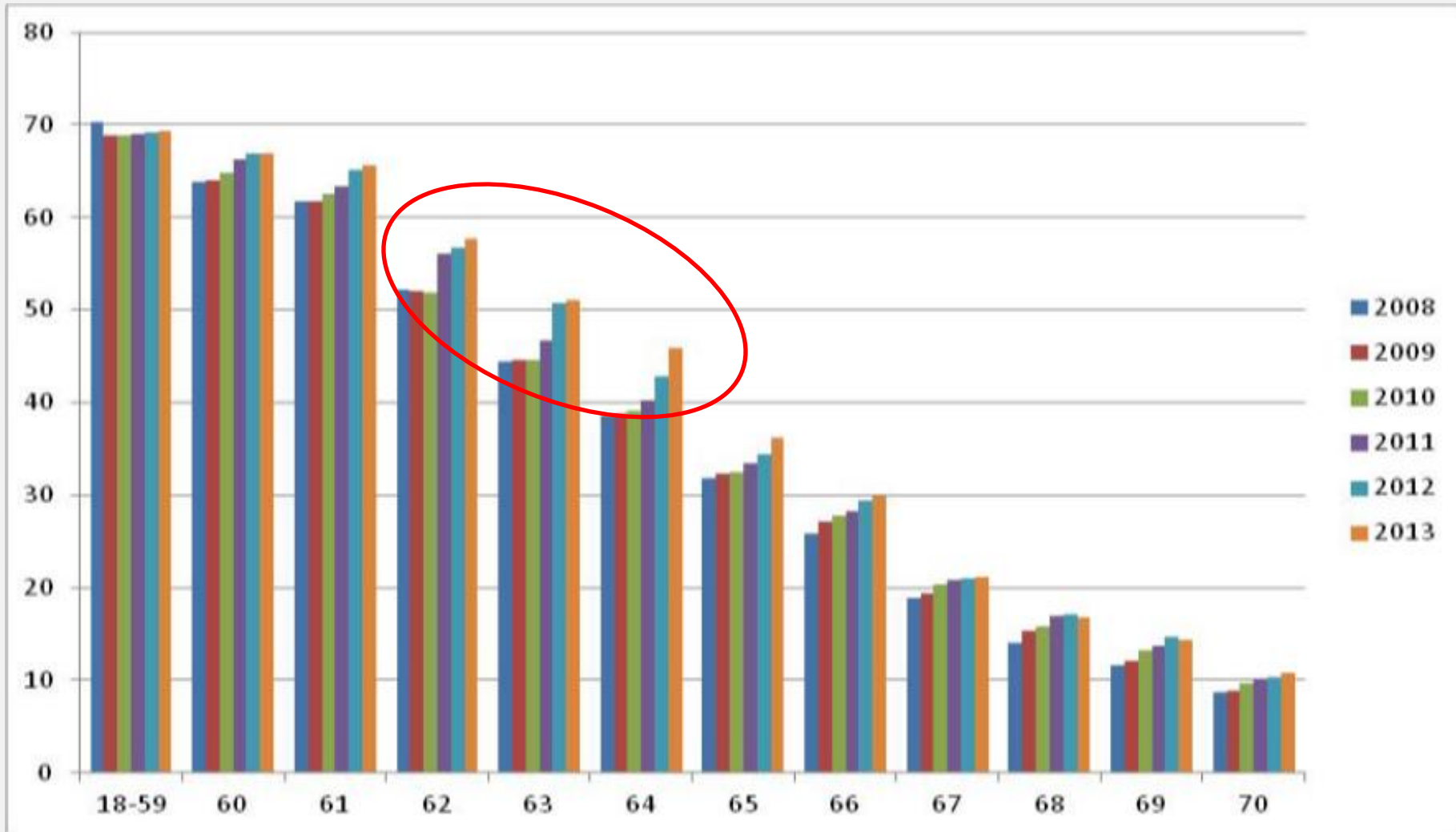
Source: Labour force survey, Statistic Norway.

## Expected years of economic activity at age 50, 2001-2013.



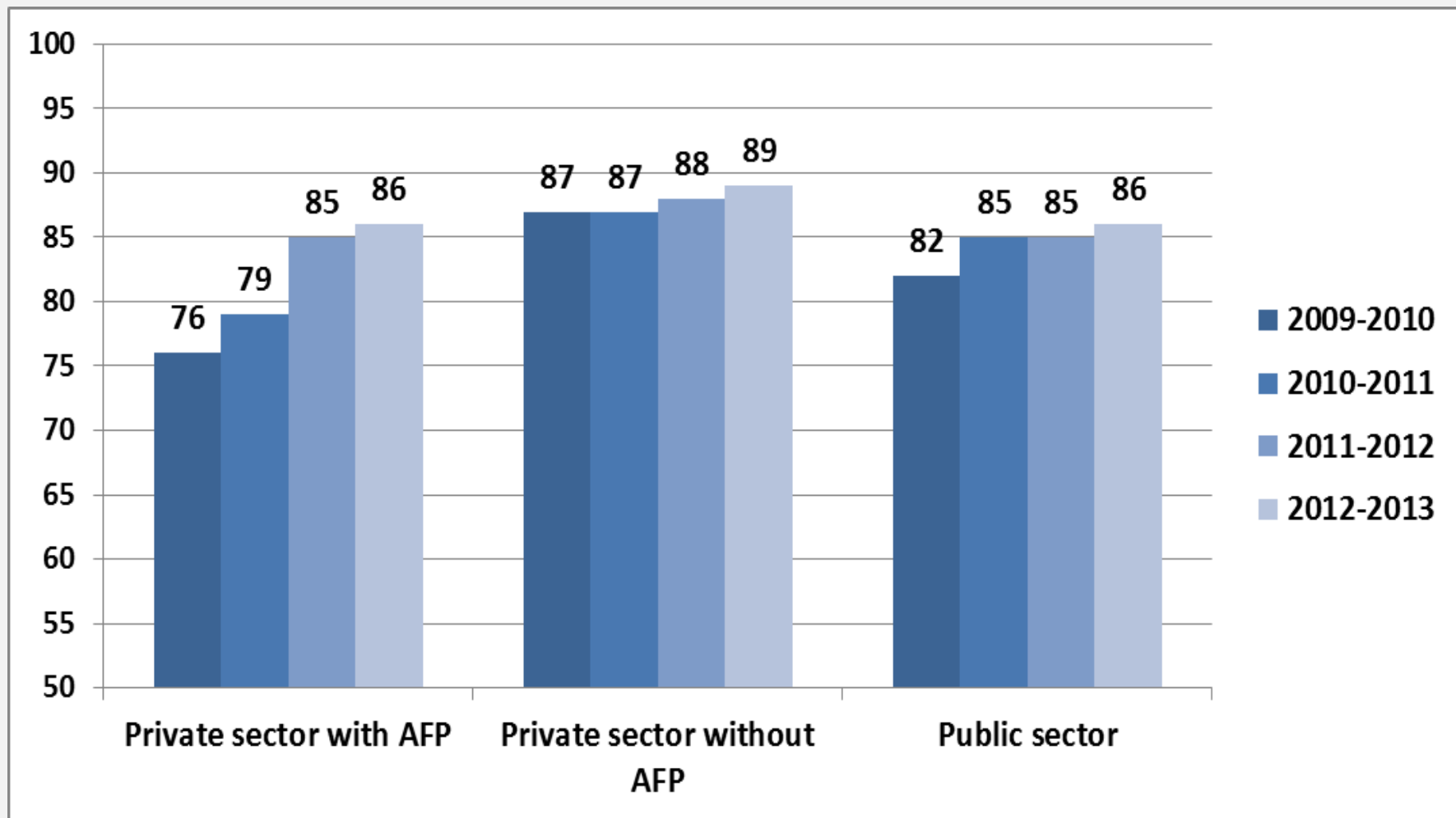
Source: Norwegian Labour and Welfare Administration.

# Percentage of persons aged 60 – 70 years in employment in the period 31.12.2007 – 31.12.2013.



Source: Norwegian Labour and Welfare Administration.

# The probability to continue working among employees aged 62-66. 2009-2013.



Source: Norwegian Labour and Welfare Administration.



**Hærnes, E., Røed, K., Markussen, S. & Pigott (2014) *Working Life after the pension reform*. Paper presented at seminar in Pension Forum, November 21. 2014 (draft – work in progress).**

Have compared changes in income from work when aged 60-63 before and after the 2011 reform (2007-2012) for : 1) employees in public sector (all with AFP) (37%), 2) employees in private sector with AFP (25%), and 3) employees in private sector without AFP (38%). They use register data and a difference-in-differences approach and control for sex, age, educational level, ethnicity etc.

Conclusion so far:

- *Significant increase in labour supply among private sector employees with AFP; especially among men (much more profitable after 2011 to work at age 62 and above)*
- *Significant reduction in labour supply among private sector employees without AFP (can after 2011 draw an old age pension from age 62; earlier they had to wait until age 67)*

## Other studies

Pensioners aged between 62 and 66 continue working almost as much as they did prior to taking up their pension benefits. Of those combining work and old age pension, over 80 per cent work at least 30 hours per week (Dahl & Lien 2013).

There has been a positive effect of changes to the old age pension on employment rates among those aged 67 and above. There has also been a 10 per cent increase in weekly average working hours for employees aged 67-70 in the period 2008-2013. The reason may be that income from work no longer reduces the old age pension for those above 67, a change that was implemented during the period 2008-2010 (Brinch et al 2012; Bråthen & Grambo 2009; Claus 2014).

The use of health-related benefits has also decreased among both private and public sector employees in the relevant age groups in the period 2010-2013. One reason may be the increased emphasis on health promotion and measures to retain older people with health problems in working life, due to the IW-agreement (Jacobsen 2014).

# The employers

The share of employers having what we in Norway call a senior worker policy (seniorpolitikk) have increased from 6 per cent in 2001 to 68 per cent in 2013.

The share of companies offering different sorts of retention programmes for employees aged 62 and above have also increased (see figure). The most common measures offered are extra days off, reduced working hours with wage compensations, and bonuses or wage increases to those continuing work past 62.

However, the increasing share of companies having such policies are mainly due to the IW-agreement; not the pension reform.

Furthermore, preliminary analysis have not found any effect of these measures so far (Midtsundstad et al 2012a, 2012b), except for extra days off (Hermansen 2014). One reason may be the options and allocation criteria chosen.

# Share of Norwegian companies with different old age policy measures – 2005, 2010 and 2013.

