



Trends in senior citizens' employment rates in Norway

14 June 2018 // Ole Christian Lien // Head of Section // Department of Research and Analysis // National Labour and Welfare Administration (NAV)



Briefly on NAV

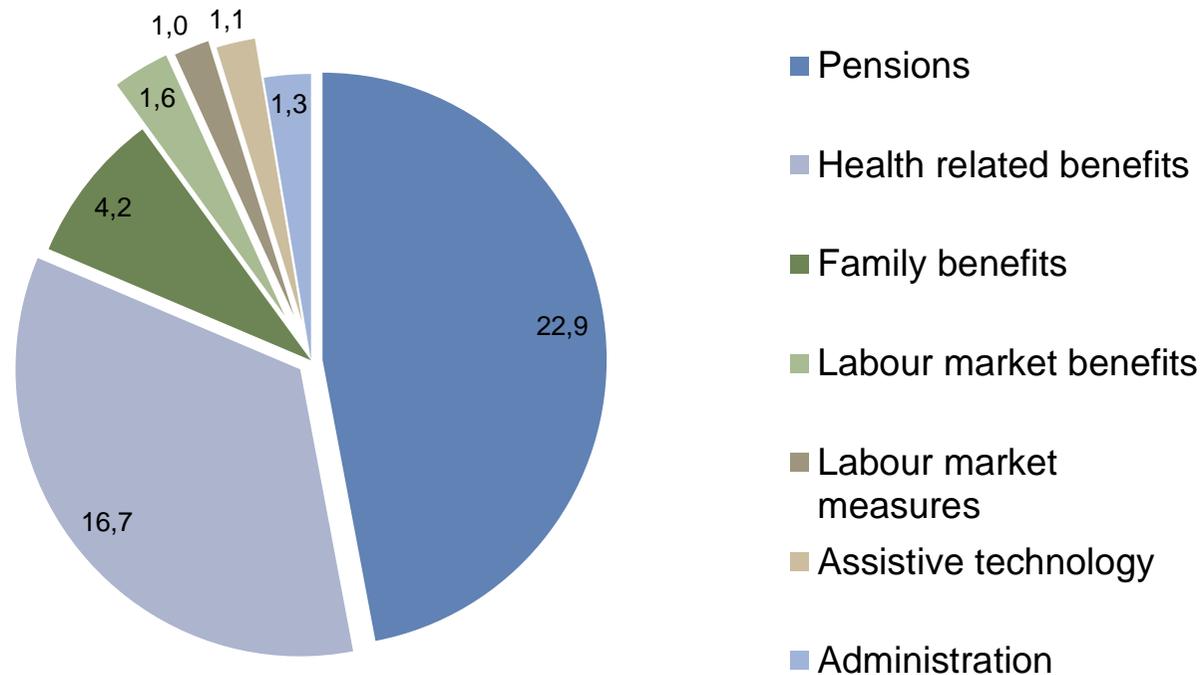


- In charge of labour market services and (almost) all state social security benefits
- Administer approximately **50 state benefits**
 - . All the social security benefits in the National Insurance Scheme
 - . Some benefits covered by other legislation
- NAV is responsible for administering/paying out benefits, not for the collection of contributions
 - . Contributions are integrated in the general taxes and are collected by the Norwegian Tax Administration

NAV:
Norwegian Labour and Welfare
Administration



NAV\$ expenditure in 2017. Billion Euro



In total: 49 bill. Euro. 36 % of the state budget



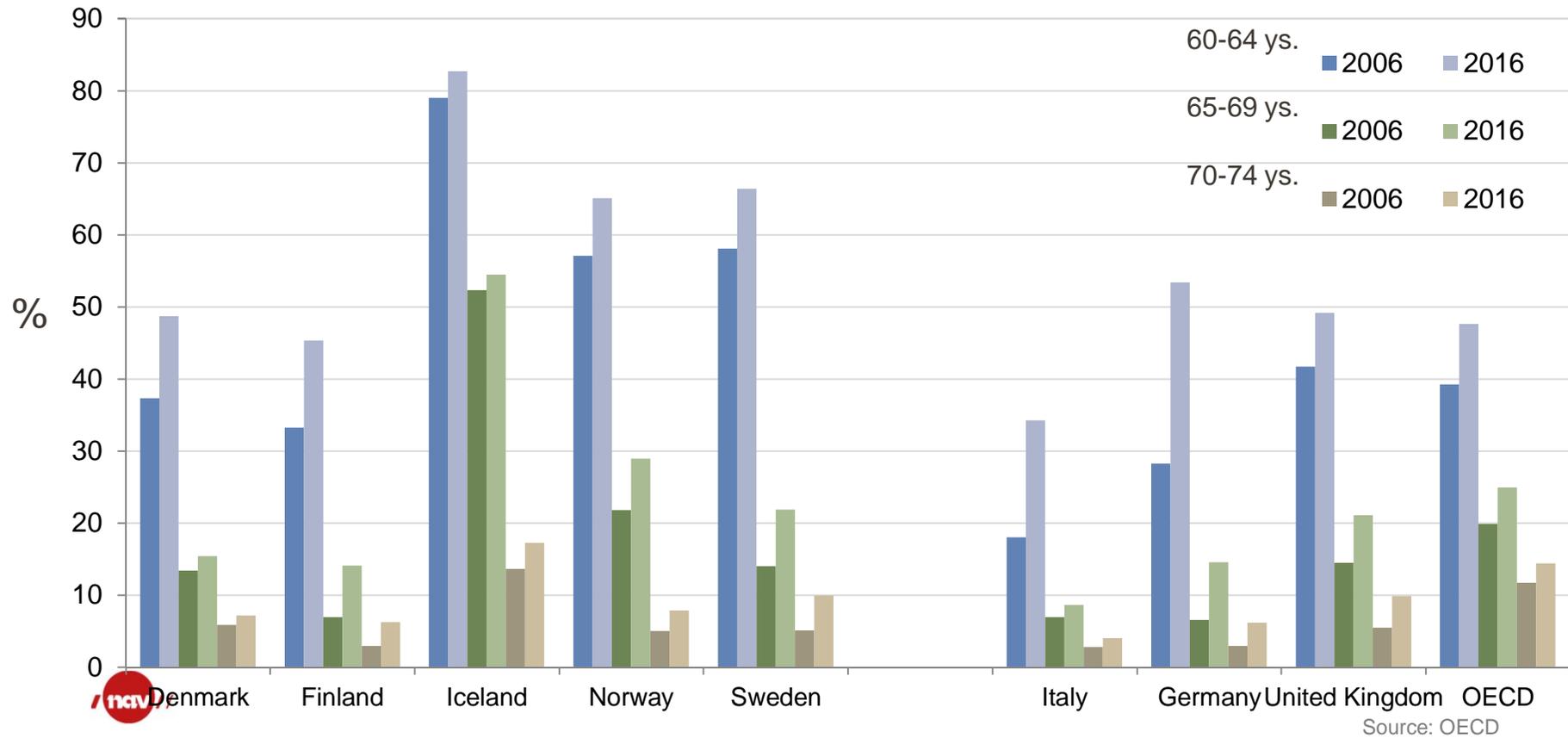


Agenda

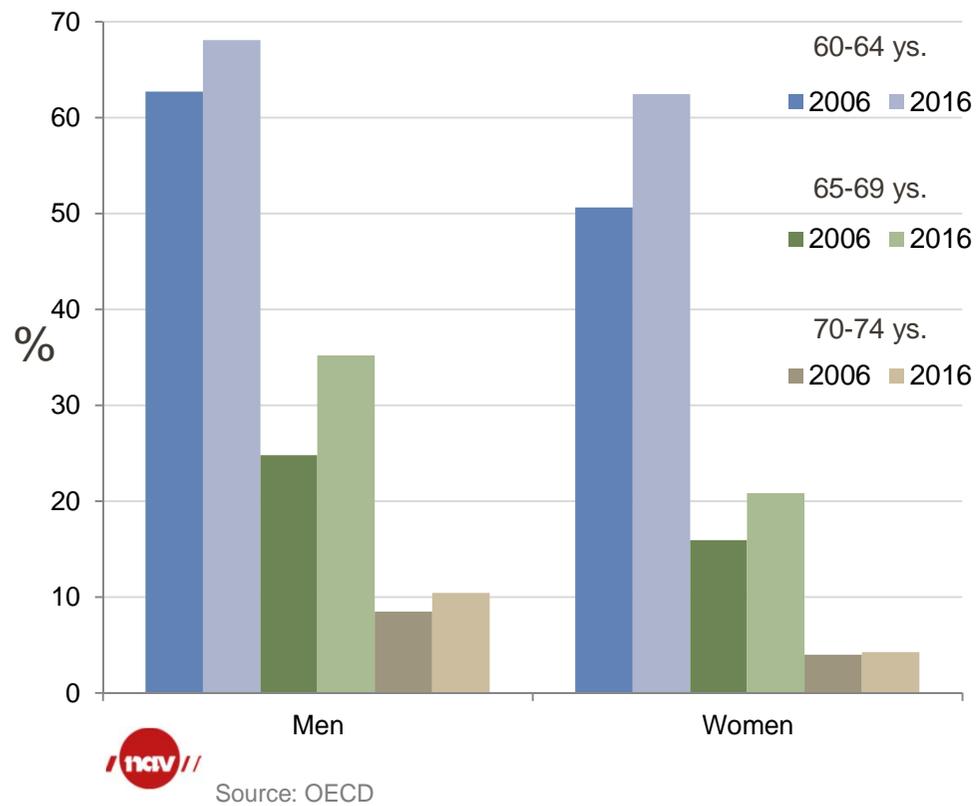
- Trends in employments rates 50+ in Norway (and other countries)
- A closer look at factors that influence the trends



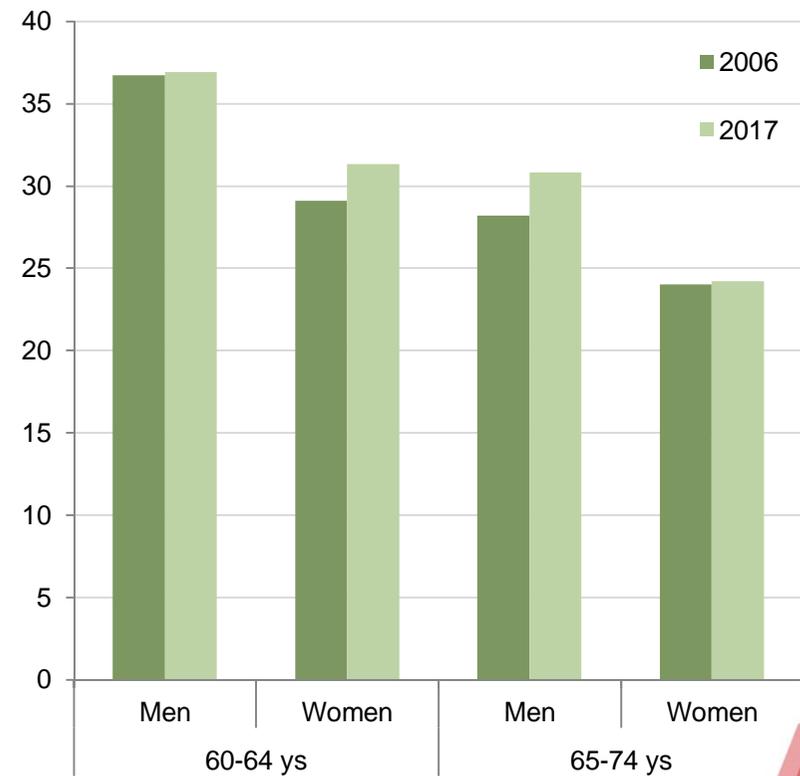
Same trend «everywhere» in employment rates



Employment rates by sex:

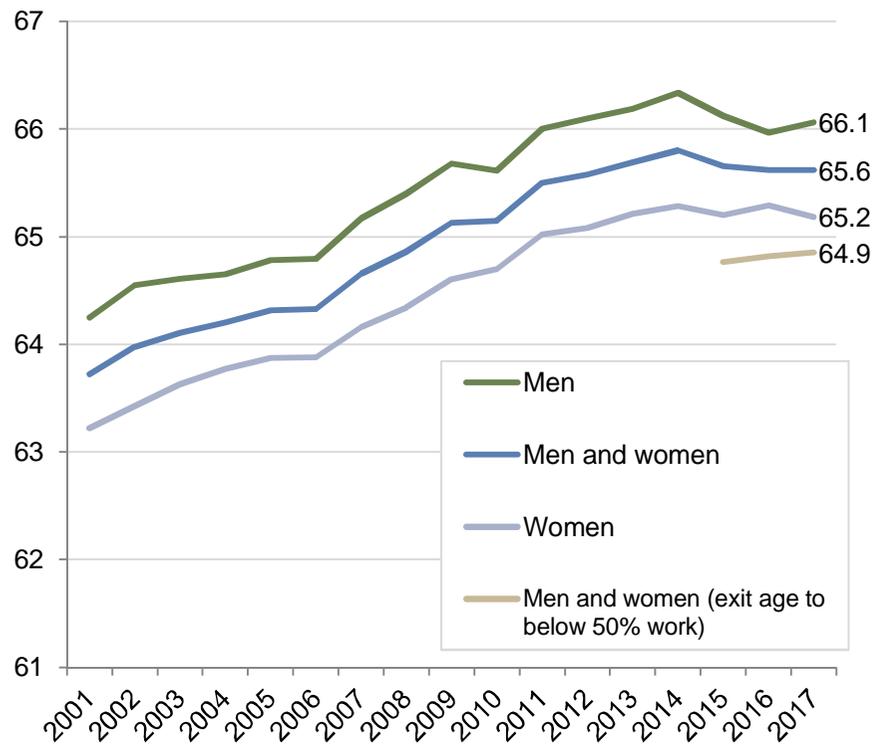


Weekly working hours:

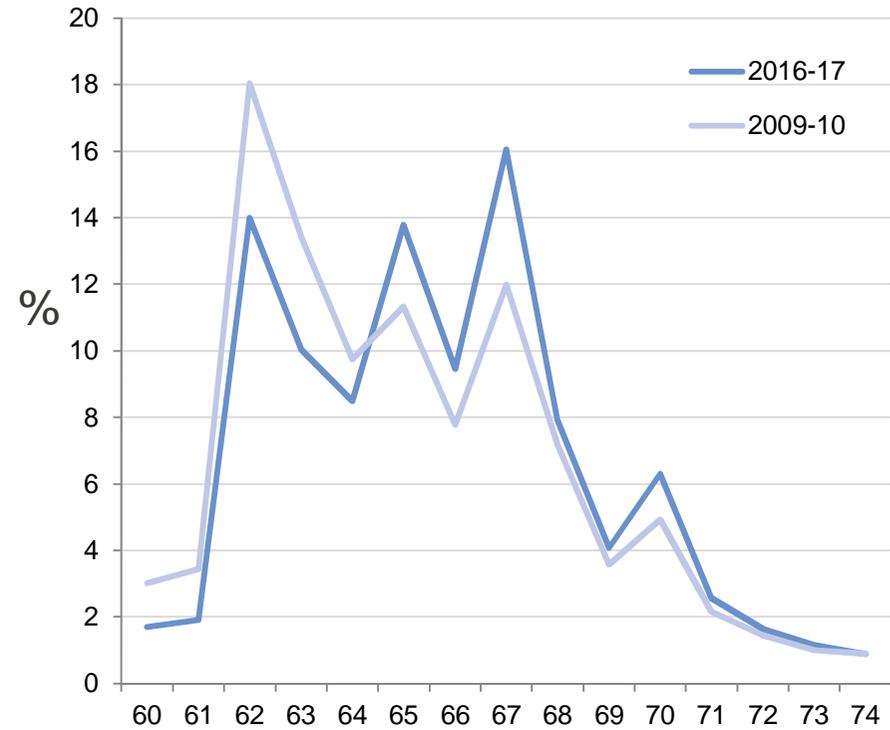


Average exit-age from employment

Given employment at age 50

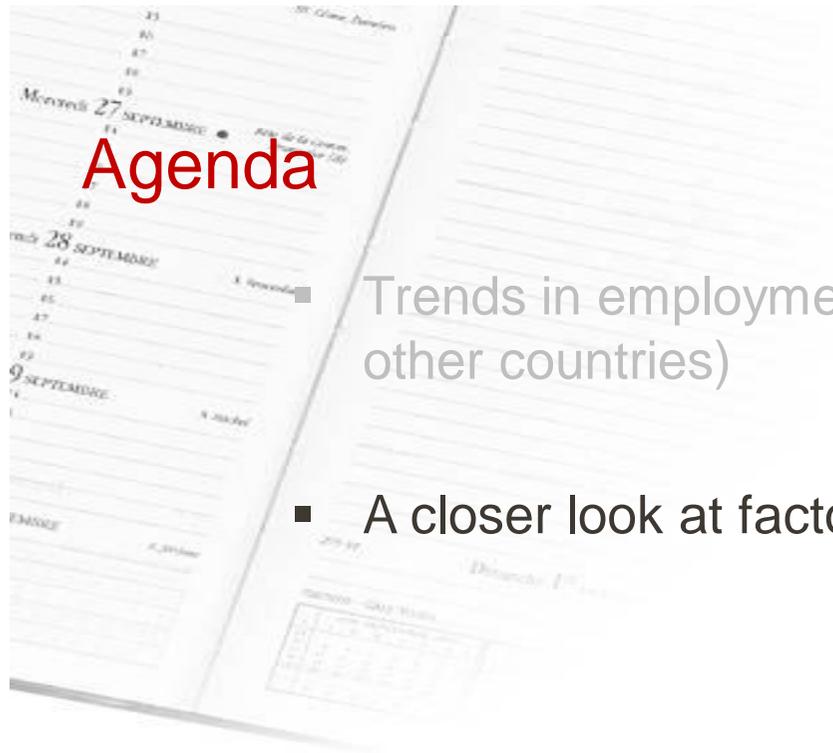


Distribution of exit ages 60. 74



Note: Changes from 2015 in how companies report their employees for statistical purposes has lead a drop between 2014 and 2015





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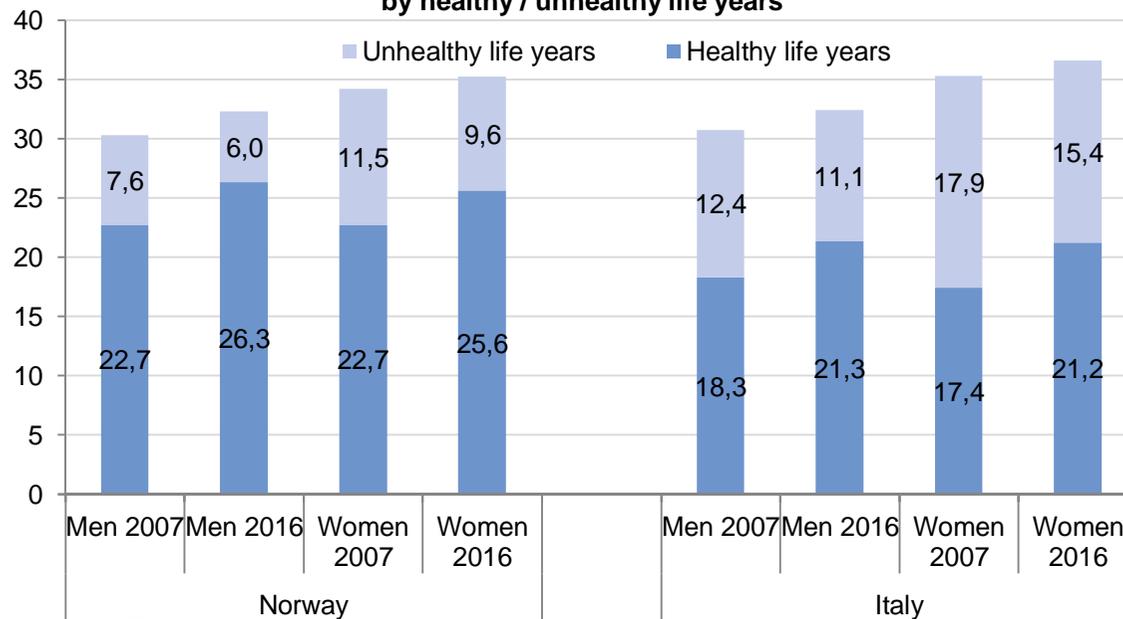
Reasons for increasing employment rates among senior citizens

- Increasing life expectancy . and in healthy life years
- Education level
- More positive views among employers and employees
- Pension reform
- (Generational effect among women)



Decrease in unhealthy life years

Life expectancy at age 50
by healthy / unhealthy life years



Source: Eurostat (EU-SILC Survey)

“ About the same life expectancy in Norway and Italy.

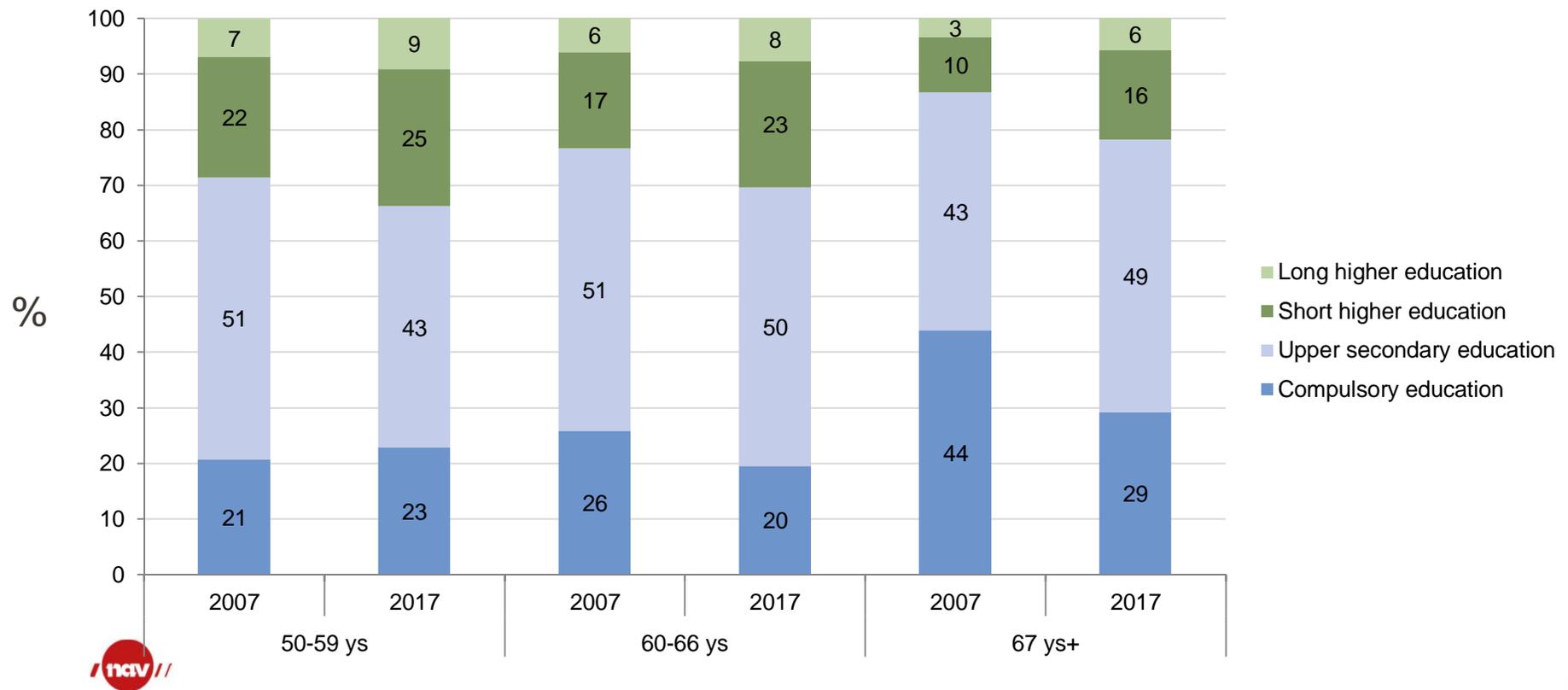
“ Both countries: An increase of about 2 years for men and 1 year for women the last decade

“ More healthy life years in Norway

“ Both countries: Healthy life years have increased by about 3. 4 years

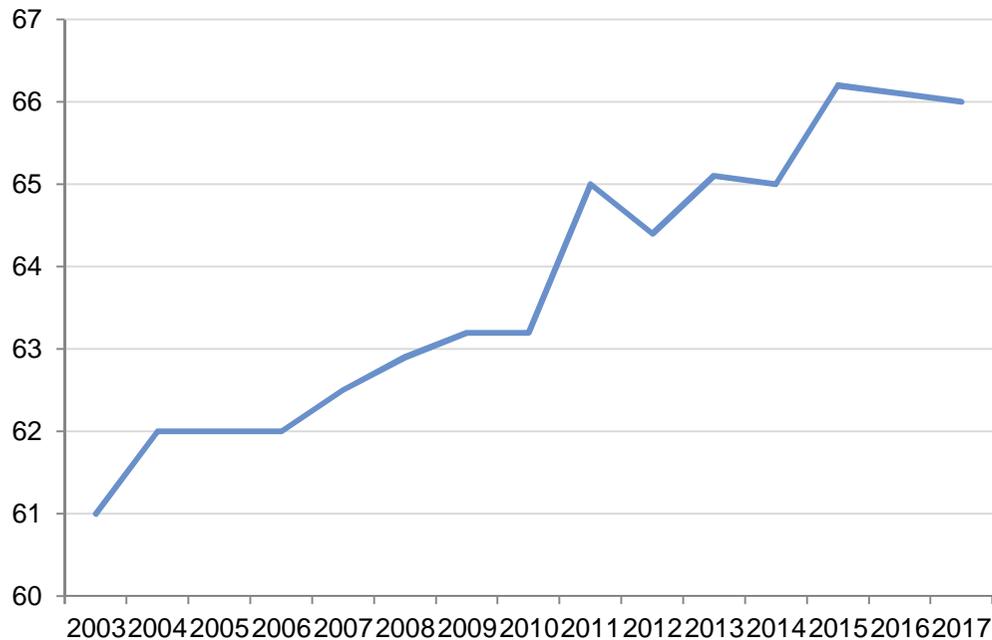


Educational level among seniors in Norway



More positive views

At what age would you prefer to retire fully from working life if you could choose freely?



Source: Senior policy barometer, survey among employees 15 . 74 ys.

- “ Preferred exit age has increased 5 ys. from 2003 to 2017
 - “ 31 pct. of employees wish to work at least to age 70

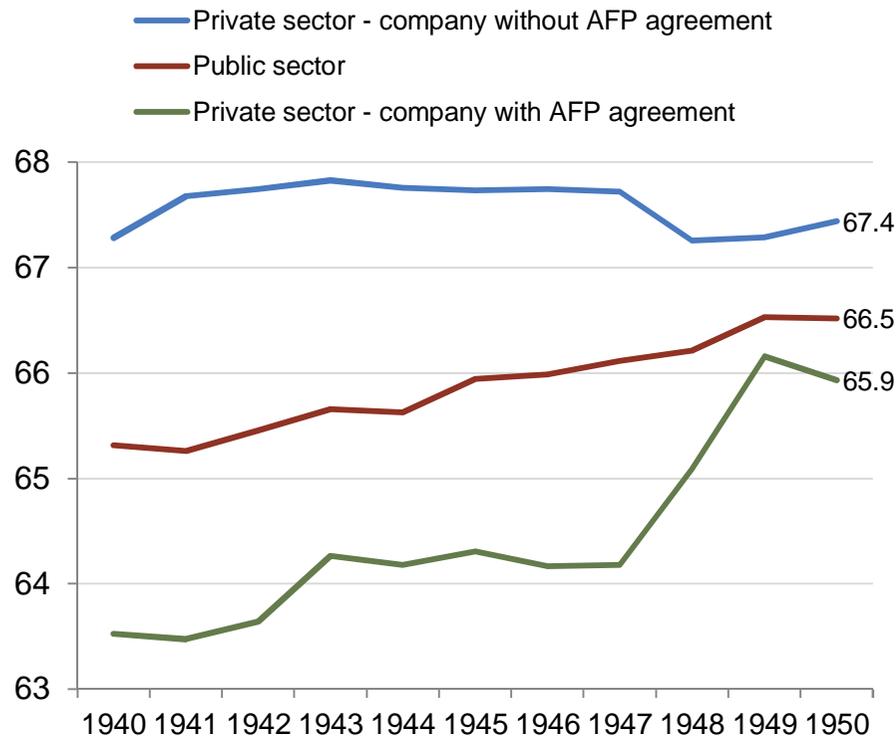
Questions asked to employers:

- “ «Approximately how old should a qualified applicant be before you would hesitate to invite to a job interview?» Average: 58.5 ys.
- “ «Workers above 60 ys. perform just as good as younger employees»: 81 pct. agree fully or partly
- “ «In our company employees above age 60 have good opportunities to learn new things»: 84 pct. agree fully or partly.



Median exit age by sector

For those who were employed at age 61
and excluding those who became disabled after age 62.



Birth cohort

AFP (Contractual bargained retirement scheme)

- ~ Used to be a subsidized early retirement scheme for the age group 62-66, covering all public sector employees and about 50 % of private sector employees
- ~ Was changed in 2011 in the private sector into a lifelong pension supplement that no longer rewarded early retirement.
- ~ No changes for public sector employees (but will be changed from 2025 as for the private sector).



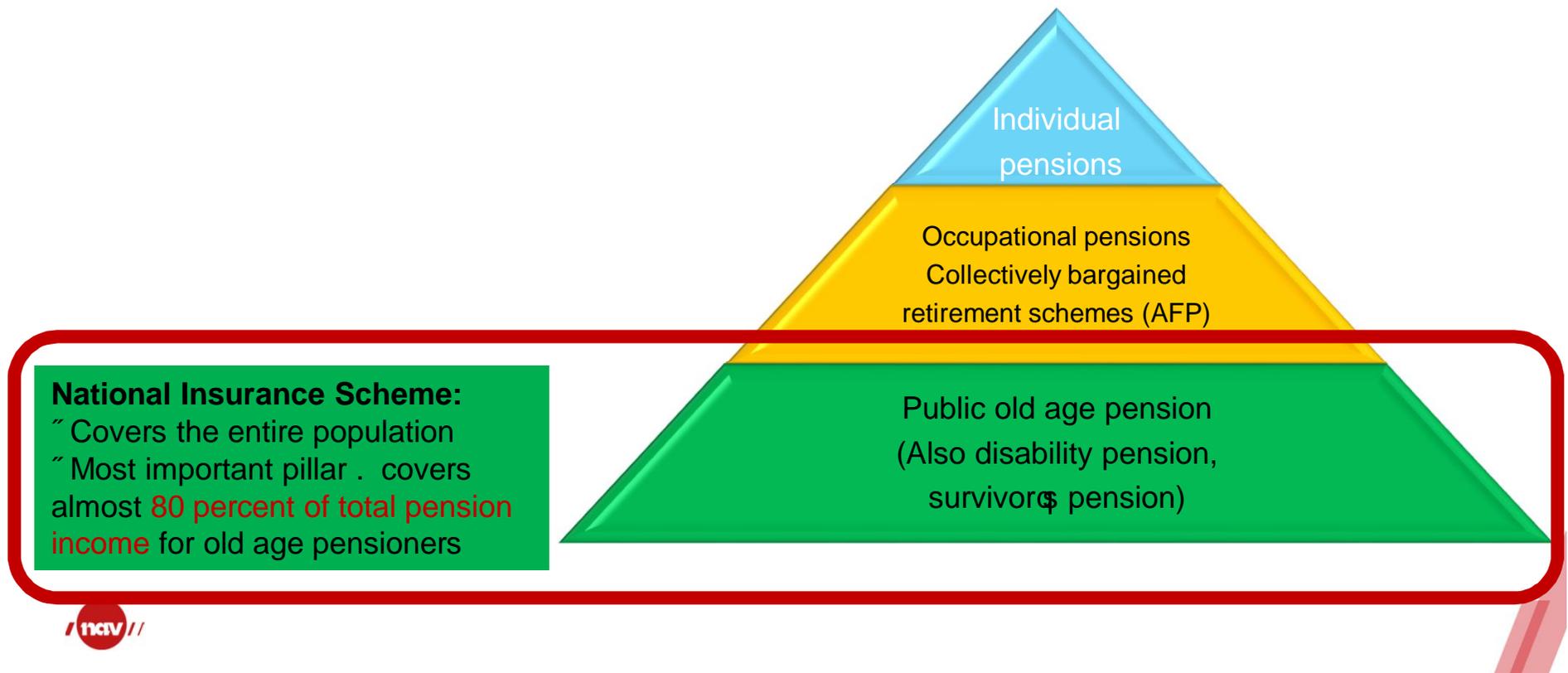


Major pension trends in the OECD

- “ Steps to improve flexible retirement opportunities
 - “ Many countries still have earning limits for pensioners
- “ Normal retirement ages are increasing
 - “ Half of the 35 membering countries have adopted future increases
 - “ Automatic increases when life expectancy increases in Denmark, Finland, Netherland, Portugal, Slovakia and Sweden



The pillars of the Norwegian pension system



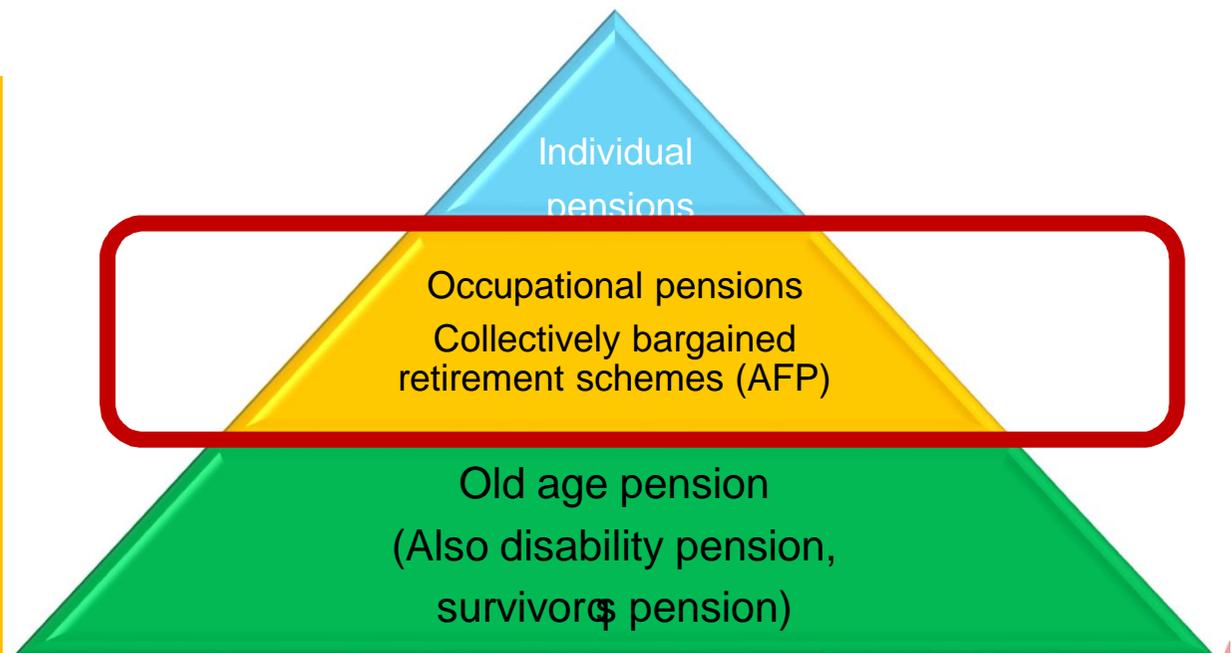
The pillars of the Norwegian pension system

Occupational pensions:

- ~ Compulsory from 2006 for the entire working population
- ~ Defined benefit in the public sector
- ~ Defined contribution (2 . 7 % pension premium) and defined benefit in the private sector or a so called hybrid-pension plan
- ~ Each private company decides the occupational pension plan for its own employees

Collectively bargained retirement schemes (AFP):

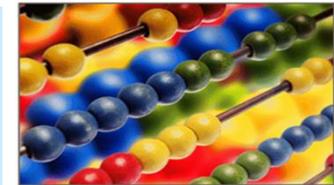
- ~ Public sector: Early retirement for age group 62 . 66 years
- ~ Private sector: Lifelong supplement to the public old age pension
- ~ Covers all public sector employees, and about 50 per cent of private sector employees
- ~ Partly financed by the state (between 1/3 and 1/2), partly by the employers



Pension reform from 2011 . main elements

New model for accumulation of pension rights

- Pensions are directly related to overall lifetime income (but with a minimum pension)
- No limit on number of accumulation years (between age 13 and 75)
- Those born after 1954 will accumulate a pension account (18.1 % of income)



Flexible withdrawal age

- Flexible retirement from age 62. 75 based on actuarial neutrality. Affects every one from 2011 and after
- To withdraw before age 67: Your pension entitlements must exceed the minimum pension
- Can withdraw a full pension or a partial pension: 20, 40, 50, 60 or 80 per cent
- No reduction in pension when combined with work



Life expectancy adjustment

- At withdrawal pension account will be divided by a life expectancy divisor
 - The longer one defers retirement, the higher the annual pension
 - Future cohorts will have to delay retirement to receive comparable pensions



New indexation rules

- Pensions are indexed by wage growth, then subtracted a factor of 0.75 %





Mercer global pension index

“ Review of pension systems in 30 countries

“ Adequacy, sustainability and integrity

Rank	Country	Overall index value	Sub index values		
			Adequacy	Sustainability	Integrity
1	Denmark	79	77	80	81
4	Norway	75	77	61	90
5	Finland	72	70	61	91
6	Sweden	72	68	71	80
13	Germany	64	77	41	74
15	UK	61	58	49	84
22	Italy	51	66	16	74
	Average	60	61	51	71



Thank you for your attention!

