

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

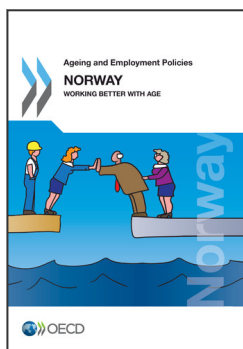
- Ensure greater age neutrality in employers’ personnel decisions, starting with the hiring process. Actions here could include setting targets of

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”.



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