

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.

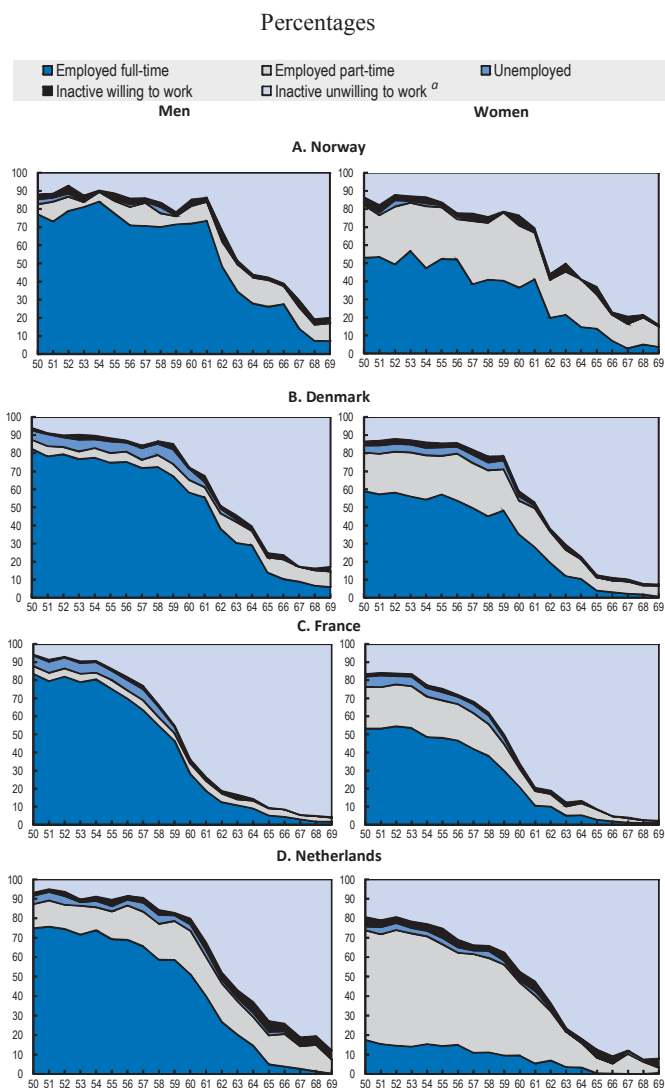
Employment and unemployment rates over the past decade

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

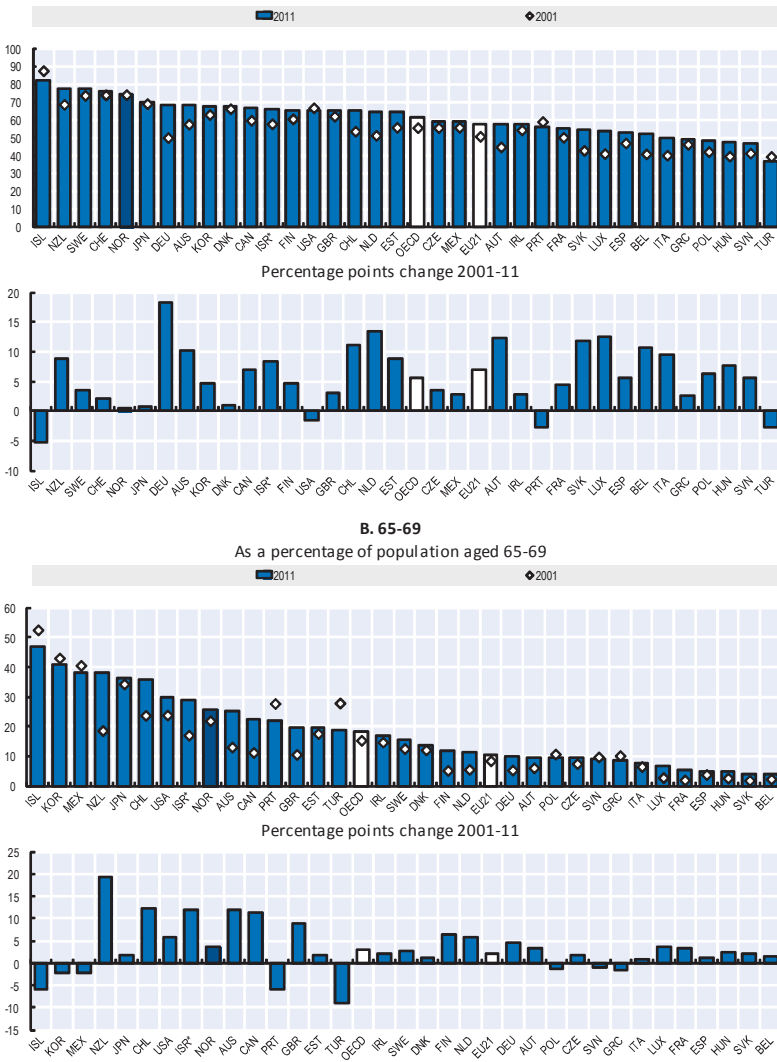


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a) Inactive persons willing to work are defined as those without a job but who would like to work and do not look actively for a job in the reference week.

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**



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

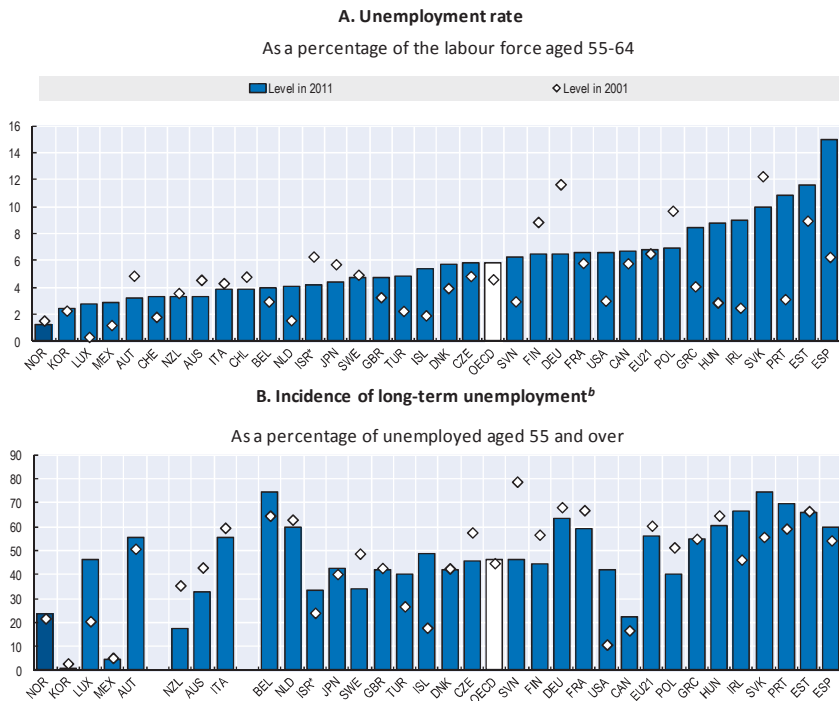
a) Data for Slovenia refer to 2002 instead of 2001.

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**



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

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

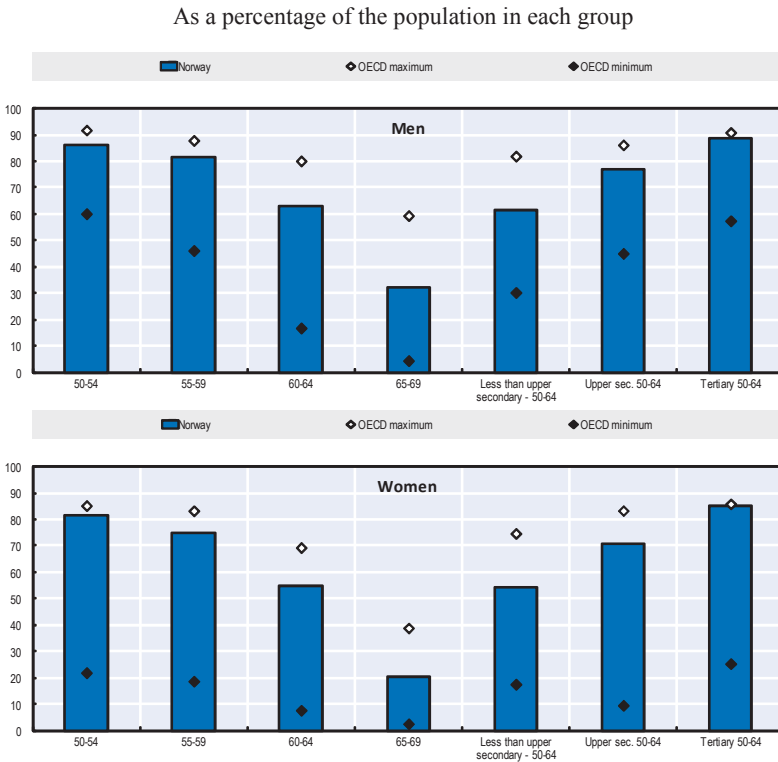
b) Long-term unemployment is defined as a current spell of unemployment of one year or longer.

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



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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).

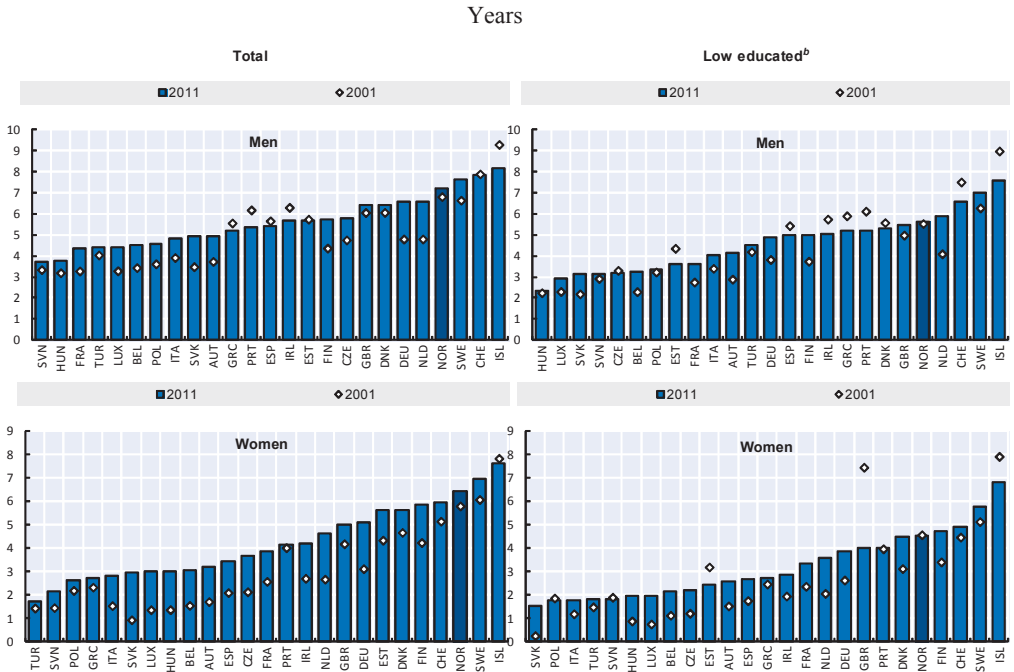
These findings are confirmed by data on the expected number of years that Norwegian older workers are in employment between the ages of 55 and 64. On this indicator, Figure 2.5 shows that Norway is well-placed among OECD countries for both men and women, who respectively experienced on average 7.2 years 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 rate¹ – 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

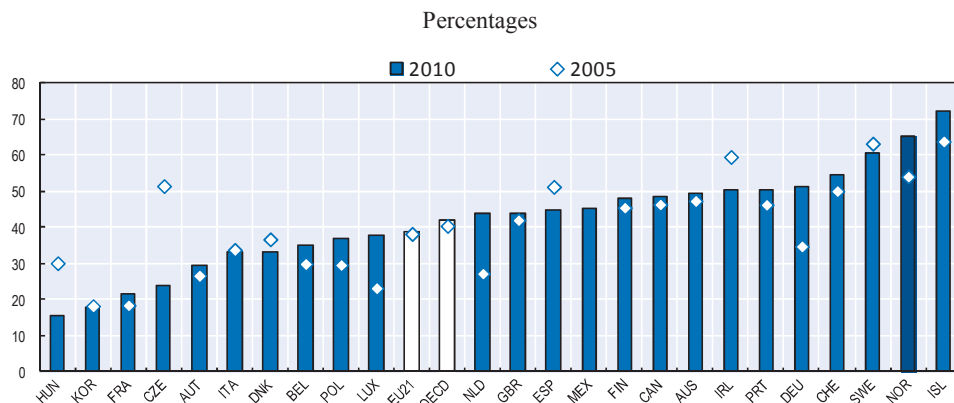


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- a) The expected number of years in employment is calculated as the sum of employment rates by individual years
- b) Less than upper secondary education.

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

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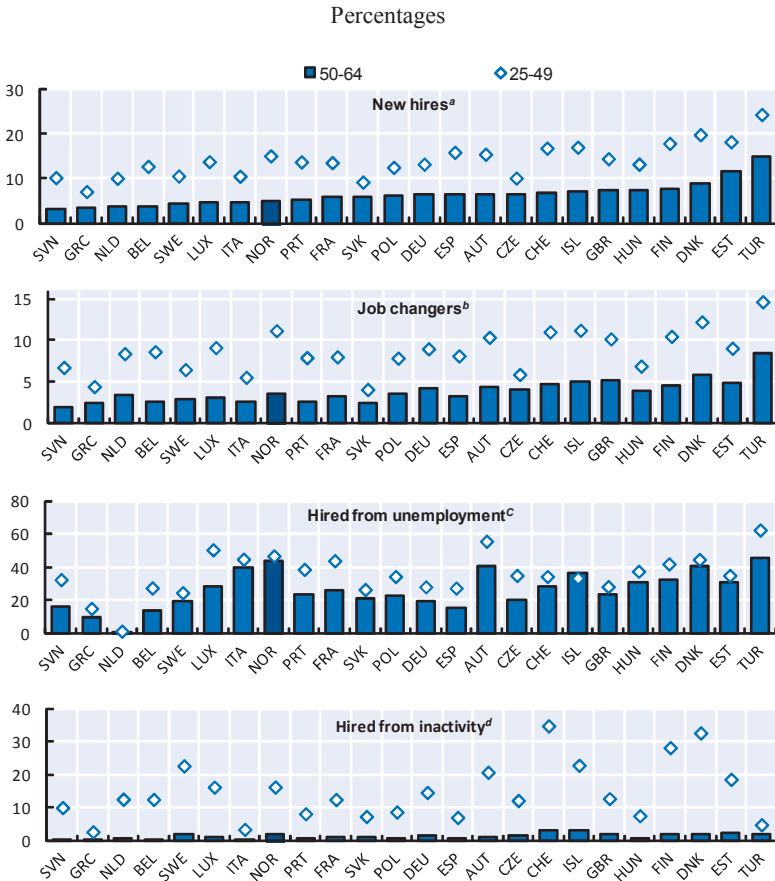
a) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

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 Tågström (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



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- 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 quitters”) and involuntary (“job losers”) 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



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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 <i>t-5</i>)	70.9	54.1	65.2	37.8	40.4	42.2
-- Hiring rate ^d , 55-64 (% of employees <i>t-1</i>)	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

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- 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%.

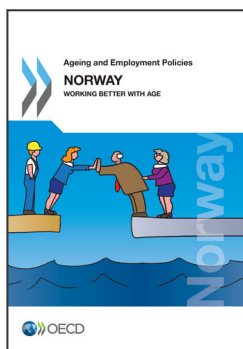
Older workers in Norway have achieved a higher education level than the OECD average, with 27.3% of the 55-64 age group having completed tertiary education in 2010; the OECD average is 22.9%. Training participation is also higher, at 12.7%; the OECD rate is 9.4%. There is a substantial and relatively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