

## *Chapter 1*

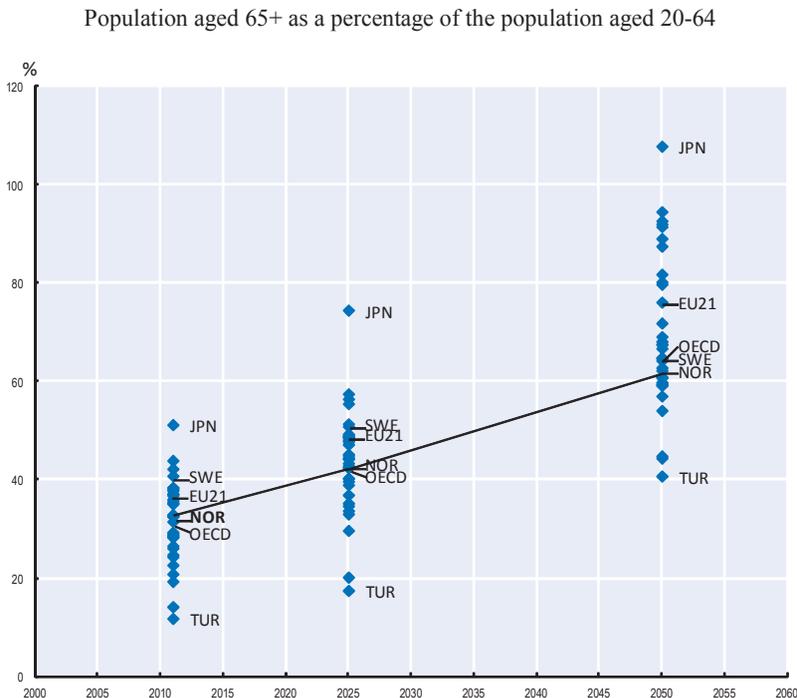
### **The “live longer, work longer” challenge for Norway**

*Norway’s population will be ageing, even if fertility is higher in that country than in many others. This chapter presents the magnitude of the demographic challenge, and enumerates recent reforms in ageing and employment policies. These reforms were implemented in response to recommendations from the 2004 OECD report Ageing and Employment Policies: Norway.*

## The magnitude of the demographic challenge

Life expectancy in Norway is estimated to increase throughout this century. The population will be ageing, even if fertility is higher in that country than in many others (Ministry of Finance, 2013). A broad indicator of the rising economic burden that an older society may place on the working-age population is given by the old-age dependency ratio, i.e. the ratio of the population aged 65 and over to the population aged 20-64. In Norway this ratio is estimated to nearly double: from 32.7% in 2011 to 62.2% in 2050. This is in line with the average rise for the OECD area as a whole (Figure 1.1), although the increase in Norway is less dramatic than projected in most EU countries. In the EU21 countries, the ratio is projected to increase from 37.1% in 2011 to 76.1% in 2050.

Figure 1.1. **Demographic dependency ratios across OECD countries, 2011, 2025 and 2050**

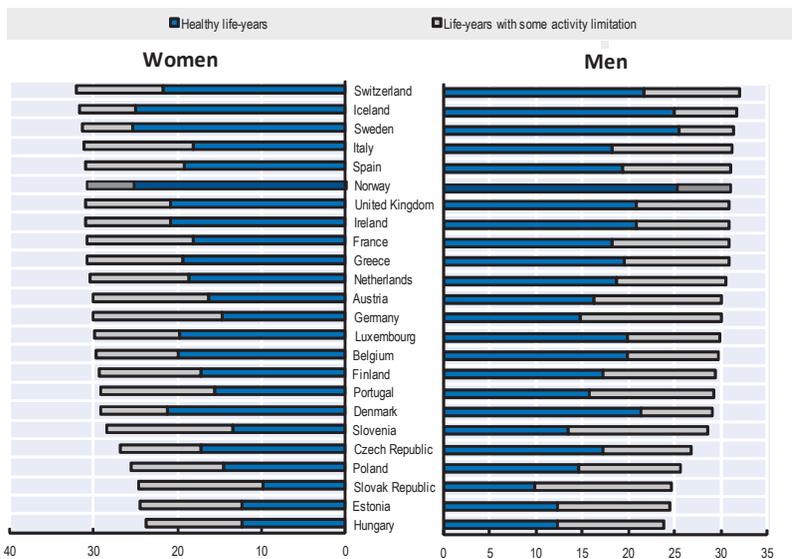


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Source: United Nations Population Division Database, World Population Prospects – The 2010 Revision.

It is sometimes argued that the consequences of ageing could be offset by policies to encourage greater immigration, higher fertility or faster productivity growth. While these developments would help, they need to go hand in hand with attempts to mobilise available labour reserves to sustain economic growth. Thus, given the demographic prospects outlined in Figure 1.1, there is real pressure to further boost the employability of older people. Considering that active life expectancy – i.e. the expected healthy life-years remaining at the age of 50 – is 25 years for men and 26 for women in Norway, there is still room for improving labour prospects for the oldest cohorts well beyond the current level, even if the employment rates for the older age groups are relatively high in Norway. The country is better positioned than many others to meet the demographic challenge, given its strong potential – but further changes in incentives, attitudes and employability are prerequisites to realising that potential.

Figure 1.2. Active life expectancy<sup>a</sup> at the age of 50, by gender, European countries, 2010



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a) Life-years with some activity limitations are estimated on the basis of modelled probabilities of experiencing different states of health. Due to the lack of satisfactory longitudinal data, a logistic parameterisation of probabilities of the various states on the basis of available cross-sectional data is used. The healthy life expectancy is then derived as the difference from the total life expectancy.

Source: Eurostat.

## Recent reforms in ageing and employment policies

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

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

Norway was one of the 21 countries<sup>1</sup> that participated in the 2003-05 review. The report *Ageing and Employment Policies: Norway* was published in 2004, and included the OECD’s specific policy recommendations for that country. The summary assessment given in Table 1.1 indicates that, in response to these recommendations, Norway implemented a number of substantial policy initiatives to encourage work at an older age. The aim of this review is to provide an overview of the implementation of these measures and identify areas where more should be done, covering both supply-side and demand-side aspects.

Table 1.1. **Ageing and employment policies: Norway, situation at mid-2012**

OECD’s recommendations to Norway in 2004	Action taken
<b>A. Strengthening incentives to carry on working</b>	
Strengthen the link between contributions and pension entitlements	++
Increase flexibility in the retirement decision	+
Limit the early retirement scheme	+
Reduce the rigidity in occupational pensions	+
Separate disability benefits from old age pensions	+
Reduce the number of recipients of long-term sickness benefits	+
Review eligibility rules in the state sector for the older unemployed	/
<b>B. Tackling employment barriers on the side of employers</b>	
Renegotiate the agreement on a more inclusive workplace after 2005 and introduce objective goals	+
Raise the average number of hours worked	+
Review immigration policies	+
<b>C. Improving the employability of older workers</b>	
Reduce the inequalities in training participation by age and skill	/
Help private and public employment agencies providing greater employment assistance to older people	/
Improve working conditions for older workers	+

/ = no (relevant) action taken; + = some action taken, but more could be done; ++ = substantial action has been taken.

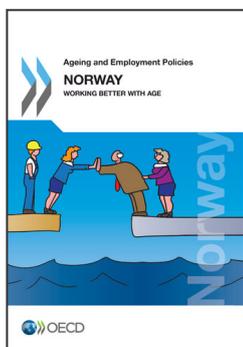
Source: Answers to the 2011 OECD questionnaire. For further information, see [www.oecd.org/els/employment/olderworkers](http://www.oecd.org/els/employment/olderworkers).

## *Note*

1. 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).

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