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1 Executive Summary

A structural pension reform started to take effect from January 1, 2011. The reform consists of three main elements: 1) The introduction of a completely flexible age of retirement has been introduced from the age of 62 to age 75, based on the condition of actuarial neutrality. The take-up of pension benefits and work can be freely combined. 2) At the same time a system for automatic life expectancy adjustment of retirement benefits is put in place. Cohorts born after 1944 will have their benefits reduced in proportion to increases in life-expectancy compared to the life-expectancy of the 1943 cohort. 3) The third cornerstone of the pension reform is the introduction of a new system of the accrual of pension rights that is proportional to lifetime earnings. A high minimum pension is maintained, however, in the form of an individually targeted Guarantee Benefit. This new system for the accrual of pension rights will be implemented more gradually and only individuals born after 1963 will have their old age pensions fully decided by the new system.

While it remains to be seen whether the reform will produce the desired effect in terms of higher labour force participation throughout the life-cycle, there are clear indications that labour force participation among older workers is increasing. During the first two years with a flexible and actuarially neutral system, there have been clear tendencies for older workers to postpone withdrawal from the labour market, and employment rates among people aged 62-67 have increased significantly. Another clear effect of the reform that has materialised from day one, is however a source of concern. A very large share of those who are now offered the opportunity to start drawing a pension from the age of 62 have in fact chosen to do so, in many cases in combination with continued full time working. If this tendency continues it implies that many old age pensioners will have to live on low incomes in later phases of retirement, in particular the future when the life-expectancy adjustment has started to have strong negative effects on annual pension benefits.

By the end of 2011 Parliament decided on an important and highly controversial aspect of the reform – the treatment of people who become disabled before reaching the early retirement age. The solution implies that disability pensioners will not be forced to start drawing their old age pension before the age of 67 but the accrual of new old age pension rights will be stopped at age 62. Following a proposal from the former red-green Government it was further decided that disability pensioners will be partly shielded from the effect of the life-expectancy adjustment. This latter decision is controversial, however, and the new Conservative government has announced that it intends to abolish the partial shielding of disability pensioners. The pension reform is still incomplete in the sense that the public sector unions have managed to avoid being affected by some of the main principles of the reform, and the implications for private sector occupational pension schemes have not not been completely settled, neither in terms of the legal framework nor in terms of initiatives in the wage bargaining arena.

From January 1st 2012 the so-called Coordination Reform of the public health care and long-term care system started to take effect. It redefines the division of labour between the state owned secondary health service and the municipal primary health care and long-term care service. One of the most concrete measures taken in connection with the reform is to let the municipalities take part in the financing of in-hospital care, and in this way give the municipalities an incentive to invest in preventive measures and to avoid an excessive use of in-hospital care for their inhabitants. The reform appears to have worked out better than predicted by its opponents both among politicians and analysts, but it has not yet fulfilled the
promise of solving the most pertinent coordination problems between the secondary health care system and the municipal primary health and long-term care services.

2 Pensions

2.1 System description

2.1.1 Major reforms that shaped the current system

A structural reform of the Norwegian public pension system was implemented from January 1st 2011. However, only parts of the reform take immediate effect, and for a long transition period the (“old”) pre-reform and the (“new”) reformed systems will coexist.

The old system dates back to 1967 when an earnings-related second tier was added to the existing universal basic pension. The so-called National Insurance pension system was a traditional defined benefit scheme based on pay-as-you-go financing. The normal retirement age in the old system was 67, but since 1998 a negotiated early retirement schemes that covered all public sector employees and about 60% of private sector employees (the so-called AFP-schemes), allowed employees to retire at age 62 without any actuarial penalties.

Preparations for the current reform started in 2001 and the detailed legislation was passed in Parliament in 2009. The reform of the National Insurance systems consists of 4 main elements:

• The introduction of a new (NDC-inspired) system for the accrual of pension rights
• The introduction of an actuarially “neutral” flexible retirement between age 62 and 75
• The introduction of an automatic life expectancy adjustment factor
• Less than full wage indexation of pension benefits

The last three features started to take effect from January 1st 2011. The new system for accrual of pension rights will only be fully implemented for cohorts born in 1963 or later while it is partly implemented for the cohorts born between 1954 and 1962. Older cohorts will have their benefits decided entirely by the rules of the old (pre-reform) system. Hence, for many years to come the old and the new systems will coexist.

Some aspects of the current reform have only recently been decided – like the adaptation of the disability system and private occupational pension systems - and some decisions are still pending – for instance concerning survivors benefits and rights for widows/widowers to inherent pension rights from their partner.

2.1.2 System characteristics

The old National Insurance system contains an important earnings-related part but the overall benefit profile is strongly progressive with a comparatively generous level of minimum protection. A worker with an average full-time wage (NOK 445,000) and a 40 year contribution record receives a gross benefit of NOK 236,000, corresponding to a gross
replacement rate of 54% and a net replacement rate of about 67%. The maximum benefit for a worker with annual earnings above NOK 1,000,000 is NOK 336,000.

A new benefit formula

The reformed National Insurance old-age pension system that is gradually taking over from the old system consists of two types of benefits. An Income Pension that is strictly proportional to life-time earnings (below a ceiling on annual earnings) and a Guarantee Pension taking care of minimum protection.

For each year in gainful employment an amount equivalent to 18.1% of the yearly earnings is credited to a “notional” pension account. The deposits on the notional account accumulate over the economically active life, and they will be converted to a life annuity when the individual decides to start drawing benefits (sometime between age 62 and 75). Yearly earnings (and self-employment income) up to a ceiling of 7.1 times the Base Amount (NOK 605,000 from May 2013) count, and pension accrual can start from the age of 13 and continue to the age of 75. Accrued pension rights on the notional accounts are automatically indexed with the development in average wages.

Individuals who do not participate in gainful employment for particular (politically sanctioned) reasons are also secured pension rights. Parents (read: mothers) with small children (under the age of six) are guaranteed a minimum pension accrual equivalent to an earnings level of 4.5 Base Amounts (NOK 384,000). Young people doing obligatory military service will receive pension rights equivalent to an earnings level of 2.5 Base Amounts. Social security benefits (but not social assistance benefits) are as a main rule counted as earnings, while recipients of unemployment benefits and disability pensioners have their pension accrual calculated on the basis of previous earnings (for the unemployed only up to an income equivalent to 6 Base Amounts).

Minimum protection is provided by a Guarantee Pension. The level of the Guarantee Pension has been fixed at the same level as the minimum pension in the old system, and it will be indexed with the same wage index as accrued pension rights in the Income Pension system. The Guarantee Pension is tapered against Income Pensions by 80%. This implies that the formal proportionality of the Income Pension system is strongly modified over a long tapering interval that stretches to a yearly earnings level of just below NOK 400,000 (assuming a 40 year work and contribution record).

Flexible retirement between 62 and 75 on actuarially neutral terms

Since January 1st 2011 the retirement age in the National Insurance system has been flexible between age 62 and 75, based on the principle of actuarial neutrality. The idea is that that the total sum of expected lifetime benefits should not be affected by the timing of retirement and, hence, each individual is confronted with the full costs associated with his or her choice of when to start drawing benefits. The introduction of neutrality is followed up by a complete removal of all earnings- and work tests. It is now possible to draw a full old-age pension from age 62 while continuing to work full time and an almost continuous range of options to draw a partial pension are available.

It should be noted, however, that the right to start drawing old-age pensions at age 62 is made conditional on having enough accumulated pension rights so that the actuarially reduced
benefit is at least as high as the Minimum Pension. This requirement has been installed in order to avoid that people are tempted to spend their pension wealth too early and hence having to cope on a benefit that is insufficient to maintain a decent living standard throughout retirement.

The negotiated early retirement scheme (AFP) that used to offer a heavily subsidised early retirement option, has for employees in the private sector been transformed into a kind of (additional) occupational pension scheme paying life-long benefits as a supplement to National Insurance benefits. Benefits from the new private sector AFP-scheme can be drawn between age 62 and 70 on flexible and neutral terms just like the National Insurance benefits. Also AFP benefits can be drawn alongside full-time or part-time work.

By contrast employees in the state and municipal sector have kept their pre-reform AFP-scheme more or less intact, i.e. as an early retirement scheme with strong subsidies for those who choose to withdraw early.

*Life expectancy adjustment and indexation of benefits*

The reform contains two retrenchment measures of which the first – life expectancy adjustment— is by far the most important. The idea is basically that old-age benefits for each new cohort of pensioners will be reduced in proportion to an increase in longevity compared to the situation in 2010. The adjustment is based on a stylised projection of the remaining life expectancy for the particular cohort at different age levels. For each cohort an estimate of the remaining life-expectancy will be produced as the cohort turns 61, based on observed mortality rates for the preceding cohorts. According to the favoured projection by Statistics Norway, longevity is expected to increase with about 1 year in every ten years (Brunborg & Teixmoen 2011). If this turns out to be the case, the life expectancy adjustment will result in a 0.5% reduction in pension benefits per year accumulating to a 20% reduction for the cohorts retiring around 2050. The savings for the National Insurance scheme will be of an equivalent magnitude. Also the level of the Guarantee Pension will be subject to longevity adjustments, while being otherwise indexed with wages. The introduction of this measure removes a very important growth factor in public expenditure on pensions and a source of uncertainty about the future financial burden. The burden is instead transferred to each pensioner cohort. With a flexible retirement age, pensioners can in principle compensate for the reduction in yearly benefits by working longer, and about eight months of continued work will, as the main rule, be enough to compensate for a one year increase in longevity.

The other retrenchment measure is to let pension benefits – once they have started running – be subject to indexation rules with the development in wages minus a fixed factor of 0.75 percentage points. It is estimated that this measure will in the long run achieve a reduction in pension expenditures of about 7% compared to full wage indexation.

*Financial structure*

The new system of accumulating pension rights is a pay-as-you go system conforming to the model known as Notional Defined Contribution (NDC). However, contrary to other NDC systems like the Swedish “Inkomstspension”, the reformed Norwegian pension system is not autonomous and self-financing, and the 18.1% accrual rate does not correspond to an earmarked contribution to the pension system of a similar magnitude. The new Norwegian pension system will (as before) be fully integrated in the general state budget, and financed
through a mixture of general social security contributions, pay-roll taxes and general taxation, where the amount payed to the pension system by each wage-earner is not specified.

Both in the public and the private sector occupational pension schemes exist that supplement benefits from the National Insurance scheme. All public sector employees are covered with rather generous defined benefit schemes that are integrated with the National Insurance scheme to achieve a more or less proportional compound benefit profile with compensation levels at 66% of the previous wage (before tax). In the private sector coverage with occupational pensions became obligatory from 2006, but here the majority of employees are covered with rather modest DB schemes.

2.1.3 Details on recent reforms

Even after the reform of the National Insurance system started to take effect from January 1\textsuperscript{st} 2011 the reform process has continued with new legislation to adjust adjacent institutions like the disability pension system and occupational pension schemes in the private sector. Some aspects of the pension reform are still undecided awaiting final proposals to be presented to Parliament.

Implementation for former disability pensioners

The pension reform has made it necessary to modify the disability benefit system and the conditions under which disability benefit recipients accrue old-age pension rights. The latter is an extremely important and potentially very controversial aspect of the entire old age pension reform, since between 30 and 40\% of a cohort of new old age pensioners come from the disability system. The new rules for disability pensioners were decided by Parliament in December 2011 and are due to take effect from 2015.

Under the old system, disability pensioners were transferred to the old-age pension system at the normal retirement age of 67, accruing old age pension rights up until that age as if they had continued working (based on their pre-disability earnings level). This rule was viewed as problematic in connection with the new flexible retirement age, as the non-disabled face a heavy actuarial penalty if they choose to take up old-age pensions from age 62. In the new legislation it has been decided to uphold the age at which disability pensioners are transferred to the old age pension system (67), but the accrual of new pension rights for disability pensioners stops at age 62. The consequence is that a disability pensioner will receive an old age benefit that is about 10\% lower compared to a similar worker who continues to work until the normal retirement age at 67. Another controversial issue has been whether the life expectancy adjustment in the reformed system should be applied with equal force to people entering retirement from the disability system – since this group is unable to compensate by working longer. According to the new legislation, disability pensioners will be partially shielded from the effect of the life expectancy adjustment – putting a limit to the adjustment effect of 0.25 percentage points per year compared to 0.5 per year for the non-disabled population. This mechanism is later to be evaluated in light of developments in the retirement behaviour of the non-disabled.

Adaptation of the regulation of private occupational pension schemes

In connection with the pension reform debate in mid 2000s a law was passed in 2006 making it obligatory for employers to establish and run an occupational pension scheme for the company’s employees with a minimum contribution rate of 2 \% of earnings (between 1 ad 12 G). The law leaves it open for employers to choose between the traditional defined benefit
schemes and defined contributions schemes. The adaptation of private sector occupational pension schemes of the defined benefit type raises difficult issues of which only some have finally decided. A preliminary adjustment of the legislation on defined benefit and defined contribution schemes was passed by Parliament just before the new flexible retirement age went into force in 2011 (Prop. 6 L (2010–2011)). However, the traditional defined benefit plans are difficult to integrate with the reformed National Insurance system. Based on recommendations from a commission with participants from the social partners and the finance industry (NOU 2012:13 and NOU 2013:3), proposals for new legislation on private sector occupational pensions were presented by the former Government in October 2013 (Prop. 199 L 2012-2013). The proposal introduces a new type of tax-favoured occupational pension scheme that is a “hybrid” between defined benefit and defined contribution and adjusted to and integrated with the reformed National Insurance system. One the controversial issues in connection with these new “hybrid” schemes is whether they should be gender neutral by enforcing uni-sex premiums and annuity divisors. According to the proposal, insurance companies are supposed to use different annuity divisors for men and women, while employers will be obliged to compensate for this by paying higher contributions for female employees. This solution is in accordance with existing regulations for both defined benefit and contribution schemes.

It has not yet been finally decided whether this new type of scheme is going to completely replace the traditional defined benefit schemes or whether there will also be an option to continue attuned versions of the traditional defined benefit schemes. Defined contribution schemes are more easily adjusted to the reformed National Insurance system, but the maximum annual contribution rates have been changed to fit with the new benefit profile of the National Insurance scheme, allowing higher contribution rates – particularly for earnings above the social security ceiling at 7.1 G.

The occupational pension schemes in the public sector have so far been maintained as defined benefit schemes, requiring a maximum of 30 years of contribution to qualify for an old age pension benefit equivalent to 66% of the final salary (including benefits from the National Insurance scheme). However, the public sector occupational schemes have since 2011 been affected by the two important retrenchment measures of the general reform: life expectancy adjustment and less than full wage indexation of running pension benefits. In the future the level of retirement benefits secured by the public sector occupational pension schemes will decline from the 66% target in line with the growth in longevity.

Pending issues

Two important aspects of the reform are still left to be decided. The first concerns the conditions under which spouses can inherit pension rights from each other. In the old system a surviving spouse can take over parts of the pension rights of the deceased partner, and these regulation favour in particular widows with a modest record of pension accrual in their own right. Shifting governments have signalled that a similar set of regulations will also be applied to the reformed system, but so far no concrete proposal has been presented to Parliament. The second set of pending issues concerns the adaptation of conditions under which social security benefits like unemployment benefits and sickness benefits can be utilised by people who have passed the lower age of early retirement at age 62 and the normal age of retirement at 67. The current situation is that all the short-term benefits are available for people between age 62 and 67. However, the former Government signalled just before the reform started to take effect in
2011, that it would consider to limit the rights to receive short-term social security benefits for individuals who have a right to start drawing on the old age pension rights or who have already started to do so (Meld. St.1 (2010-2011), p. 86-88). A promised initiative to discuss and propose solutions to these issues has not yet been put forward by the Ministry of Labour and Social affairs.

*Developments since October 2013*

The new Solberg-Government that came into power after the September elections consists of the Conservative Party (Høyre) and the Progress Party. While the latter was the only party in Parliament that since 2005 has continued to declare itself to be opposed to the pension reform, this position was changed when the party entered government. The new Government is committed to finalise the implementation of the pension reform in line with the decision made in the previous parliamentary period. The only important exception is that the new government has signalled that it intends to reverse the former Governments initiative to partially shield disability pensioner from the longevity adjustment. It remains to be seen whether a concrete proposal will be brought to Parliament, and – if so - whether it will receive the necessary support.

2.2 **Assessment of strengths and weaknesses**

2.2.1 **Adequacy**

An important feature of the old as well as the new Norwegian pension system is the generosity of minimum protection offered to old age pensioners. The minimum benefit for a single pensioner is currently (from May 2013) fixed at just above NOK 170,000. In addition, the tax rules for old age pensioners are relatively favourable and progressive. Pensioners who receive only the minimum benefit do not pay any income tax, and this implies that the effective minimum benefit is currently equivalent to almost 50% of the net (after tax) average full time wage (Christensen et al. 2012).

Over the last decades relative income poverty rates among old age pensioners have been falling very dramatically as can be seen in figure 1 – despite the fact that the median income and hence the poverty threshold has risen very fast in real terms over the same period. While relative poverty rates used to be significantly higher among old age pensioners – and in particular single female pensioners – compared to the rest of the population, this is no longer the case due to the combined effect of the continued maturation of the old pension system and successive decisions to raise the level of the minimum pension.
Figure 1. Poverty rates (60 percent of median income defined over successive three-year periods) for the entire population and individuals aged 67 and older.

Source: Statistics Norway Databank.

Figure 2: The compound benefit profiled of the reformed old age pension system. A single pensioner with constant wages over a 40 year earnings-history. 2013/14

Source: Own calculations.
The compound benefit profile that is depicted in figure 2 is rather flat due to the minimum guarantee pension with its taper interval stretching up to an annual earnings level of 400,000 NOK which corresponds to more than 80 percent of the average full-time wage. When account is taken of the progressive system of pensioner taxation the profile becomes even flatter/more progressive. The flat benefit structure is a permanent feature of the reformed system since both accrued pension rights in the NDC-system and the level of the guarantee pension is to be indexed with changes in wages.

The reformed pension system with its new NDC-like system of pension accrual is, in fact, at the outset somewhat more generous than the old system was. However, when the two retrenchment measures, life-expectancy adjustment and under-indexation of running pension benefits, take their toll, this will change, and relative benefit levels from the National Insurance System will decrease compared to the pre-reform trajectory. The life-expectancy adjustment is also supposed to affect the level of the guarantee pensions, and therefore the level of minimum protection will in the longer run tend once again to fall behind a relative income poverty threshold at 60 percent of the population median. As a consequence, relative income poverty rates among old age pensioners must be expected to be slowly increasing over the coming decades.

Policy makers and analysts have assumed that many will compensate for the life-expectancy adjustment by working longer and at the same time postponing the take-up of retirement benefits and hence maintain the level of annual benefits. However, since the flexible retirement system was introduced from January 1st 2011 a surprisingly large fraction of the eligible population have chosen to start drawing their pension rights at earliest possible date, while in many cases continuing working (see Dahl 2011 and Pensjonspolitisk arbeidsgruppe 2013). If this pattern of behaviour persists it is likely to contribute to increase the prevalence of low income problems in later phases of, many are likely to end up with relatively small annual pensions in the later phases of their retirement ‘careers’. So far, there are no plans to raise the age of early take-up of retirement benefits in line with changes in longevity, but such a measure might become a relevant option in order to prevent a new rise in low-income problems among the very old.

In the longer run a particularly vulnerable group will be those wage earners who leave the labour market via the disability system. The former government decided to partly shield this group from the full effects of the life-expectancy adjustment, but with increasing longevity over the coming decades the income protection for this group will gradually deteriorate. The process will be faster and more consequential if the present Solberg Government decides to follow up on its stated intention to abolish the partial shielding of disability pensioners.

The adequacy of income protection in old age for wage earners will also to a significant degree depend on occupational pension schemes and – in the private sector – on the transformed AFP-scheme that will in many cases offer a very substantial supplement to the pension rights accrued in the statutory National Insurance system.

### 2.2.2 Sustainability

There is little doubt that the 2011 pension reform has improved the economic sustainability of the Norwegian old age pension system (Hagist et al. 2013). Under the old system pension expenditure as a share of GDP was estimated to increase to about 14% of GDP in 2050 as compared to a little more than 5 percent of GDP by the beginning of the 21st Century. Another way to illustrate the financial burden associated with the pension system is to calculate the
level of a (hypothetical) proportional pension contribution on all wage income that would be required in order to collect the revenue needed to cover all old age pension expenditure at different time-points. This “necessary pension contribution” was under the old system estimated to increase from 11% today to 22% in 2050 according to the main demographic projection of Statistics Norway, and even further given a more pessimistic scenario concerning developments in longevity and fertility.

With the reformed system pension expenditure as a percentage of GDP is estimated to reach 11% (as opposed to 14%) in 2050 and the necessary pension contribution to rise only to 17% (as opposed to 21%) (Christensen et al. 2012).

Table 1: Projection of total old age pension expenditure in 2050. Old and new system

<table>
<thead>
<tr>
<th>Pension expenditure in % of GDP*</th>
<th>Old system</th>
<th>New system</th>
</tr>
</thead>
<tbody>
<tr>
<td>The necessary contribution rate on wages (and pensions)**</td>
<td>21%</td>
<td>17%</td>
</tr>
</tbody>
</table>


The improved sustainability is to a large extent driven by assumptions about increased labour force participation and postponed retirement as a result of the reform. The reformed system with its closer and more transparent link between life-time earnings and pension rights is assumed to foster higher labour force participation and higher labour supply over the entire working life. In the report by the Pension Commission this effect was estimated to amount to an increase in labour supply of 4%, while later projections have been somewhat less optimistic by suggesting an increase of 2.5%. The other source of increased labour supply is associated with the introduction of the neutral flexible retirement age that in interaction with the life-expectancy adjustment is assumed to cause a substantial increase in the effective retirement age and the total effect on labour supply is estimated to amount to 4.3% in 2050.

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1 It is here assumed that old age pensioners take part in the financing by paying a pension contribution at half of the rate required by wage earners.
Table 2: Estimated labour supply effects in 2050 of the 2011 pension reform

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Closer earnings-benefit link: increased labour supply in working age</td>
<td>4%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Neutral flexible retirement+longevity adjustment: increased retirement age</td>
<td>4%</td>
<td>5.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Total effect in 2050</td>
<td>8%</td>
<td>7.5%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

There is reason to believe, however, that even the later and more modest versions of these estimates are too optimistic (Pedersen 2010). The benefit profile of the reformed system has become very flat in particular when taking account of the progressive system of pensioner taxation, and hence the implicit lowering of marginal tax rates over the economic life-phase is more modest than has been assumed in the simulations. Also the projected effects on effective retirement ages can be criticized for being on the optimistic side, since they assume that older workers will seek full compensation for the life-expectancy adjustment by working longer (see Valkonen 2012 for a critical view).

The financial sustainability of the Norwegian pension system and the public sector in general is of course significantly strengthened by the extraordinarily sound state finances and the built up of the State Petroleum Fund (“The Government Pension Fund of Norway”) (Hagist et al 2013). The total assets held by this fund have recently exceeded 5 000 billion NOK and in a few year the size of the assets will surpass an amount equivalent to two times annual GDP. According to the fiscal policy rule adopted in 2001 all state revenues from the petroleum activity is channelled into this fund and invested in international capital markets. While only a maximum amount equivalent of a 4% real return on these financial assets are allowed to be channelled into the state budget each year. Despite its official name, the fund is not directly linked to the pension system and as mentioned the pension system is not autonomous but fully integrated in the general state budget. In practice the fund will play an important role in helping to sustain increasing pension expenditures without necessarily having to significantly increase the tax burden on the economically active population.

However, according to the latest projections from the Ministry of Finance, there will – despite the prospect of increasing transfers to the state budget from the Petroleum Fund - be a deficit in the financing of the public sector from about 2035 and it is projected to grow to 6% of GDP in 2060 (Meld St. 12 (2012-2013)). This means that either the tax-burden needs to be raised or public expenditures need to be reduced. In addition to increasing expenditures on pensions, the expenditures on health care and elderly care are the main sources of the long-term deficit.

Two years after the reform started to take effect we start to gain information on how older workers have adapted to the new flexible system of drawing pensions. The good news is that employment rates for people between 62 and 67 have increased, and that there are clear
tendencies for the effective retirement age to increase – in particular in the private sector where the incentives have been changed rather radically (Dahl & Lien 2013; Pensjonspolitisk arbeidsgruppe 2013). However, somewhat surprisingly it turns out that a large share of those eligible choose to start drawing pension rights from the earliest possible date, while in most cases continuing to work full-time (see Dahl 2011; Lien 2012; Pensjonspolitisk arbeidsgruppe 2013). 45% of those who are allowed to start drawing and old age pension before reaching 67, have chosen to do so (Dahl & Lien 2013). The reform entails a separation of the decision to withdraw from the labour market and the decision to start drawing pension rights, and the opportunity to let the former proceed the latter is being very widely used, in particular by males.

### 2.2.3 Private pensions

The Norwegian pension system comprises a fairly comprehensive system of occupational pension schemes. All employees in the public sector (state and municipalities) have since the early 1960s been covered by generous occupational pension schemes offering a gross replacement rate of 67% of the final salary after a minimum of 30 years of active service.

In the private sector, coverage with occupational pensions has been less widely diffused and the quality of the schemes varies strongly. During the 1980s coverage with occupational pensions in the private sector increased (Pedersen 2001), but by the late 1990s coverage was estimated to have stabilised at about 50% of the private sector workforce. In 2001 a new comprehensive legislation on private sector occupational pensions was put in place, allowing for the first time favourable tax treatment to be extended to defined contribution schemes (either of an insurance type or the pure savings type). In the following years coverage with occupational pensions only expanded slowly but many employers have reacted to the new legislation by replacing existing defined benefit schemes with new defined contribution schemes.

As mentioned above, in connection with the process to reform the public pension system a new law on occupational pension schemes was introduced in 2006 making it obligatory for all private sector employers to run an occupational pension scheme of minimum quality for their employees – either of the defined benefits or the defined contribution type. The law specifies a minimum requirement for the level of contributions at 2% of the wage. Obviously this has made the coverage with occupational pension schemes almost universal also among private sector employees, but it has been shown that almost all new schemes that have been established as a consequence of the law, are of the defined contribution type and with contributions set at the minimum level required (Veland & Hippe 2013).

The Norwegian Confederation of Trade Unions (LO) has decided to put demands concerning occupational pensions on the collective bargaining agenda in the spring of 2014. Traditionally occupational pension schemes in the private sector have been company specific, and the decisions to establish and run company pension plans has been considered the prerogative of employers – of course within the limits set by the law that made occupational pension plans obligatory from 2006 and two others laws that regulate private occupational pension schemes through the provision of favoured tax treatment. The LO and the national trade-unions that spearhead the negotiations demand the right to bargain over occupational pensions and hope to establish industry-wide pension schemes as an alternative to the existing company specific
schemes. These demands are being met with firm resistance from the employer side and it is at this point in time (March 2014) very difficult to predict what the outcome will be.

In the public sector the situation is very different. In addition to upholding the existing AFP-scheme the public sector unions also managed in 2009 to shield older cohorts of public employees from the effects of another crucial aspect of the National Insurance reform, the longevity adjustment, and to uphold a system where the total pension benefits of public employees is determined by their final salary and a full pension is earned after 30 years – see Prop. 107 L (2009-2010) for a description of the concrete legislation. This means that crucial aspects of the general pension reform – life-time accrual of pension rights, a flexible and actuarially neutral retirement age – do not apply to the about 1/3 of the workforce employed in the public sector. In the implementation of the 2009 agreement, the Government has chosen a set of rules that even severely weakens work incentives for public sector employees between the age of 67 and 70. The counterintuitive and counterproductive effects of these rules came under media-scrutiny in the Fall of 2011, but only to spur a surge of blame avoidance between the Government and public sector unions.

While a minority of the unions that took part in the negotiations in 2009 have signalled that they are willing to revise this settlement, the majority appear stern in their commitment not to open up for a renegotiation. This means that there is no immediate change in sight that could bring the pension system for public sector employees more in line the principles of the general pension reform.

2.2.4 Summary

The most serious weakness of the entire reform package is the failure to adapt the occupational and early retirement schemes for public sector employees to the main principles of the reform. This clearly weakens the reform both in terms of its expected economic effects and in terms of its political legitimacy. The incompatibility of the occupational pension schemes in the two sectors creates new problems for labour mobility between public and private enterprises.

In the final version of the reform more emphasis has been given to distributive concerns over concerns for strengthening labour supply incentives. In terms of securing adequacy for workers with low life-time earnings and preventing poverty among future generations of retirees, the reform is likely to perform rather well in a comparative perspective, but issues of economic sustainability are likely to remain – in particular if future politicians are unwilling to raise the tax level.

The observed tendency to start taking out pension rights from age 62 which is most prevalent among males and among people with low education is a source of worry, because it could in the longer run, when the life-expectancy adjustment will be felt more heavily, lead to a new problem of old age income poverty and a polarisation of income standards among the very elderly.

The Government has commissioned a large research based evaluation of all aspects of the reform. The first part of this evaluation concentrates on the political decision making process and the efforts undertaking to inform the general public about the content of the reform and its consequences for the individual. A second phase of the evaluation looking at distributive outcomes, economic sustainability and labor supply responses among alder workers was
started up from 2013, while a third phase will begin in 2015. A tri-partite committee has been set up to monitor developments in the wake of the reform and it published its first report in the spring of 2013 (Pensjonspolitisk arbeidsgruppe 2013).

2.3 Reform debates

It is currently being discussed whether to raise the general mandatory retirement age to 70, or perhaps even to abandon it entirely and make any age discrimination illegal like it has been done in countries like the US and Denmark. Although the more radical solution of making employment protection unrelated to age has some support among the political parties (the liberal party “Venstre” in particular), it is being strongly opposed by the social partners, who appear to agree in their support for maintaining a general age limit for employment protection at age 70. The employers fear that abandoning the mandatory retirement age in the Norwegian context with a general high level employment protection will just add to the rigidities of the Norwegian employment relations and make it impossible to get rid of less productive older workers. Presumably a total ban on age discrimination is likely to work better in the context of rather weak employment protection – a hire-and-fire labour market, if you like - that is found in countries like the US and Denmark.

A more likely development in Norway would be to gradually raise the age limit from 70 in line with development in longevity and the associated life expectancy adjustment factor that has been introduced in the pension system. The right to lay off employees already at age 67 if the company has provided a generous pension plan that has been developed through case law, is also likely at some point to be removed by explicit legislation.

The new Government has signalled that it is preparing initiatives to revise the existing legislation on employment age limits and also to evaluate the system of special mandatory retirement ages for different occupation groups. It remains to be seen, however, how far the government will go in challenging the special age limits for occupational groups like policemen and military peronell, because any changes are likely to be met with fierce resistance from the trade unions and professional organisations involved.

As mentioned, the adaptation of private occupational pension schemes is also a hotly debated issue and in particular whether the existing decentralised employer controlled system should be replaced by negotiated schemes that cover entire industries or wage bargaining areas as the demanded by the LO. An additional problem that the social partners in the private sector are likely to be struggling with in the coming years is the coordination between the existing occupational schemes (either defined benefit or defined contribution) and the new reformed AFP-scheme – which, as already mentioned, has now been transformed into another occupational pension scheme. For workers that are already covered by a good occupational pension scheme the total compensation rate (given that they continue to work till age 67) could become extremely high, and many private sector employers are likely to see this as an opportunity to reduce benefit levels in their occupational pension scheme.

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3 Health care

3.1 System description

3.1.1 Major reforms that shaped the current system

The administrative responsibility for delivering health care services is divided between the municipalities and the state. Primary health care is the responsibility of the municipalities. Under the “Municipal health services act” (Lov om helsetjenesten i kommunene), the municipalities in addition have the obligation to deliver a range of preventive activities and services. The responsibility for providing specialised health services (and here most importantly hospital services) has since the year 2002 been transferred to the state.

In 2001 the municipal primary health care system was rearranged in line with the basic principles of British National Health Service and in line with the organisation in other neighbouring Scandinavian countries. The population is offered the opportunity to register with a general practitioner (fastlege) who provides access to all publicly financed primary and secondary health care. This general practitioner is self-employed but operates under a contract with the municipality. Before this system was installed, patients in Norway could shop around between general practitioners, with or without a contract with the municipality, and gain direct access to specialists whose services were subsidised by the state through a system of reimbursements for the services provided.

In 2002 the responsibility for owning and running the secondary health service including the hospitals were transferred from the counties to the state. In one sense the reform entailed a strong centralisation of the responsibility for hospital care. On the other hand, hospitals were restructured under the ownership of four regional health enterprises that were given wide autonomy to run their business under supervision from the Norwegian Directorate of Health and the Ministry of Health. These new regional health enterprises are non-profit organisations.

In the following year a principle of “free patient choice” within the public health care system was introduced. Patients that have been declared in need of a certain treatment have a right to choose any public hospital in the country that offers the relevant treatment.

From January 1st 2012 the so-called “Coordination reform” started to take effect. The goal of the reform agenda is to achieve a better coordination between health services run and financed by the state and services run and financed by the municipalities (primary health care and elder care).

The reform attempts to rearrange the division of responsibilities between municipalities and the state and between primary health services and specialised services. The main idea is to strengthen the role of the municipalities in the overall system. First of all the municipalities are given full responsibility for patients that are ready to be discharged from hospital treatment. Secondly, the reform introduces co-financing of secondary health care services by the municipalities in order to give municipalities economic incentives to invest more in prevention and seek alternatives to referring patients to hospital care. The co-financing arrangement is restricted to include medical treatment of hospital patients only and not include any types of surgical treatment. This restriction is meant to help limit the risks and financial obligations of municipalities. The rate of co-financing has been set to 20%. This
municipal co-financing will form part of the activity based financing of the regional health services which amounts to 50% of the total revenue, while the remaining 50% will still be provided as block grants to the regional health authorities. Other important aspects of the reform is an attempt to clarify the responsibilities of the municipalities and the (state) health enterprises vis-à-vis different groups of patients, and to make legal responsibility for providing services more neutral in terms of the professions that are involved in the provision.

### 3.1.2 System characteristics

In line with Scandinavian traditions, the provision of health services is in Norway predominantly a public responsibility, and public health care is provided on the basis of the principle of universal access for all legal residents in the country. A number of laws regulate the rights of citizens to receive adequate health care and the terms under which these services are delivered.

Despite a considerable growth in the number of employees covered by employer financed health insurance schemes over the last decade (Berge & Hyggen 2010), private health insurance is still a relatively marginal phenomenon in Norway and commercially run private hospitals are almost non-existing. Commercially provided health services are mostly found in the area of specialised outpatient treatment and simple surgical procedures.

Under the present system patients are obliged to stick to one general practitioner at a time, and they are only allowed to change two times per year. In addition patients are offered the right to have a second opinion by another doctor, in the case that a conflict arises with their current practitioner. The introduction of this system was originally rather controversial and met with scepticism from part of the medical profession. One of the objectives of the reform was to achieve a more effective regulation of the access to expensive specialised services, and another was to secure more continuity in the patient-doctor relationship, which was believed to be particularly useful for people suffering from chronic diseases.

Despite the emphasis of public financing user charges do play a role in some parts of the public health service. Both in primary health care and in specialised care and outpatient treatment patients are charged modest user fees. Patients also have to pay for pharmaceutical products, but when prescribed by a doctor to treat a chronic illness they are strongly subsidised by the state. Individual expenditures on user charges and pharmaceutical products are further limited by a scheme that secures reimbursement of expenditures in excess of a specified ceiling. When it comes to inpatient treatment in hospital, there are no user charges in the Norwegian system.

### 3.2 Assessment of strengths and weaknesses

#### 3.2.1 Coverage and access to services

Waiting lists for hospital treatment and the problems with the fulfilment of patient rights to immediate treatment for serious illnesses is a continuous source of dissatisfaction and controversy.

A recent study has shown that the access to health care is also in practice fairly universal with only a modest statistical relationship to education and other indicators of social class (Godager & Iversen 2013). As for access to primary health care it is concluded that low
education and low status groups are at least as likely as high-status groups to receive relevant treatment. When it comes to access to secondary care there appears a mixed pattern. The authors find a modest social gradient in relation to outpatient treatment implying that high status groups are slightly more likely to receive relevant care compared to low status individuals, but not in relation to treatment in hospitals (Godager & Iversen 2013).

One somewhat disturbing fact is, however, that social (relative) inequalities in health outcomes appear to be higher in Norway and the other Scandinavian countries than they are in Central and Southern European countries – see for instance Mackenbach (2006), Bambra (2011) and Dahl, Bergsli & van der Wel 2014). There is, in other words, a comparatively strong social gradient in health outcomes in Norway. Part of the explanation might be a very strong social gradient in smoking and other health-related behaviours, and it has been suggested that the information campaigns that have helped to reduce smoking and other harmful behaviours among the middle classes have not yet succeeded in changing the behaviour of lower status segments of the population.

3.2.2 Quality and performance indicators

On a range of public health indicators Norway scores comparatively high (infant mortality, life expectancy, self-reported general health, obesity and smoking) – see Folkehelseinstituttet (2010). It is unclear however whether and to what extent this can be attributed to the quality of the preventive and curative efforts of the health service. There is general agreement among epidemiologist and health sociologists that more general societal factors are likely to be as important for health outcomes.

Norway ranks among the OECD-countries with the highest total (public and private) expenditure on health per capita when measured in absolute terms, and almost all the Norwegian health expenditure is publicly financed. When measured relative to GDP, however, Norway does not stand out as a particular high spender. Total health expenditure amounted to about 9% of GDP in 2011 which puts Norway in the middle of the OECD league (http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS/countries).

When Norway’s high and growing revenues from oil and gas are excluded from the picture, and health expenditures are measured relative to “mainland GDP”, Norway is clearly ranked among the high spenders.

The financial burden related to an expected increase in public health care expenditure as a result of demographic technological changes has been a cause for concern in a number of official policy documents. Most recently these issues are discussed in a Government white paper on the long term prospects for the Norwegian economy (Meld. St. 12 (2012-2013)).

One of the most hotly debated issues both in academic research and in official policy documents concerns the relationship between longevity and morbidity. Will increasing longevity be associated with an increase in morbidity and frailty and hence in the number of years an individual needs intensive health care and long-term care, or will increasing longevity simply result in a postponement of the phase with high morbidity and frailty? If the latter should turn out to be the case, the future growth in the need for health services and elderly care will be less dramatic than one would be led to think based on the more conventional assumption that the demand for these services in each age span is constant (Meld. St. 12 (2012-2013)).
3.3 Reform debates

The state owned regional health enterprises are a source of continuous controversy. In line with New Public Management thinking, the regional enterprises have been granted a high degree of autonomy from the political authorities of central government to deal with these types of structural issues based on technical/professional considerations, but they have difficulties handling critique from unions and local politicians because the enterprises lack an independent democratic base of legitimacy.

The new Solberg Government has signalled that it is contemplating to abolish the regional health enterprises that currently own and direct the public hospitals and secondary health care facilities and put the public hospitals directly under national ownership and control. It remains to be seen, however, what this will entail in practice.

The government has further signalled that it intents to expand the right to a free choice within the public health care system to include an individual right to choose a private provider, in particular if the treatment cannot be provided immediately within the public sector. This would entail a system where public funding is provided to patients irrespective of whether they choose to be treated by a public or a private provider. According to the polictal platform of the government, this new system is to be implemented and tested out in the area of psychiatric care and the treatment of drug addiction before it is introduced also to somatic care.

The Coordination reform has not so far been an undisputable success. A recent study shows that the municipal health and care service apparatus has severe difficulties in handling the increasing number of patients that have been discharged from hospital care (Gautun & Syse 2013). The statistical overview of changes in priorities and efforts that are regularly published by “Directorate for Health” does not show the degree of reorientation towards preventive measures that was orginially the aspiration of reformers (Helsedirektoratet 2014).
4 Long-term care

4.1 System description

4.1.1 Major reforms that shaped the current system

The growth in the provision of long-term care for the elderly has been associated with reforms in the mode of provision. Two important reform tendencies can be identified since the 1980s. While the counties used to have responsibility for nursing homes, the responsibility was transferred to the municipalities in 1988. The municipalities finance these services out of their tax revenue and general grants from the state. Previously a major part of the state’s financial support for a range of municipal services was given in the form of earmarked reimbursements, but over the last decades a clear priority has been to increase municipal autonomy by giving general grants instead. To compensate for the loss of a direct influence through earmarked financing the state has instead put emphasis on steering through legal obligations and contractual agreements with the confederation of municipalities.

The building of nursing homes of a high quality happened somewhat later in Norway than in Denmark and Sweden. Only in the latter part of the 1990s was the securing of single rooms as the standard solution in nursing homes achieved in Norway. Like in the other Nordic countries, emphasis the last years has been stronger on providing nursing and practical help outside the institutions – either in the recipient’s ordinary home or in so-called service housing: extra care housing where the physical environment is adapted to the needs of elderly and frail people and where nursing and other services are more easily provided.

4.1.2 System characteristics

While up until the 1980s Norway was somewhat of a laggard in the development of services for the elderly compared to the other Scandinavian countries, this is no longer the case. Today Norway has a strongly developed system for providing both home-help, nursing and institution based elder care.

Traditionally, voluntary organisations have played a significant role in owning and running nursing homes for the elderly. However, while there still are quite a few privately owned nursing homes in Norway, most have been fully integrated in the public system and completely dependent upon public financing. The municipalities provide most the financing of elder care within and outside institutions, but income related user charges are levied on the recipients of the services – particularly on the inhabitants in long-term care institutions.

4.2 Assessment of strengths and weaknesses

4.2.1 Coverage and access to services

Like ordinary health care, long term care is provided as a universal right to all residents that is inscribed in the law. Long term care is the responsibility of municipalities, and the right to receive care is stated in the Municipal Health Services Act. The right to receive care and the corresponding obligation on the part of the Municipality is, however, discretionary. The municipality is obliged to provide a place in a nursing home to a frail elderly person, but only
if this is deemed to be necessary based on a concrete evaluation of the situation of the applicant, and the ultimate decision is made by the municipality.

In 2011 it is estimated that Norway spends an amount equivalent to 2% of GDP on services for the elderly (NOSOSCO 2013). In the same year just below 9% of the population above 65 and 23% of the population above 80 lived in publicly financed nursing homes, and additional 10 % of the population aged 65+ receive home-help services (NOSOSCO 2013).

Table 3: Take up rates according to type of service and age (%).

<table>
<thead>
<tr>
<th></th>
<th>67+</th>
<th>80+</th>
<th>90+</th>
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<tbody>
<tr>
<td>1. Nursing home</td>
<td>6</td>
<td>14</td>
<td>36</td>
</tr>
<tr>
<td>2. Extra care housing</td>
<td>5</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>3. Sum out of home (1+2)</td>
<td>11</td>
<td>25</td>
<td>57</td>
</tr>
<tr>
<td>4. Home based care</td>
<td>12</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td>5. Sum all types of care (3+4)</td>
<td>24</td>
<td>49</td>
<td>90</td>
</tr>
</tbody>
</table>

Source: Otnes (2012:71)

A more detailed overview of the take up of both institution-based and home-based care for the year 2008 is provided in table 3 which is adopted from Otnes (2012). These figures confirm that a very substantial fraction of the elderly in Norway does receive some form of publicly financed care service and that this fraction is increasing very rapidly with age. Among people above the age of 80 50% receive care services – almost evenly distributed between home-based and some form of institution based services including extra care housing.

The general impression that the overall coverage rates with care services for given age intervals has stagnated over the last decade – despite a very strong political commitment to strengthen elder care – does not necessarily imply that there is a constant or growing gap with respect to actual needs in line with improvements in life expectancy. According to a recent study (Moe & Hagen 2011) the increasing life expectancy of the elderly appears to go hand in hand with decreasing morbidity and improvements in health and functionability. In other words: the elderly remain healthier at higher ages and hence the demand for care services does not increase despite increasing longevity.

4.2.2 Quality and performance indicators

Despite the fact that both the quality and access to municipal nursing homes is strictly regulated in national legislation, these services are continuously being criticised for offering and inadequate number of places and for not living up to official standards – in terms of time spent with the elderly, the quality of nutrition, medical attention etc. The former government promised to strengthen the long term care sector very significantly to overcome both the quantitative problem of an insufficient number of places in nursing homes and problems of poor quality in the delivery of both institution-based and home-based services. However the existing governance structure where the municipalities have responsibility for providing these
services - financed out of non-earmarked block grants - makes it difficult for the central political authorities to ensure that national targets of in terms of resource spent and service output are actually met. There are continuous debates whether the municipalities are actually delivering on the promised increase in the provision of long term care (Huseby & Paulsen 2009).

4.2.3 Sustainability

In view of the very strong demographic changes that will take place over the coming decades, the financing of elder care is a matter of concern together with health care and old-age pensions. Arguably, however the biggest challenge in connection with the future of care services in Norway is related to problems to recruit sufficient manpower. Salaries in the relevant occupations have traditionally been relatively low, and it is an open question whether it will be possible to mobilise sufficient manpower to meet the growing demand in a rapidly ageing society. Immigrants from Non-Western countries provide a growing share of the manpower that produces these services, and it has been speculated whether import of trained personnel and increased immigration more generally can be the only way to solve the projected shortages of manpower in this sector. This argument, however, is at odds with the rather widespread resistance towards labour immigration from the political authorities and social partners – including (somewhat surprisingly) the peak employers’ association, NHO.

4.3 Reform debates

Over the last decade there has been a continuous debate on the desirability of competition in the delivery of care services. The role for private companies in the provision of elderly care is one of the few social policy issues with a very clear confrontation along the traditional left-right axis. There is general agreement that the financing of services should be a public responsibility, but the parties to the right of the political spectrum have traditionally called for different forms of privatisation of the delivery, while the parties the left (that made up the previous Government) prefer that the municipalities should maintain their virtual monopoly as providers of both institutionalised and home-based elderly care. In some of the largest municipalities – like Oslo – there has in recent years been a tendency to let contracts for the running of nursing homes and home-help serviced be decided by a competition between public (municipal) and private (non-profit and for-profit) providers. A few for-profit companies have managed to win these competitions and take the running of nursing homes on behalf of the municipalities that provide the financing. In the municipality of Oslo, individual users of home help services are offered the opportunity to choose between different providers – public and private (Vabø 2011b). Even so, the private contribution to elderly care is still fairly modest compared to the situation in Denmark and Sweden.

The new Solberg-Government has so far given few concrete signals about initiatives to push forward more privatisation and competition in the delivery services to the elderly. It is to be expected however that experiments with increased consumer choice in the delivery of care services will be set into motion in the coming years.
5 References


6 Annex – Key publications

[Pensions]


The article describes the Norwegian pension reform for an international audience – both in terms of its components and main architecture but also with estimates of the the long-term effects of the reform on labour supply and the distribution of pensions among future generations of retirees. The authors show how the reform conforms to a more general NDC-strategy where all subsidies for early retirement are removed and the link between life-time earnings and pension wealth is made stronger and more transparent, but at the same time they emphasise the strong weight Norwegian policy makers have given to distributive concerns.


“The pension reform two years after”

This report documents how older workers have reacted to the new flexible system of retirement both in terms of the timing of drawing benefits and labour force participation. A key finding is that a large share of the eligible population – in particular among men - choose to drawing benefits before the normal retirement age at 67 while they postpone retirement and continue in most cases to work full time. The tendency to start the take-up of pension early has a negative effect on the state budget at least in the short run, but the finding of a clear tendency to postpone the withdrawal from the labour market – particularly among private sector employees – is in line with the intentions behind the reform.


“Life-expectancy adjustment of old age pensions – economic foresightedness and

The article discusses a key component of the Norwegian pension reform: the life expectancy adjustment. First it is argued that an automatic adjustment to changes in in longevity is a sensible means to avoid that the financial burden on future generation will become intolerably high. Next the concrete mechanism to achieve this in the reformed Norwegian pension system is being criticized. It is argued that the chosen model made it easier for the reform to be accepted by the social partners, but at the same time it will have negative social effects in the long run. The article finishes by presenting a proposal for adjusting the reform that takes of the need to adjust to future increases in longevity but avoids the negative effects associated with the existing model. It basically entails a gradual increase in the age limits of the reformed pension system in line with increased longevity.


"Generational accounts" measure the fiscal sustainability of the public sector. We ask whether contributions from the Government Pension Fund and remaining oil and gas wealth in the
ground, together with the pension reform taking effect in 2011, are sufficiently large to secure generational balance in Norway. Our results show that the pension reform has a substantial effect, and contributes as much to generational balance as the total petroleum wealth. Structural characteristics of higher employment and lower transfer payments typical for cyclical upturns improve the GAs substantially. Optimistic assumptions regarding these structural characteristics do not remove the need for further reforms to obtain fiscal sustainability of the Norwegian public sector.


“When should you start drawing your old age pension?”

The article is a systematic attempt to assess the financial consequences for the individual of starting to withdraw pension rights from the age of 60 while continuing working. It is motivated by the observation of very high take up of pension benefits from early ages since the introduction of flexible retirement from January 1, 2011, which appears to have been encouraged by pension advisors and the media, claiming that such early take-up is profitable for large segments of the eligible population. The author recognises that the new system of taxation for pensions does in itself make it more profitable to start drawing benefits early, but he argues that other factors point in the opposite direction and that the result of a more comprehensive analysis would make it advisable for most of the eligible population to postpone the take of pension benefits.


Norwegian administrative data are used to evaluate the impact of a doubling of the threshold in the retirement earnings test. We find almost no impact on the extensive margin, but a positive effect on the intensive margin. This positive effect is uneven over the earnings distribution, and concentrated on workers around the threshold, increasing with exposure to the reform and leading to a decrease in earnings inequality. Individuals who remain active until retirement age respond more to the reform. Conditional on prereform earnings, we find little evidence that individual characteristics such as working histories influence the responsiveness to the reform.


“Trends and challenges for the Norwegian pension system.”

The report discusses trends in the development of occupational pension schemes and challenges concerned with the adaptation of the system of occupational pensions to the structural reform of the national pension system.


“Income statistics for the elderly part of the population 1999-2009. A cohort analysis of income developments for the age group 60 year and older.”

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The report analysis income developments for persons aged 60 and above over the years 1999 through 2009. It shows that the proportion of those with income from work has increased for all age groups from 60 to 75 years of age in the period 1999 to 2009. The proportion 68 to 70 year olds with income from work has respectively increased with approximately 8 percentage points from 1999 to 2009. The report shows further that the elderly have experienced an impressive income increase during decade from 1999 to 2009 – particularly in real terms but also relative to the general population. Persons and households within the lowest income groups experienced greater income growth through the transition to retirement than those in the higher income brackets.

[Health care]

http://helsedirektoratet.no/publikasjoner/samhandlingsstatistikk-2010/Sider/default.aspx
“Statistics on coordinated health services 2012-13”

The report presents statistics on and prognoses for the future development in primary and secondary health care services in Norway in view of the Coordination Reform that has taken effect from January 1. 2012. It describes developments and variation across municipalities in a range of output indicators and costs per capita.


This is a study of changes in the prevalence of mild disability and functional limitations among persons aged 67 or older. It is based on repeated cross-sectional surveys conducted in 1987, 1991, 1995, 2002, 2005, and 2008. The results show that both functional limitations free and disability-free life expectancy appeared to have increased more than total life expectancy at age 67 during this period. The analysis suggests downward trends in the prevalence of mild disability and functional limitations among older Norwegians between 1987 and 2008 and a compression of lifetime in such health states. The reduced numbers of older people with disability and functional limitations may have restrained the demand for health and care services caused by the increase in the number of older adults.

“Empirical research on social inequality in the use of health care services in Norway”

The report reviews the relatively sparse literature on social inequality in the access to health care services in Norway and presents some new empirical analyses of the use of primary and secondary healthcare in the Norwegian population. As for access to primary health care it is shown that low education and low status groups are at least as likely as high-status groups to receive relevant treatment. When it comes to access to secondary care there appears a mixed pattern. The authors find a modest social gradient in relation to outpatient treatment implying that high status groups are slightly more likely to receive relevant care compared to low status individuals, but not in relation to treatment in hospitals.
The report investigates the factors leading to a chronic mismatch between the planned and actual use of manpower in municipal eldercare services – nursing homes and home based care. According the findings a key problem arises from difficulties experienced by the municipalities in finding qualified replacements for employees in sickness absense. It is argued that the major coordination reform of public health and caring services could add to the problems municipalities experience in recruiting sufficient qualified personnel.

Based on a survey administered to nurses employed by municipalities, the study tries to throw light on whether the municipality-based health care services have proven able to provide for the increased number of patients discharged earlier from hospitals after the implementation of the Coordination Reform. The results show that municipality-based health care services receive an increased number of poorly functioning patients from hospitals after the Coordination Reform. The majority of nurses express that this has resulted in more varied and challenging work tasks, but they are nevertheless struggling because resources in terms of time, education, equipment and information are lacking. The nurses ask for educational measures to increase their competency, as well as additional medical equipment to satisfactorily provide the warranted care. They also point to the need for an increase in the number of qualified nurses at their work place. Various challenges in collaboration processes with hospitals are pointed to, and many of these relate to rushed discharge processes from hospitals, rendering the municipalities less able to facilitate and put in place the warranted care services in a timely manner. The latter appears to be particularly challenging to handle for home health care nurses.

The article describes both longterm development paths and more recent trends in Norwegian eldercare services. It describes the basic dilemma of raising enough resources to meet the ever increasing demand for eldercare in a rapidly ageing population.
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This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe2020 Strategy goals in these fields.

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