



ESPN Thematic Report on retirement regimes for workers in arduous or hazardous jobs

Norway

2016

Axel West Pedersen
May 2016



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate C — Social Affairs
Unit C.2 — Modernisation of social protection systems

Contact: Emanuela TASSA

E-mail: Emanuela.TASSA@ec.europa.eu

*European Commission
B-1049 Brussels*

European Social Policy Network (ESPN)

**ESPN Thematic Report on
retirement regimes for
workers in arduous or
hazardous jobs**

Norway

2016

Axel West Pedersen

The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by LISER and APPLICA, with the support of OSE - European Social Observatory.

For more information on the ESPN, see:

<http://ec.europa.eusocialmain.jsp?catId=1135&langId=en>

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission, however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

Contents

SUMMARY/HIGHLIGHTS 4

1 OVERALL DESCRIPTION OF THE POLICY MIX TARGETED AT WORKERS IN ARDUOUS OR HAZARDOUS JOBS 5

2 PENSION RULES FOR WORKERS IN ARDUOUS OR HAZARDOUS JOBS 8

3 RETIREMENT PATTERNS AND RETIREMENT INCOME OF WORKERS IN ARDUOUS OR HAZARDOUS JOBS 9

REFERENCES 12

ANNEX 13

Summary/Highlights

No system for categorising specific occupations as particularly arduous and hazardous has been developed in Norway, and there is no systematic and coherent policy to accommodate their need to retire early. Whereas a negotiated early-retirement scheme (*Avtalefestet pensjon*, AFP) previously provided a subsidized self-selection option to retire early (from age 62) for large segments of the organized workforce, this has been effectively removed in the private sector since 2011 and replaced with a flexible retirement age provision that places the full cost of early retirement on the individual worker. For private sector workers with health problems, labour market exit via the disability pension scheme is an alternative, but the take-up of disability benefits among older workers has decreased over recent years – presumably due to the fact that this option has become less attractive in terms of future old-age pension rights. The public sector version of the old AFP scheme still exists as a voluntary, subsidized early-retirement option for state and municipal employees.

An established system of special retirement age limits for specific occupations continues to exist both in the public and private sectors, but the historical motivation is not always clear. In most cases it is related to concerns for the safety of customers and the general public, but in some cases the motivation is related to the strenuous and hazardous nature of the work. For those occupational groups – particularly in the public sector – that are subject to lower age limits, generous pension provisions are in place allowing them to retire early without any actuarial penalty. In the private sector fewer groups are covered by similar schemes, but the special statutory early-retirement schemes for seamen and fishermen do allow for a partial or full withdrawal between age 60 and 67 without actuarial penalty. Workers in arduous and hazardous jobs that are not covered by these special age limits and pension provisions can either use the new flexible system of retirement from age 62 or – if they fulfil the medical criteria – use the disability benefit system. In addition, special statutory early-retirement pension schemes for seamen and fishermen continue to exist, financed by the respective industries.

It is difficult to identify any systematic effort to reduce the impact of particularly arduous and hazardous conditions on the workers concerned, thereby allowing them to have longer working lives rather than retire early. The Working Environment Act naturally contains many provisions to help reduce environmental hazards at work, and makes employers responsible for adjusting working conditions for employees with health problems. In addition, the tripartite agreement on 'An inclusive work life' (2014-2018) emphasizes the goal of facilitating longer working lives, but it does not entail much in terms of concrete measures targeted towards workers in particularly arduous or hazardous occupations/industries.

The overall picture in the private sector seems to be that – except for the few specific occupations mentioned – the burden of insuring against the risk of having to leave the labour market early due to a career in a particularly arduous and hazardous job has been rather effectively privatized with the 2011 pension reform and transferred to the individual worker. The actuarially neutral system of flexible retirement allows these workers to retire early, but the workers themselves face the full costs in terms of low old-age pensions for the rest of their lives.

At different points in the pension reform process it has been recognized that the existing system of special age limits and retirement ages, particularly in the public sector, needs to be revised. It is interesting to note, however, that so far no concrete steps have yet been taken to take up this challenge. The main explanation is that the unions and professional organizations representing groups with the lowest age limits (such as military personnel and police officers) are likely to provide strong opposition to any attempts to raise the age of retirement. Equally important, however, is the fact that it seems very difficult to find legitimate criteria for, or operationalisations of, what might constitute arduous and hazardous occupations that require favourable treatment in terms of pension conditions.

1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs

From 1973 until the implementation of a major pension reform in 2011, the statutory pension age in the national insurance system was 67. Drawing benefits between the ages of 67 and 70 was subject to an earnings test (lifted at age 70, the same age at which employment protection terminated). While this was the general regime, a number of occupational groups have historically been covered by special age limits and corresponding pension arrangements – mostly professional groups in the public sector but also some groups in the private sector.

In the law regulating the age limits among state employees (*Lov om aldersgrenser for offentlige tjenestemenn m.fl.*) two criteria that can serve as grounds for operating a lower age limit for a specific occupational group are stated in § 2: a) that the work is so physically or psychologically straining that it is likely to lead to a reduced work capacity before reaching 70, or b) that the nature of the work is such that it requires skills and capacities that will normally be weakened before reaching 70.¹ In either case the ultimate concern stated in the law is the risk that the work tasks will not be satisfactorily performed, and hence the age limit is mandatory for the occupations concerned. A specific regulation issued in connection with the law lists a number of occupations that have been granted special age limits without explicitly stating which of the two criteria have been used (see Annex). A similar list exists for occupations in the municipal sector (see Annex). The inclusion of conventional groups such as police, army and firefighters is clearly based on criterion b) but it is less clear in the case of nurses, who are also included. Do they have a lower age limit because their work is strenuous or because it demands skills that tend to decline with age? Publicly employed cleaning workers also are included, and for this group it seems that criterion a) must have been decisive. The selection of occupational groups and the associated age limits dates many years back and the rationale is often anything but clear.

In addition, the law regulating private occupational pension schemes (*Lov om foretakspensjon*) has provisions allowing private employers to operate pension schemes with a lower age limit than the statutory pension age of 67 (up until 2011) for particular occupational groups. Here § 5-7a specifies two rather similar but more simply formulated criteria for selecting those occupations that can be given preferential treatment: a) that the work is particularly physically or psychologically strenuous (read: that continued work represents a risk to the health of the worker), or b) that the work requires particular age-related skills to be performed in a satisfactory way (read: that older workers represent a risk to the public). A specific regulation issued in connection with the law also provides a list of the particular occupations that can be differentially treated by employers in occupation pension plans, including occupations such as miners, nurses and salespeople (see Annex). Here it is again generally unclear which of the two types of criteria has been decisive in the selection. For airline pilots it is obviously the first, while for miners working underground it is presumably the second. Contrary to the situation in the public sector, the law in itself does not imply an obligation for members of specified occupations to retire at the lower age limit. However, such an obligation is often established through other legislation – such as the law on air traffic that prevents pilots from working beyond age 55.

In addition to the above, three industries/occupations have traditionally been covered by special statutory early-retirement pension schemes (seamen, forestry workers and fishermen) that are financed by the respective industries themselves. The schemes offer pension benefits for workers in these occupations between age 60 (or 62) and 67 (Hippe

¹ Public sector employees are taken into consideration in this report since about 40% of the Norwegian workforce is employed in the public sector and since some the jobs/occupations that can be considered arduous and hazardous are found in the public sector.

and Pedersen 1988). There is no associated legal obligation to retire early for any of these groups and presumably the schemes are motivated by the arduous or hazardous nature of the work. About 5,000 fishermen and 25 000 seamen were covered by the respective schemes in 2013-14. This corresponds to just over 1% of the total Norwegian labour force.

In 1988 a voluntary early-retirement option was established by centralized wage agreements in the private and public sectors. The official motivation for the so-called AFP scheme was to give weary older workers a less stigmatizing alternative to retirement through the disability scheme, but the scheme was open to all workers covered by collective wage agreements. The eligibility age was gradually lowered to reach 62 in 1998 and from then on the scheme offered early-retirement benefits for five years between ages 62 and 67 at a level similar to a statutory old-age benefit from the national insurance system without any actuarial penalties. In the public sector coverage of the AFP scheme was and still is complete, whereas only about 50% of employees in the private sector work in enterprises with a collective wage agreement that gives access to it. For covered workers in particularly arduous jobs, the scheme offered a fairly attractive voluntary early-retirement option, and for this reason the special statutory early-retirement scheme for forestry workers was gradually closed down between 1996 and 2006. Fishermen and seamen were less likely to be covered by the AFP scheme and therefore the statutory schemes for these groups were continued.

Following the pension reform of 2011, a flexible early-retirement option from age 62 has been established within the national insurance system, and the AFP scheme in the private sector has been transformed into a supplementary old-age pension scheme with the added possibility of taking pension benefits from age 62. In both systems the principle of full actuarial neutrality has been implemented, so that the subsidised early-retirement option inherent in the old AFP scheme has been effectively removed. Workers who need to retire early have to pay for it themselves by accepting lower annual benefits. The right to retire at age 62 is also made conditional on having enough accumulated pension rights to secure an annual benefit (after actuarial deductions) on a par with the minimum pension. This restriction implies that a significant share of female workers in the relevant age groups are not allowed to start taking pensions from age 62.

The special age limits and pension rules for certain occupational groups in the public and private sector were left unaffected by the reform. In connection with the pension reform process, successive governments have signalled repeatedly that the system needs to be evaluated and revised, but so far no government has taken concrete steps to address the issue.

In 2015 it was decided to increase the general age limit of 70 (at which employment protection expires) to age 72 (the change takes effect from 1 July 2016), and the government has appointed a committee to discuss further increases in the future or perhaps full abolition of the age limit.

There is no systematic and coherent policy to accommodate the need of workers in arduous and hazardous jobs to retire early. Whereas the old AFP scheme provided a subsidized self-selection option to retire early (from age 62) for large segments of the organized workforce, this has been effectively removed in the private sector from 2011 and replaced with a flexible retirement age, placing the full cost of early retirement on the individual worker. For private sector workers with health problems, labour market exit via the disability pension scheme is an alternative, but the take-up of disability benefits among older workers has decreased over recent years (Kalstø and Galaasen 2015). The public sector version of the old AFP scheme still exists as a voluntary, subsidised early-retirement option for state and municipal employees.

A rather arbitrary and presumably outdated system of special age limits for specific occupations continues to exist both in the public and private sectors, but the historical motivation is most often related to concerns for the safety of customers and the general public, and more seldom to the strenuous nature of the work. In addition, special non-

statutory early-retirement pension schemes for seamen and fishermen continue to exist, financed by the respective industries.

It is difficult to identify any systematic effort to reduce the impact of particularly arduous and hazardous conditions on the workers concerned, thereby allowing them to have longer working lives rather than retire early. The Working Environment Act naturally contains many provisions to help reduce environmental hazards at work, and makes employers responsible for adjusting working conditions for employees with health problems. In addition, the tripartite agreement on 'An inclusive work life' (2014-2018) emphasizes the goal of facilitating longer working lives, but the agreement does not entail much in terms of concrete measures targeted at workers in particularly arduous or hazardous occupations/industries.

2 Pension rules for workers in arduous or hazardous jobs

As mentioned in the previous section, many specific occupational groups in the public sector are subject to a lower statutory retirement age limit than the standard limit at age 70. Occupations with a lower age limit (at 65, 62 or 60) are also generally allowed to retire three years earlier (at ages 62, 59 and 57, respectively) and receive a full occupational pension from that age, provided that the sum of their age and seniority as members of the scheme exceeds 85 years. They are not required to start taking out benefits from the national insurance scheme before age 67 and hence no actuarial penalty is applied. In addition to this, all public sector employees are covered by a voluntary early-retirement scheme (the so-called AFP scheme) offering an opportunity to retire at 62, albeit at somewhat lower benefit levels between age 62 and 64 but on a full occupational pension from age 65.

For employees in the private sector two supplementary (second pillar) pension systems coexist. The transformed AFP scheme is now a supplementary pension scheme offering lifelong benefits for the workers covered (about 50% of the private sector workforce). Benefits can be drawn on flexible and actuarially neutral terms between the ages of 62 and 70, provided that the worker has started to draw old-age benefits from the national insurance scheme. For the workers covered the scheme adds significantly to their lifetime pension wealth and even if they are confronted with the full costs of a decision to retire early, the scheme does make such a decision more affordable. In addition to this, private occupational pension schemes established at the enterprise level are encouraged by favourable tax rules and were even made obligatory from 2006. The normal retirement age in these schemes is 67, but following the pension reform it is now permissible for employees to start drawing pension rights (again on actuarially neutral terms) from age 62.

As mentioned above, the law regulating private occupational pension schemes provides opportunities for employers to give preferential treatment to specific occupational groups, operating with a lower normal target age in the system of pension accrual (65, 62, 60 or 55), and allowing the workers covered to retire at these ages. In these cases the workers covered will receive a full pension from the occupational scheme until reaching 67, and will only then be forced to start taking out old-age benefits from the national insurance scheme.

Similarly the two remaining statutory pension schemes for specific industries/occupational groups, seamen and fishermen, offer early-retirement benefits.

The pension scheme for seamen provides benefits between the ages of 60 and 67. In order to qualify for benefits a worker must have had at least 150 months of active service. To receive benefits between the ages of 60 and 62 they have to retire from the occupation, whereas they are free to combine benefits taken out after 62 with continued employment as a seaman. The level of benefits is proportional to the number of months in active service. After 30 years of active service the benefit is roughly equivalent to a standard national insurance old-age benefit paid out from age 67.

The pension scheme for fishermen provides benefits between the ages of 60 and 67. To qualify a worker needs at least 15 years of service and the benefits are proportional to the length of service up to a ceiling of 30 years. The benefits are somewhat less generous compared with the scheme for seamen, and they are meant to be a supplement to the earnings of the workers covered rather than a complete replacement. Benefits after the maximum of 30 years of service are lower than the minimum pension offered by the national insurance scheme from the age of 67. The scheme is therefore in practice intended to support the incomes of fishermen aged 60-67 and allow them to gradually reduce their working time, without necessarily drawing on their accumulated pension rights under the national insurance scheme.

Workers in arduous and hazardous jobs that are not covered by the traditional system of special age limits and pension provision, but who nevertheless need to retire early, can either use the new flexible system of retirement from age 62 or – if they fulfil the necessary medical criteria – use the disability benefit system. In the first case they themselves have to pay for their early retirement and accept benefits close to the statutory minimum throughout retirement. For those who exit through the disability scheme, early retirement is of course subsidized but the terms have become tougher as a consequence of the pension reform. Whereas disability benefit recipients used to earn old-age pension rights up to the point where they were transferred to the old-age pension system at age 67, the accrual of old-age pension rights is now curtailed from age 62. On average this will imply a reduction in old-age pension rights of 10-12%. In addition, disability benefit recipients automatically lose any rights to AFP scheme benefits to top up national insurance old-age benefits. The longevity adjustment mechanism (that reduces annual old age benefits in line with increases in longevity, shifting the costs of increasing longevity to future pensioners) is also applied to this group despite the fact that they cannot compensate by working longer. While the last government decided to soften the longevity adjustment for this group for some years ahead, the present government has signalled that it is inclined to remove the favourable treatment of disability pensioners in relation to the longevity adjustment.

3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

About 10% of all state employees belong to occupations covered by special lower age limits and are obliged to retire early, typically at age 60 but some with the possibility of retiring at age 57 (military officers and police officers) (Midsundstad 2005). In the municipal sector the share of employees with special age limits is even higher but the largest groups – such as nurses and cleaning workers – have comparatively high age limits (age 65) allowing them to withdraw voluntarily at age 62 (Nielsen 2014). Thanks to the AFP scheme, a similar right to (subsidized) early retirement from age 62 has been available to all public sector employees since 1997, but at somewhat lower benefit levels between age 62 and 65. A third possible way out of the workforce for public (as well as private) employees is through the disability benefit scheme. Formally the scheme is strictly reserved for claimants whose work capacity has been reduced by at least 50% due to a diagnosed medical condition, but the take-up is very high both in the public and the private sectors. About one-third of all public sector employees exit the labour force via the disability scheme, and of these most will have left before turning 62.

In the private sector special age limits for specific occupations (and corresponding special early-retirement options) are far less common. The quantitatively most important examples are the statutory special early-retirement schemes for seamen and fishermen, currently covering altogether about 30 000 employees – just over 1% of the total Norwegian workforce and less than 2% of the private sector workforce.

Due to the pension reform, subsidized early retirement through the AFP scheme was abolished in the private sector and replaced with an actuarially neutral system of drawing benefits from age 62. The reform has led to a significant increase in labour force participation – particularly among those groups that were previously covered by the AFP scheme. When the reform was implemented there were widespread fears that the abolition of subsidized early retirement would spill over into an increased take-up of disability benefits among late-career workers. So far this has not happened. The entry rates into the disability benefit scheme for workers above the age of 55 have declined quite significantly in the wake of the reform, and the most plausible explanation is that the measures taken to make the disability exit route less attractive have been rather effective.

The overall picture in the private sector therefore seems to be that – except for the few specific occupations mentioned – the cost of insuring against the risk of having to leave

the labour market early due to having a career in a particularly arduous and hazardous job has been rather effectively privatised and left to be borne by the individual worker.

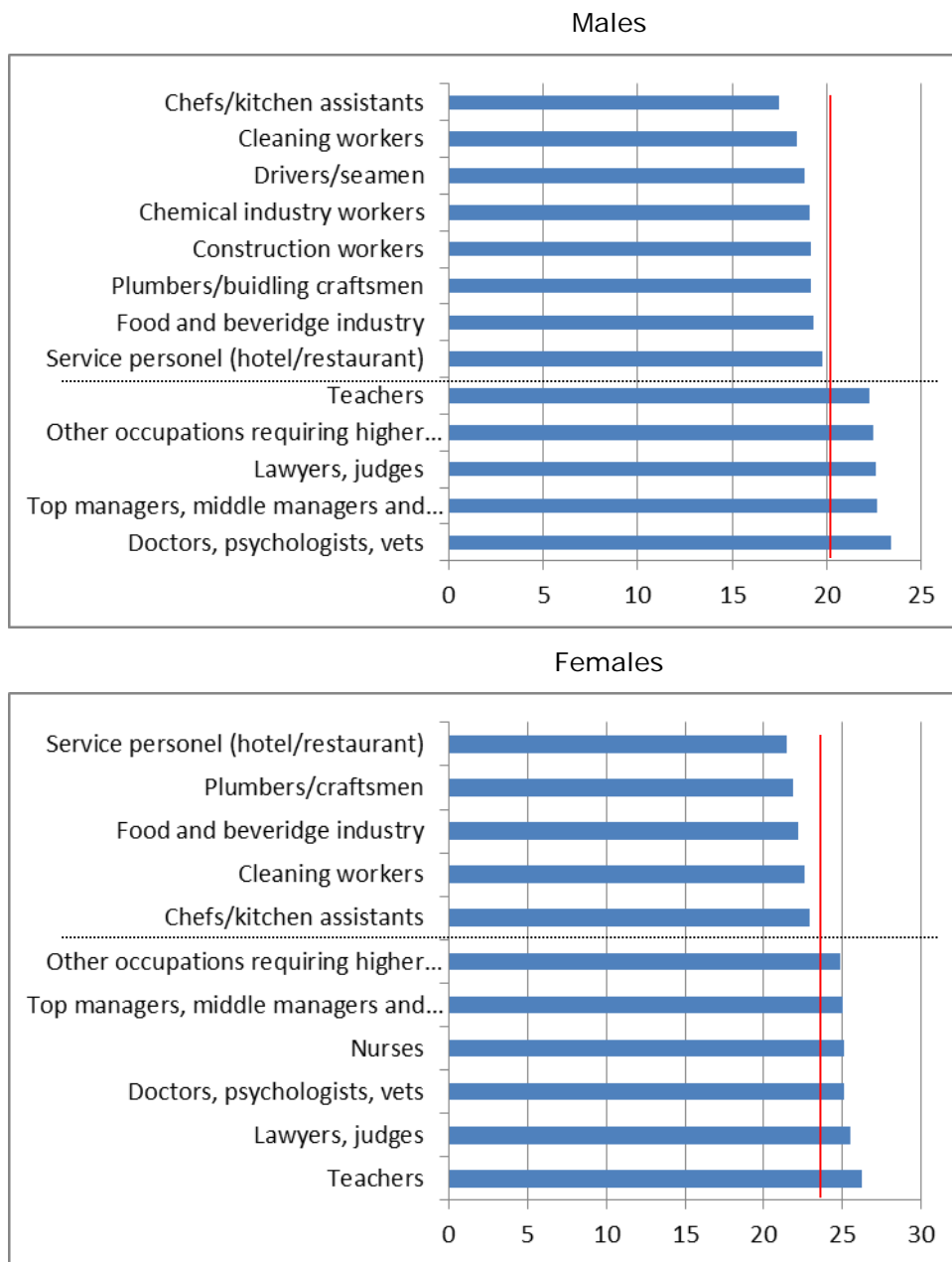
The actuarially neutral system of flexible retirement allows these workers to retire early, but they face the full costs in terms of low old-age pensions for the rest of their lives. Forestry workers provide an interesting example. They used to be privileged by a special early-retirement scheme just like fishermen and seamen. In the 1990s this scheme was deemed superfluous due to the introduction of the more general subsidised AFP option and was therefore abolished. When the subsidised early-retirement option was eventually removed with the 2011 reform, no special provisions in the system compensated this group of workers for their (presumed) need to retire earlier than others. The financial consequences of having to retire at 62 under the new flexible system are quite severe – compared with the situation pertaining for workers who are able to continue work until to the previous statutory pension age at 67. For a worker born in 1954, retiring at age 62 will reduce their annual pension benefits by more than one-third compared with the pension that would be payable had they worked until age 67.

At different points in the pension reform process it has been recognized that the existing system of special retirement ages, particularly in the private sector, needs to be thoroughly revised. It is interesting to note, however, that no concrete steps have yet been taken to face up to this challenge. The main explanation is that the unions and professional organizations representing groups with the lowest age limits (such as military personnel and police officers) are likely to provide strong opposition to any attempts at raising the age of retirement. Equally important, however, is the fact that it is very difficult to find legitimate criteria for, or operationalisations of, what might constitute arduous and hazardous occupations that require favourable treatment in terms of pension conditions.

One possible indicator of the need to retire early in different occupational groups is the statistics on mortality and remaining life expectancy at different ages. Figure 1 shows the remaining life expectancy at age 62 for men and women working in selected occupational groups. The list of occupations is by no means exhaustive and the groups have been selected for either having a particularly low or a particularly high remaining life expectancy for males and females respectively.

The overall average for males is 20.5 years and for females 23.6 years (marked with vertical lines). Among males the difference between the occupational group with the lowest remaining life expectancy (chefs/kitchen assistants = 17.5 years) to the group with the highest (doctors, psychologists, vets = 23.4 years) is 5.9 years. Among females the range of variation is somewhat smaller, with a difference between service workers in hotels and restaurants (21.5) and teachers (26.2) of 4.7 years.

Figure 1 Remaining life expectancy at age 62 for selected occupations, males and females (2009-2013)



Source: *Borgan and Texmon 2015.*

As shown in Figure 1, it is not always the same occupations that are associated with particularly high mortality rates in later life among males and females. Among males, chefs and kitchen assistants are the group with the lowest remaining life expectancy at age 62, whereas among females this group has a life expectancy fairly close to the average for females.

References

- Borgan, J.-K. and Texmon, I. (2015) 'Levealder og uttak av tidligpensjon i ulike yrker' [Life-expectancy and early retirement in different occupations]. SSB-report 2015/30. Oslo: Statistics Norway.
- Hippe, J.M. and Pedersen, A.W. (1988) 'For lang og tro tjeneste. Pensjoner i arbeidsmarkedet' [For long and faithful service. Pensions in the labour market]. Fafo-report no. 084 1988. Oslo: Fafo.
- Hyggen, C. (2008) 'Slitne kvinner og farlige menn. Om grunnlaget for særaldersgrenser i Norge'. [Worn out women and dangerous men. On the motivation for special, occupation specific age limits in Norway] Fafo-report no. 16/2008. Oslo: Fafo.
- Kalstø, Å.M. and Galaasen, A.M. (2015) 'Helserelaterte ytelser – utviklingen frem til 2014'. [Health-related social security benefits – developments until 2014] Arbeid og velferd no. 2/2015.
- Midtsundstad, T. (2002) 'AFP-pensjonisten: sliten – eller frisk og arbeidsfør? En analyse av tidlig pensjonering og bruk av AFP i privat sektor'. [The AFP-recipient – worn out – or healthy and able to work?] Fafo-report no. 385. Oslo: Fafo.
- Midtsundstad, T. (2005) 'Ikke nødvendigvis sliten.... En analyse av tidligpensjonering og seniorpolitikk i staten'. [Not necessarily worn out... An analysis of early retirement and the take-up of AFP-benefits in the private sector.] Fafo-report no. 482. Oslo: Fafo.
- Midtsundstad, T. and Nielsen, R. (2014) 'Arbeid og pensjon i kommunal sektor. Analyse av survey- og registerdata fra før og etter pensjonsreformen'. [Work and retirement in the municipal sector. An analysis of survey- and register data, before and after the pension reform] Fafo-report 2014:45. Oslo: Fafo.
- Nielsen, R.A. (2014) 'Tidligpensjonering i kommunal sektor. Tidligpensjonering innen KS' tariffområdet'. [Early retirement in the municipal sector] Fafo-report no. 35/2014. Oslo: Fafo.
- Veland, G. (2013) 'Early retirement pension systems in Norway. Occupations with lower age limits and their pension schemes'. Fafo-paper 2013:11. Oslo: Fafo.

Annex

Overview of occupations with special lower age limits and/or lower target ages for drawing full occupational pensions

Age limit (years)	Private sector *	Public sector**
41		ballet dancers at the Norwegian Opera and Ballet
52		opera singers (soloists) at the Norwegian Opera and Ballet
55	air pilots divers crew on offshore rescue helicopters	
56		opera singers (choir) at the Norwegian Opera and Ballet
60	airline crew	military officers fire workers police officers a) ambulance drivers
62	drivers	
63		prison guards police officers b)
65	offshore workers salesmen driver teachers miners nurses crane operators reindeer herders	train drivers and train conductors nurses cleaning staff dentists midwives physiotherapists drivers

*The listed private sector occupations can be given preferential treatment in pension systems run by their employers, but they are not necessarily legally forced to retire at the age indicated.

** The list is not exhaustive. For a more complete listing see Midtsundstad & Nielsen (2014)

Sources: Based on Veland 2013, table 1.

