

# Late exit policies in a 'universal' welfare state. The case of Norway

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## Introduction

In this paper, we will discuss how a 'universal' welfare state like Norway approaches the need to turn early exit into late exit. We start by providing a brief description of exit patterns and early exit pathways. We then review Norwegian empirical studies related to early exit, focusing on the distinction between so-called push, pull and jump factors. Further, we provide an overview of Norwegian policies to combat early retirement, characterised by a strong focus on active labour market policies. Finally, we point out some of the underlying factors which may explain the scope and structure of Norwegian policies in this area; such as strong federations among both workers and employers facilitating peak-level bargaining, informal corporatism facilitating a compromise-oriented political culture, and the mixed blessing of large oil revenues.

## Employment of older workers

Since the 1970s, exit from the labour force has occurred increasingly early within the OECD countries. Partly, this has resulted from early retirement schemes intending to pull older workers out of the labour market and make room for younger cohorts. This has never been a policy in Norway, and employment rates in older groups remain among the highest in the world (table 1).

In 2001 72 percent of older men (55-64 years) and 62 percent of older women were gainfully employed. Registered unemployment in the same age categories was as low as 1.6 percent (1.7 for men and 1.4 for women). For the last thirty years, unemployment has remained low: 1-2 per cent during the 1970s and 2-3 per cent during the 1980s. Unemployment reached a high water mark of 5-6 percent in the early 1990s, and fell to around 3 per cent from 1998 (2001: 3.5 per cent). Unemployment among elderly workers has generally been lower than the general level of unemployment. However, the relative proportion of long-term unemployed is higher among older workers, indicating increasing problems in finding a new job with increasing age.

Exit from work mainly takes place between 60 and 67 years, and the decrease in employment rates follows a similar pattern for men and women. For those being employed at the age of 50, average age of exit is 63 for both men and women

(Trygdestaten 1999). We shall take a closer look at the changes in employment for the 60-66 years old over the last 20 years (fig. 1 and 2).

The employment rate of elderly men (60-66) decreased steadily from 72 per cent 1980 to 52 per cent in 1994. After a minor reversal in 1996 it has stabilised and is 54 per cent in 2001. The employment of elderly women has fluctuated between 38 and 44 per cent, reaching the highest level in 2001. An increased early exit also among women is counteracted by new cohorts of women are entering middle age with higher employment rates than earlier cohorts.

Increased early exit has until 1994 happened quite independent of changes in general employment and unemployment. The decrease in employment rates among older men started many years ahead of the (modest) rise in unemployment during the 1980s. In other countries early exit may be more closely connected to increasing unemployment, especially when systems of early exit pensions were introduced as a response to the unemployment situation. The overall employment situation improved between 1993 to 1998 and then stabilised. An improved employment situation has favoured young workers in particular, but older workers have also benefited

Even if the employment situation of older workers in Norway is fairly good in international comparison, early exit has increased and causes great concern over public expenditure and future lack of labour, as in other countries. Contrary to many countries, public early retirement schemes (apart from disability pensions) were never introduced in Norway, which also maintains the highest formal retirement age in the world (alongside Iceland): 67 years (Social Security Administration 1999).

## **Early exit pathways**

Norway has only to a limited extent followed the rest of Europe to reduce retirement ages or introduce public early exit schemes. When the National Insurance Scheme was introduced in 1967 eligibility for old age pension remained 70 years, as was the case also in the former flat-rate universal old age pension. In 1973 retirement age was reduced to 67 years, where it still remains. An option for gradual retirement as well as a partial pension was added between 67 and 70.

Below, we shall take a closer look at existing pathways for early exit (before 67). They can be categorised within three broad groups: Public paths (primarily disability pensions) negotiated paths (early retirement based on negotiations between employers and employees), and private paths (based on private means). Not all citizens have the opportunity to use the various paths (they are "outsiders"): All paths are to a various extent riddled with an insider/outsider problem.

### *Public paths*

Disability pension schemes represent the most widespread early exit-option in Norway. In 2001, 10 per cent of the overall population aged 18-66, and 38 per cent of the age group 60-66, received a disability pension (Rikstrygdeverket 2002). If vocational training and rehabilitation benefits are included, Norway spends a larger share of GDP on disability-related benefits than any other OECD country (OECD

2002, 2). Norway is one of very few countries where women are more numerous than men on the disability rolls. This indicates the high labour force participation among women, but also the fact that also non-workers (homeworkers) are eligible for a minimum disability pension in their own right.

In addition to disability benefits, certain occupations are allowed to retire before age 67 (such as air traffic controllers, ballet dancers and military officers). There is no regular early exit scheme in Norway, however.

#### *Negotiated paths*

In 1988 the federation of trade unions (LO) reached an agreement with the federation of employers (NHO) to introduce an occupational early retirement scheme (AFP), available from age 66 in 1989. The scheme covers approximately half the workers in the private sector. The unions organising state and municipal employees have reached similar agreements with public sector employers. Altogether 60 percent of the workforce are covered. Eligibility age has gradually been lowered, and from 1998 AFP allows employees to retire from age 62 onwards. Public superannuation from age 67 is not reduced if the worker has retired through AFP. By 31.12.2001, 19 per cent of the population aged 62-66 received AFP-pension (Rikstrygdeverket 2002).

With no early exit schemes available until 1989, Norwegian companies used 'gray' solutions to restructure their work force. Gift pensions or lump sums have been given to older employees, combined with unemployment benefits or disability pension, or employers have paid older workers off with company money alone.

The self-employed and workers in companies outside the agreement parties are outsiders with regard to AFP. That is also the case with regard to those who are not gainfully employed (or registered unemployed) at least 10 years after the age of 50. Also, to be eligible for AFP one must have earned an income equivalent to at least one so-called "base amount" (2002: EURO 6710) in the year of application (NOU 1994,2:101). Although the scheme is controlled by the social partners, it is administered by public authorities and the government finances 40 per cent of the costs. AFP can thus be regarded as a hybrid private/public scheme.

#### *Private paths*

All public employees and approx. 30 percent of private employees have access to occupational pensions alongside public superannuation. This sums up to a good 50 per cent of the work force. Norwegian regulations state that an employer must give all his/her employees, workers as well as salaried staff, access to the scheme (and on equal terms) if the scheme is to enjoy tax privileges. None the less, most manual workers in the private sector do not have access to occupational pensions. In addition to occupational pensions, 19 per cent of the population aged 18 to 66 have bought an individual private pension (Flaa & Pedersen 1999,28).

Contrary to the popular stereotype of Scandinavia as home of all-out public welfare, then, private pension coverage is more widespread in Norway than in most continental-European countries. The importance of individual and occupational pensions for early retirement is limited, however. Norwegian tax law stipulates that the scheme cannot pay benefits (apart from disability benefits) before age 67, if the

scheme is to enjoy tax privileges. This rule is meant to ensure that private pensions do not serve as a tax-subsidised early exit option for white-collar workers in particular.

## Causes of early exit

Is early exit based on a rational individual choice or is it a result of structural constraints? The degree of choice or constraints will vary according to eligibility rules, pension benefits, labour market, working conditions, health, work ability, family situation, activity preferences, social norms, value systems, etc. In order to influence exit behaviour, either by stimulation of certain choices or by removal of constraints, such factors have to be addressed. The various factors are commonly grouped in three categories; push, pull and jump (Gambetta 1989, Kohli & Rein 1991, Marklund 1992, Sørensen 1999).

Push factors are work-related. Poor working environments, structural unemployment, increasing demands and stress, conditions that wear out or reduce work ability of older workers, negative attitudes towards older workers, and informal expectations or norms that one should retire as soon as this option is available, can all push the individual toward retirement. Accordingly, policy measures aimed at reducing push factors include improvement of working conditions, subsidies or tax exemptions for employers recruiting or retaining older workers, removal of disincentives for employers to recruit or retain older workers, and improvement of older workers' work ability, health and training.

Pull factors are pulling from outside work, such as favourable pension arrangements. Policy measures to limit pull factors include efforts to tighten eligibility rules or lower benefit levels, as well as granting higher pensions if retirement is postponed, or introducing more favourable rules for combining work with pension. These measures represent carrot-and-stick interventions to influence the incentive structure of the employee.

Jump factors indicate that the worker, with a high degree of individual choice, moves on from work to something more attractive. This may be leisure activities (hobbies), voluntary work, increased family engagement or starting a second career. Policies to reduce exit due to jump again include tightening of eligibility rules or reducing benefits, but also to improve working conditions or create new challenges at work, which may add to the attractiveness of work. Besides, more favourable tax rules or enhanced possibilities to combine work with partial retirement may increase the preference of jumping to a second career rather than to full time leisure.

Which policy instruments that are most effective depend on the relative strength of the operating factors. The relative strength of operating factors will vary since the importance of various factors is context dependent. The context will vary across time as well as according to country, cultural climate, pension system, branch of industry and so on, and a general conclusion on the relative strength of the operating factors is futile. Another reason for inconclusive results on the relative strength is that few studies have included variables with a balanced coverage of the relevant factors. Some studies focus on incentives, others on labour market or work environment. Henkens (1998) has carried out one of a limited set of studies with broad coverage of

factors. He finds push factors to be strongest, followed by jump and then pull. However, in this Dutch study variation in compensation rates is small and allows only small pull effects.

Disability pensioners by and large report that they are forced to retire due to health problems or too strenuous work, while AFP pensioners retire in order to have more time for family, friends and leisure activities (Blekesaune & Øverbye 2001). Thus, Norwegian research indicates that push factors are prominent for disability pension, while jump factors dominate for AFP (early retirement) pensioners.

Push factors are primarily reflected in reduced work ability due to musculo-skeletal disorders or mental health problems (Lahn 1996, Holte et al. 2000). Among work environment factors, physical strain and ergonomic problems are correlated to early retirement (Lahn 1996, Mykletun 2000, Holthe et al. 2000). However, the most prominent effects on early retirement seem to be due to psychosocial factors (Solem 2001), such as monotonous tasks, lack of self-determination, and marginalisation as indicated through less exposure to daily hassles and stress (Solem & Mykletun 1996, 1997). Initially somewhat paradoxical, results indicate that hectic and stressful work under certain conditions may also prevent early exit. This can be understood as an effect of full inclusion in work, resulting in exposure to stress. Workers on the slope to exit are often written off and left in peace with quiet tasks. Their work is not stressful or hectic, but neither is it very meaningful. To be included often means to be hectic and stressed. The effect of stress thus varies according to context (Mykletun 2000). In accordance with the classical stress concept of Hans Selye (1956), stress is not always a negative and exhausting experience.

Concerning pull factors, Blöndal & Scarpetta (1999) argue that availability and increased generosity of early retirement schemes has resulted in massive pull out of the labour force within OECD. However, as pointed out by Guillemard (1999), it is not self-evident that tightening of benefits will necessarily reverse his trend. This is a different empirical question. It may also be that less generosity has a stronger effect on voluntary early exit than on exit due to disability, since early retirement due to ill health is less likely to be strongly influenced by reduced benefit levels than voluntary early exit to enjoy more leisure. In 2000, the free income allowed each year on top of AFP was reduced from the equivalent of about 6000 EURO to 500 EURO. This resulted in a 37 percent drop in the number of new AFP pensioners. This indicates that tightening of the rules may indeed cause a substantial drop in the number of claimants to voluntary early exit schemes. (After strong protests, a motion for reversal of the cut in free amount is in progress in 2002). Tightening eligibility rules in the Norwegian disability benefit scheme in the early 1990s also created a sharp drop in applicants in the mid-1990s, but in the late 1990s the increase was “back on track”.

Summing up, studies have not been able to give any definite answer concerning the relative importance of the push, pull and jump. And, due to the context-dependency of factors, it is highly unlikely that research will ever be able to locate a set of factors that has the same effect across countries, and across time. None the less, available studies indicate that policy interventions can influence the time of retirement, in particular by influencing the work environment or by changing the pension system.

## **The context of change in policies and programs**

*Norwegian society is work-oriented*, and in the public debate there is often a taken-for-grantedness in the claim that work is more satisfying than leisure. It is tempting to speculate if this is due to a remnant of Protestant work ethic in an otherwise secularised society, or caused by a hegemonic social-democratic culture (social democrats traditionally being hostile to everyone who makes a living without working, be they capitalists or belonging to the “lumpenproletariat”). Whatever the reason, an effect has been that Norwegian early exit schemes have not been conceptualised as part of labour market policy. The continental-European strategy (popular in the 1980s) to encourage early retirement in an attempt to enhance work opportunities among the young, never became official Norwegian policy. Instead, early exit is seen in the context of social security. To the extent that early exit opportunities have been created, the argument has been that disabled individuals with low labour productivity should have sufficient economic resources, or that older workers who are worn out and tired after a long career should have a “worthy” exit option.

### *High employment and low inflation*

Norway has one of the highest proportions of people in the labour force in the first place, close to full employment, combined with low inflation. The Norwegian success story (so far) has some connection with petroleum wealth, but this point should not be overstated. From the modest beginnings in the 1970s offshore oil and gas production now account for about 40 per cent of Norwegian export, but employ only 1 per cent of the labour force. The impact of oil revenues on mainland employment is not clear-cut. On one hand, oil revenues does in principle make it easier to subsidise mainland production, thus reducing the necessity to restructure. This might have happened in the sheltered part of the Norwegian economy, i.e. the part which is not exposed to foreign competition (such as health and nursing services and public administration). On the other hand, oil revenues make the Norwegian currency (NOK) artificially strong, and this creates problem for export industries. A strong currency increases the costs of exports, and makes imports cheap. Industrial production in mainland Norway has stagnated, and Klette & Mathiassen (1996:8) argue that turnover in industrial work places is higher in Norway than in the US. Norwegian governments have been reluctant to use oil money to subsidise mainland industrial production. Oil revenues have rather been used to pay off debt (the state is debt-free), and to build up a large nest egg of foreign investment. So far 66 billion EURO have been invested abroad (approx. 14.600 EURO per capita). The state-owned petroleum fund is ment to serve as insurance against a serious economic downturn once the oil runs out. However, it simultaneously serves to strengthen the Norwegian currency further, creating additional problems for exporting and import-competing industries.

Petroleum wealth is thus not the only factor of importance when explaining why Norway has been able to maintain close to full employment. Characteristics of Norwegian industrial relations must also be emphasised to understand why full employment has been maintained, as well as why full employment has not (so far) led to inflationary wage demands. Unlike continental Europe, one federation of

employees (LO) has been dominant, and this federation has close ties with the Labour party. Communist as well as Christian Democratic unions never gained a foothold in Norway. The Communist party was reduced to a minor party soon after the war, and Catholic Social Doctrines are virtually unknown in Norway – due to the dominance of Protestantism. Hence LO never had to compete with other federations to gain the loyalty of workers, and has been able to show wage moderation in collective bargaining without having to fear that employees might secede to competing confederations. Due to its dominant position, LO has in a sense “internalised” the interests also of the unemployed, who are also members – or at least potential members – of LO. This implies that LO has been willing to show wage moderation to enhance employment opportunities for unemployed and low-productivity workers. This behaviour on behalf of unions is less likely to take place in countries with many confederations, or in situations where the central level only exerts weak authority over member unions. This so-called "solidaristic wage policy" may explain why Norway was able to maintain full employment and low inflation during the 1990s.

#### *Lack of labour and social security costs*

Concern over the moral hazards of early exit and a growing awareness of age discrimination have facilitated a new impetus to late exit policies in the 1990s. But probably more important was the growing understanding of the effects of demographic changes both on labour supply and on financial burdens for the National Insurance Scheme. As a result, a Social Democratic government introduced the so-called ‘work promotion policy line’ in the late 1980s. In 1990-1992 eligibility rules in the disability pension scheme were tightened, including more objective diagnostic criteria for illnesses qualifying for disability pension and direct cuts in the benefit level. This led to a temporary reduction of the number of new disability pensioners. However, after a non-Socialist coalition government led by the “Christian People’s party” came to power in the mid-1990s the active line was softened somewhat. Since 1993 the main focus has been on push rather than on pull factors.

#### *Flexibilisation of working life*

Recent changes in working life constitute a central part of the context for early vs. late exit. Flexible companies that are able to adapt to changing markets are rewarded. Even in the public sector, markets become increasingly important. Employers seek flexibility in different ways, for instance by employing only a small permanent staff and relying more on temporary employees, project staff, contracts with self-employed workers, or outsourcing. Less secure terms of employment combined with increased pressure will probably augment the risk of early exit. Based on a review of 156 studies from all over the world 1966 to 2001, Quinlan (2001) finds that insecure employment conditions have adverse effects on health. From 1990 to 2000 work has also become more intensive (Paoli & Merllié 2001). Intensity, defined as working at high speed or to tight deadlines, appears to be even higher in Norway than in other European countries (EU15). Speed of work may affect health, and temporary workers report more exposure to risk factors than permanent employees (Paoli & Merllié 2001).

The above trends in working life concern increased flexibility for employers. But also for employees flexibility has increased. Life-course flexibility in combination of work, education and leisure, is slowly in progress (Rehn 1972, 1990; Guillemard

1999). Students more often have part time jobs than some years ago. The right to take leaves at childbirth and for child-care are more generous, and there are some possibilities to combine part time work and partial pension. In Norway, a right to temporary leave for up to three years to pursue further education was implemented in 2000, and the use of time accounts is emerging. Flexibility may thus also enhance the possibility for older workers to remain employed. Flexibility is a Janus-faced phenomenon, and means different things in different contexts.

#### *Fewer young may boost employment for the old*

There are also trends pointing towards improved employment opportunities for older workers in the future. The most important factor is decreasing birth rates, which limit the influx of younger workers. This is likely to improve the labour market situation also of older workers. This is particularly the case in Norway since the economy is running at full capacity and there is no longer a large “reserve army” of women to recruit. Unless working life is extended, or a major depression should occur, mass immigration will probably be necessary to fill the increasing number of vacancies in the Norwegian economy. Admittedly, Norway is in a unique position due to huge oil revenues, but the demographic trend toward smaller birth cohorts is the same in almost all European countries.

### **The early exit debate**

During the 1990s there has been several government committees discussing how to encourage late exit. Their recommendations, although seldom implemented, indicate how political and administrative elites “define the situation”, and how solution attempts have been framed. Also, they illustrate an important aspect of Norwegian policy making: Government commissions often include representatives of unions and employers alongside government officials and experts, and large sections of the reports are devoted to statistical analysis, fact-finding and evaluation of previous policies. In this way, committee members are socialised into adopting a pragmatic view of the issues at hand, and the scope for ideological disagreements is reduced somewhat. Government commissions can thus be perceived as a “semi-corporatist” element in the decision-making process (cf. Wilensky 1983,61-4).

The committee ‘On Work and Retirement’ (NOU 1994:2) recommended improved flexibility both before and after age 67. This recommendation partly sought to secure more individual freedom, partly to limit financial costs. The committee recommended to restrict early exit, including AFP. Committee members representing employers and employees protested against AFP restrictions. Improved working conditions and work environment was also mentioned by the committee, but here recommendations were held in general terms (NOU 1994:2, 254). If proposed measures did not result in later exit, the majority of the committee recommended to increase the retirement age beyond 67. However, members representing employers and employees opposed this recommendation.

A few years later, a new committee ‘On Flexible Retirement’ (NOU 1998:19) considered similar changes. This committee also suggested measures to increase the effective retirement age. Rising social security costs and a projected increase in the number of pensioners were the main reasons given for this policy recommendation.

This committee also called for responsiveness to individual needs when choosing retirement age, before as well as after age 67. Expansion of gradual retirement options was also mentioned as a possible aim of pension reforms. The committee explicitly stated that fighting unemployment among young persons was not an aim of pension reforms.

The committee recommended to replace AFP with public early retirement arrangements, thereby making early retirement available for all employed persons. Incentives for early retirement in AFP were to be replaced with a system which actuarially reduce early pensions and actuarially increase postponed pensions. If implemented, this would make a prolonged working life economically more beneficial. The committee also recommended more immediate changes in AFP, including adjusting tax treatment. Again, the purpose was to increase the incentive to continue working. Other recommendations included more co-ordinated and focused rehabilitation efforts, giving higher priority to activation of elderly unemployed, and amendments to the Work Environment Act to prohibit occupational pensions from not providing higher benefits if employees stay on till age 70. Finally, the committee recommended to support 'life phase adjusted personnel policy' or 'senior policy', and to stimulate authorities, labour market organisations as well as companies to create personnel policies better adjusted to older workers.

The Committee did not agree on the above policy proposals. In an unusual move, members representing labour unions resigned from the committee before the report was presented. This split illustrates disagreements about amendments to the pension system, including AFP. Unions agree in principle that effective retirement age is too low and that one should improve options for continued work. At the same time, they defend established arrangements against cutbacks. As a result of this conflict, further work with changes of the pension system has been largely set aside, while all parties seem prepared to co-operate on finding improvements in working life.

### **Focus on working conditions**

The proposals of the Flexible Retirement Committee have not been implemented, but the work of the committee has stimulated efforts to improve working life. An ad hoc group (*ASSA: a working group for promotion of seniors in working life*), a broad constellation of all the main parties in working life, emerged. The group was led by the semi-public Centre for Senior Planning (SSP). SSP and ASSA prepared an Action Program for Senior Policy, which was launched in 2001 and is scheduled to end in 2005. The goal is to improve options for prolonged working careers through amendments of working conditions and personnel policies. The plan proposes six areas of activity (1-3 are main focus the first year):

1) Mobilising working life organisations. This includes social partners, ministries, employment authorities, personnel management consultants, research institutes, adult education units, and social security administrators. The aim is to initiate co-operation between these partners on national, regional and local level, and to stimulate senior policy activities within each organisation.

2) Information. The program attempts to raise awareness on the situation of ageing workers through a media campaign and information addressed to target groups in working life.

3) Development projects. A limited number of concrete projects will be initiated in both the state, municipal and private sectors. The projects will be led by research

institutes with competence on action research and organisational development. The aim is to establish controlled knowledge as a basis for changes to spread through working life.

4) Research. To types of research is proposed: Evaluation of the Action Program, and more general research on ageing and work. Through the Action Program, SSP is co-ordinating the research network Working Life, Ageing and Life Course – Work Environment and Personnel Policy (YAL).

5) Education and competence improvement. One aim is to stimulate participation in educational programs and training among older workers, another to stimulate educational programs in senior policy for professionals. A third aim is to produce educational material aimed at company-level personnel officers, and to train private consultants and public working life agencies to increase the number of units able to support companies implementing senior policies.

6) Funds to support changes. Two funds were proposed to support changes at the work-place level: one for company consultants who want to implement senior policies, and another for specific measures within companies.

Parallel to the action program for senior policy, an "intentional agreement" on a more including working life was agreed upon by the government and the social partners in October 2001. The agreement comes out of yet another committee report, "An Including Working Life" (NOU 2000:27). The program aims to reduce sickness absence with 20 per cent by the end of 2005, in particular through increased focus on rehabilitation and retraining. This must be seen in connection to proposals to restrict sickness benefits, which are rather generous in Norway. Workers can remain on sick leave up to one year with full pay, and there is no waiting days. The government has agreed to refrain from reducing sickness benefits till 2005, to give the new activation measures a chance to prove themselves.

'An including working life' also aims to enhance labour market participation by disability pensioners and older workers. The main focus is on the company level. A 'collaboration agreement' with local social security offices is the basis for various arrangements, e.g. a more lenient practice of sick leave without medical examination. This is combined with an active dialogue between employer and employee during sick leave plus more active intervention by local social security offices. To include workers with reduced functional ability, companies are urged to chart tasks that can be performed by disabled persons. A subsidy is available for adjustment of tasks, in addition to a salary subsidy of maximum 50 per cent for 3 years. For older workers companies are supposed to implement senior policy or life phase adapted policies, and to stimulate continued work in co-operation with the individual older worker. As from July 2002 payroll taxes are reduced for workers 62 years and above. If the program succeeds in including more disabled and older workers, the aim of reduced sickness absence may be challenged, as marginalised workers are more sickness prone. Thus the dual aim of the program includes a possible conflict, where the better-defined aim of reducing sickness absence might override the inclusion of marginalised workers.

A much stronger financial effort is put into Including Working Life (about 27 million EURO for 2002), than into the Action for Senior Policy (0.65 million EURO). The main cost is connected to 19 Regional Centres for Including Working Life, which are about to recruit 600 consultants in 2002. This must be seen in the context that Norway

is a country of only 4.5 million inhabitants, and already spends more on active labour market programs than most OECD countries (OECD 2002).

### **A Norwegian retirement policy 'regime'?**

In the welfare state literature, it has become tradition to group the Scandinavian countries together, and to use the label "universal" or "institutional" when describing the social policies of these countries (Esping-Andersen 1990). These labels connote policies that are very broad-based, that do not use means tests, are rights-based, are mainly financed through general taxation and wholly public in nature. The labels do apply to Norway - sort of. "Wholly public in nature" needs to be specified, however. The early retirement AFP scheme is, legally speaking, a private scheme since it is the result of peak-level collective bargaining. Retirement, disability and rehabilitation benefits are wholly public financed and administered, but there is a private component in the sickness insurance scheme, as employers are compelled to finance the first 14 days of any sickness spell. Further, Norway does not operate any public occupational injury scheme but compels employers to buy occupational injury insurance on behalf of their employees in private insurance companies. This resembles the British approach to social protection.

Concerning rights-based benefits, there is actually an interesting tension between providing rights-based benefits and pursuing ever-more active labour markets policies. To provide citizens with a legal right to, say, disability benefits, the claim must be legally enforceable; implying that a claimant who is turned down must be able to test his/her case in court to see if the street-level bureaucrat made the right decision. The problem is that benefit administrators are now asked to use professional discretion to channel as many claimants as possible into rehabilitation and activation programmes, rather than simply to grant them benefits. Their role is changing from being a "judge" to become an "activator". In this process, they have more scope for discretion in making a decision. Increased scope for discretion makes it more difficult for a claimant who believes s/he has been allocated to the "wrong" program, to challenge this decision in court. Re-casting the role of street level administrators as "therapeutic interventionists" may thus have the side-effect to reduce the legal entitlement to certain benefits, since they boost the scope for discretion on behalf on benefit administrators.

To sum up, Norwegian retirement policies - like retirement policies elsewhere - illustrate that the underlying goals are to some extent in conflict. Benefits should be generous and rights-based - but people should be rewarded for staying on longer, and administrators should channel claimants into "active programmes" as often as possible. Costs should be shared by the whole of society - but employers, as well as employees, should have financial incentives to act in certain ways rather than others. Policies represent uneasy compromises between such goals (compromises that shift over time). There is no particular Norwegian "regime" concerning the content of these compromises, but perhaps there is a Norwegian "regime" concerning how these compromises are reached, and how they are re-negotiated. First, through a process involving series of government commissions where experts, government officials, trade union members and representatives of employers all participate; and second,

through routinised contacts and meetings between political parties, unions and employers ("informal corporatism"). Government commission reports usually use much space to describe and analyse the problems, in effect socialising members into adopting a pragmatic (as opposed to ideological) approach to the issues; and persistent meetings between top level actors who know each other also from other settings (Norway being a small country) further helps to reduce conflicts and make actors look for compromise solutions. This is in line with Wilensky's now classic hypothesis that "democratic corporatism" serves as a source of consensus building (see also Schmitter 1981). Norway fits well into Wilensky's (1983,71) four-fold characterisation of corporatist democracies: 1) Strongly organised bargaining channels; 2) peak bargaining between social partners; 3) peak bargain arrangements do not only focus on labour market issues; and 4) social policy is to some extent absorbed into general economic policy, enhancing chances for social consensus.

## Conclusion

How does a 'universal' welfare state like Norway approach the need to turn early exit into late exit? Of two options; 1) restrictions or incentives in the pension system (pull factors), or 2) improvements in working life (push factors), the second is preferred. Attitude campaigns, a focus on work environment, and promotion of senior sensitive personnel policy are implemented to incite older workers to remain in work. For the time being, pension schemes appear to be protected against restrictions. Is this because of a shared ideology of universal social rights protecting welfare arrangements from cutbacks? Probably not. A number of proposals on changing the incentive structure of pension arrangements have been put forward over the last decade. A few amendments are implemented, but strong opposition from the unions hampers more comprehensive restructuring of the system. A better explanation is to be found in the centralised bargaining system and 'democratic corporatism'. To reach consensus policy focus has to be on push factors and to leave pull factors aside. Since improvements in working life depends upon active participation of employers and unions on company level, a broad agreement is crucial to get a joint and strong emphasis on late exit policy.

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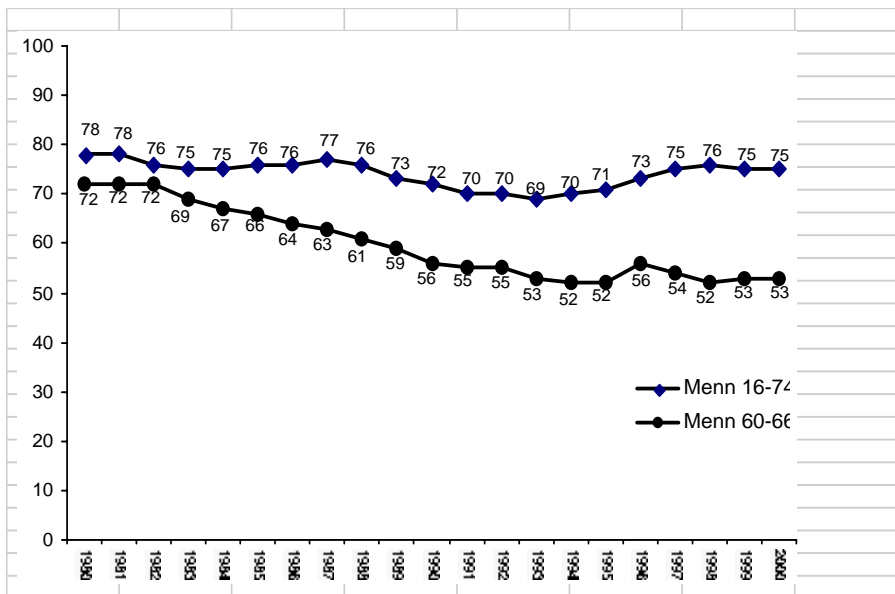
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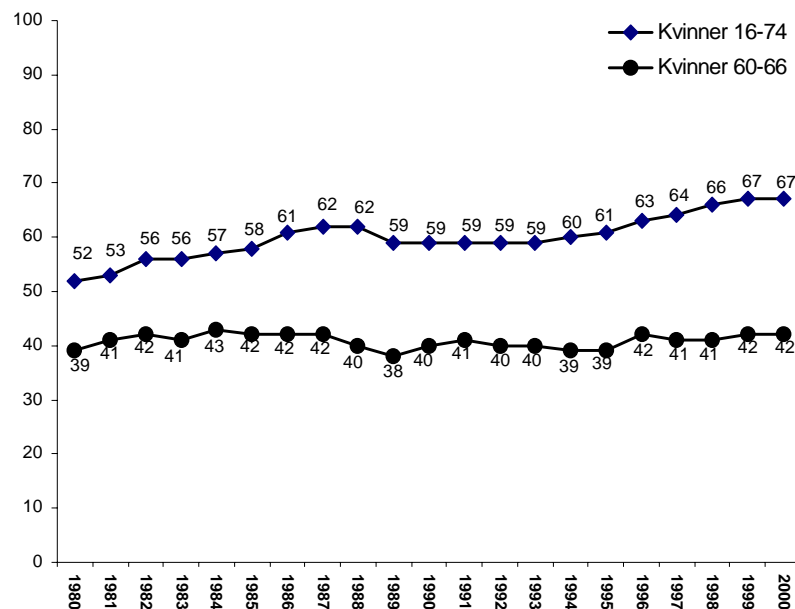
**Table 1 Employment/population ratios in the age group 55-64 in selected OECD countries 2001.**

Source: OECD Employment Outlook, July 2002

	Total	Men	Women
Iceland	85.6	91.0	80.2
Norway	67.4	72.3	62.3
Switzerland	67.1	81.0	55.3
Sweden	67.0	69.6	64.3
Japan	62.0	77.5	47.3
USA	58.4	65.8	51.6
Denmark	56.6	63.1	49.6
United Kingdom	52.2	61.6	43.2
Mexico	52.1	79.5	27.4
Finland	45.9	46.7	45.1
Netherlands	39.6	50.5	28.0
Germany	36.8	45.4	28.4
France	36.5	41.4	31.8
Austria	27.4	37.9	17.4
Belgium	25.2	35.1	15.6
Hungary	24.1	34.9	15.3
Slovak Republic	22.3	37.6	9.8



**Fig. 1. Employment for men 16–74 years and 60–66 years from 1980 to 2000.**  
Source: Statistics Norway (AKU).



**Fig. 2. Employment for women 16–74 years and 60–66 years from 1980 to 2000.**  
Source: Statistics Norway (AKU).

### **Early exit pathways**

Early exit = exit before 67  
(67 = eligibility age for universal old age pension)

#### **Public paths**

Disability pension:

- 10 % of the population aged 18-66
- 38 % of the age group 60-66

Unemployment benefits (marginal)

Certain occupations with lower eligibility age

#### **Negotiated paths**

The negotiated early retirement scheme (AFP)

- available from age 62
- covers 60 percent of the workforce
- 19 % of the population aged 62-66

'Gray' solutions (Gift pensions or lump sums)

#### **Private paths**

Occupational pensions

- All public employees are covered
- and 30 % of private employees
- Altogether a good 50 %

Individual private pension

- 19 % of the population aged 18 to 66

### **Causes of early exit**

#### Push factors

- Structural unemployment
- Poor working environments/working conditions

#### Pull factors

- Favourable pension arrangements.

#### Jump factors

- Leisure activities
- Family engagement

No definite answer concerning the relative importance of the push, pull and jump (context-dependent)

Studies indicate that policy interventions can influence the time of retirement, in particular by influencing the work environment or by changing the pension system.

### **The context of change in policies and programs**

Norwegian society is work-oriented

High employment and low inflation

- 'Solidaristic wage policy'
- Oil (a mixed blessing)

Demographic changes

- Lack of labour
- Social security costs

Flexibilisation of working life

- Insecure employment affects health.

Intensity of work increases

### **The early exit debate**

The committee 'On Work and Retirement' (NOU 1994:2) recommended to

- restrict early exit, including AFP
- raise retirement age beyond 67 if other measures failed to succeed

Committee members representing employers and employees opposed these recommendations.

The committee 'On Flexible Retirement' (NOU 1998:19)

recommended to

- replace AFP with public early retirement arrangements with actuarially reduced early pensions and actuarially increased postponed pensions
- support personnel policies better adjusted to older workers

The members representing labour unions resigned from the committee before the report was presented, due to disagreements about amendments to the pension system, including AFP.

### **Focus on working conditions**

#### The Action Program for Senior Policy ( 2001 – 2005)

The goal is to improve options for prolonged working careers through amendments of working conditions and personnel policies.

The plan proposes six areas of activity (1-3 are in main focus the first year):

- 1) Mobilising working life organisations
- 2) Information
- 3) Development projects
- 4) Research
- 5) Education and competence improvement
- 6) Funds to support changes

#### The Intentional Agreement on a more Including Working Life (2001 – 2005) aims to

- reduce sickness absence with 20 %  
(as an alternative to restrictions in the generous sickness benefits)
- enhance labour market participation by disabled workers/pensioners
- raise the effective retirement age by including more older workers

The main focus is on the company level, supported by 19 'Regional Centres for Including Working Life', with 600 consultants.

### **A Norwegian retirement policy 'regime'?**

#### 'Universal' social security as ideal type

- are rights-based
- use no means tests
- are mainly financed through general taxation and
- wholly public in nature.

The label do apply to Norway, but waning:

- The early retirement AFP scheme is, legally speaking, private
- Mandatory occupational injury insurance is now operated by private insurance companies.
- Rights-based benefits administrators are changing from "judge" to "activator" when deciding on 'rights' (to e.g. disability pension)

Retirement policies represent compromises between conflicting goals.

There is perhaps is a Norwegian "regime" concerning how these compromises are reached  
–a special version of 'democratic corporatism'?

### **Conclusion**

Of two options;

- 1) restrictions in the pension system (pull factors), or
- 2) improvements in working life (push factors),

Norwegian late exit policies focus on the second.

This is probably more a result of a centralised bargaining system and 'democratic corporatism' than of a shared ideology of universal social rights protecting welfare arrangements from cutbacks