

The background features a stylized illustration of a hand with red-painted nails dropping a gold coin into a red piggy bank. The coin has the number '10' on it. The scene is set against a purple and blue background with green hills and a red piggy bank at the bottom.

OECD Pensions at a Glance, 2017

How does Norway compare?

FAFO seminar, 9 February 2018

Hervé Boulhol

***Senior Economist, Pensions and Population Ageing
Directorate for Employment, Labour and Social Affairs,
OECD***

Pensions at a Glance, OECD 2017

- Updates rules and parameters. All legislated measures until September 2017
- 2 special chapters
 - Pension reforms between September 2015 and September 2017
 - Flexible retirement in OECD countries
- 34 indicators covering OECD and G20 countries
- Country profiles available at <http://oe.cd/pag>

Presentation, Pensions at a Glance 2017

How does Norway compare?

Setting the scene : income of older people, population ageing and employment

Recent pension reforms

Pensions in Norway compared to other OECD countries

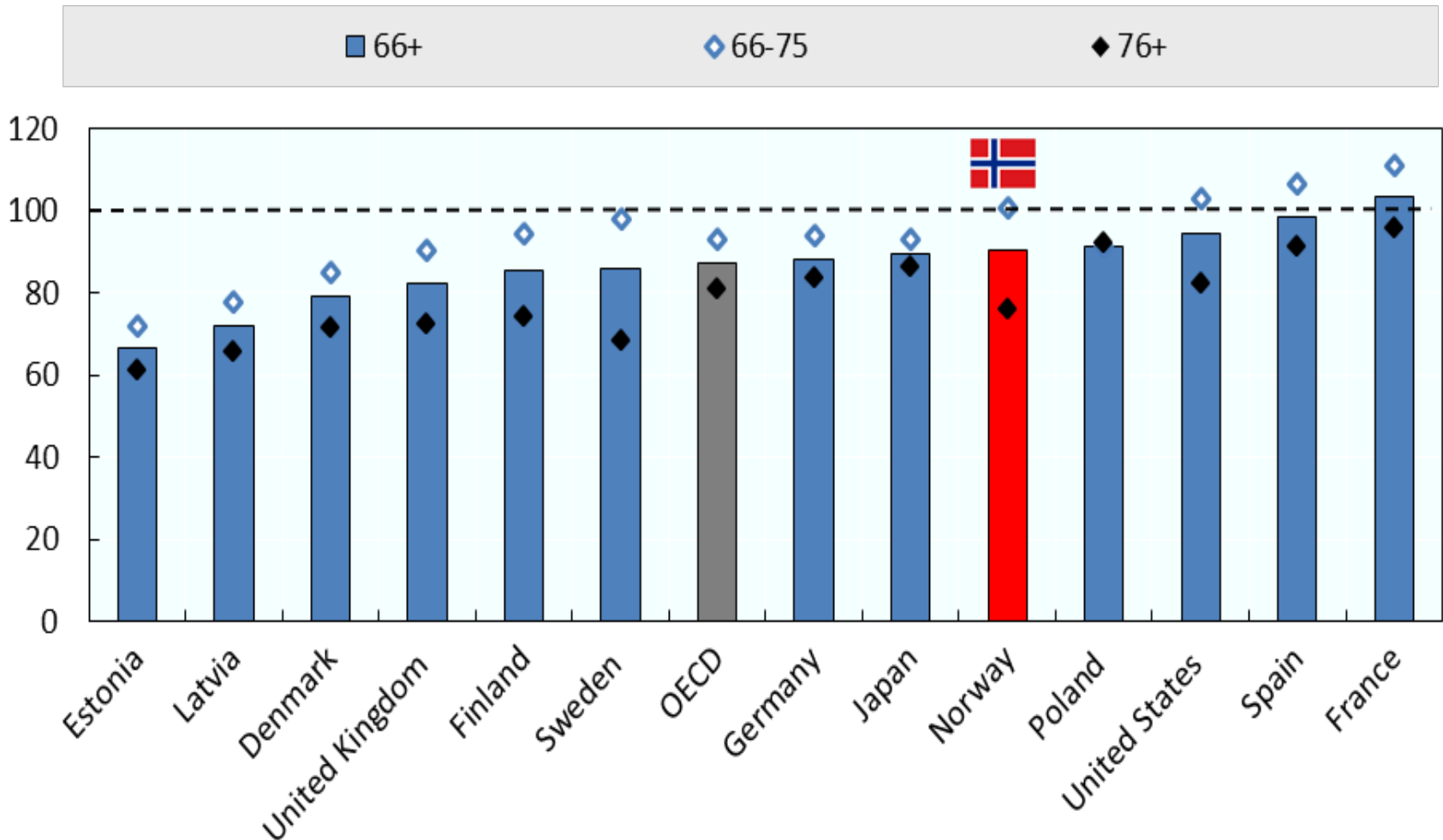
Flexible retirement

Conclusions: Key findings for Norway

Setting the scene : income of older people, population ageing and employment

Relative incomes of older people

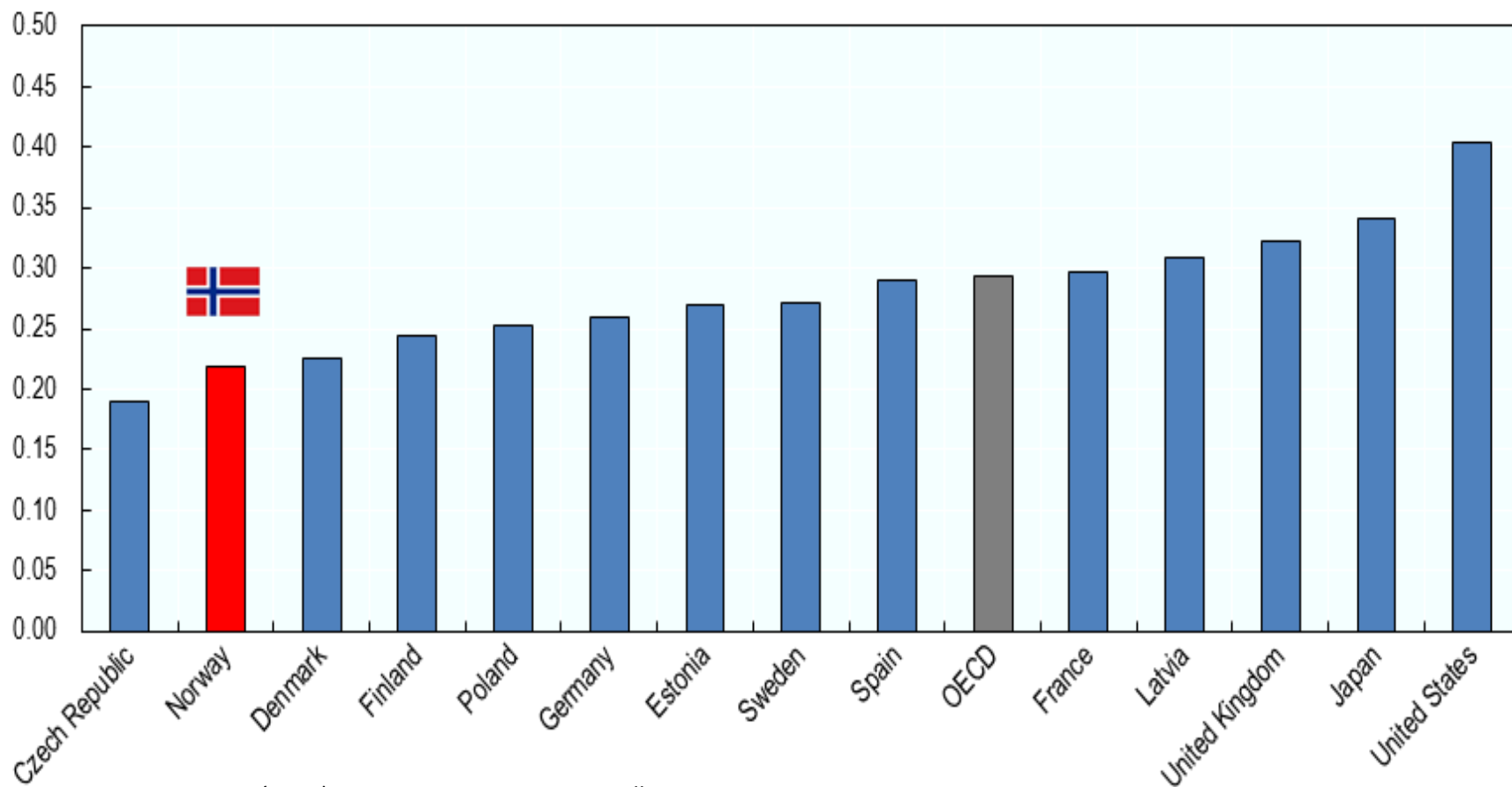
% of total population income, equivalised disposable income



Source: OECD (2017) – Pensions at a Glance Indicator 6.1

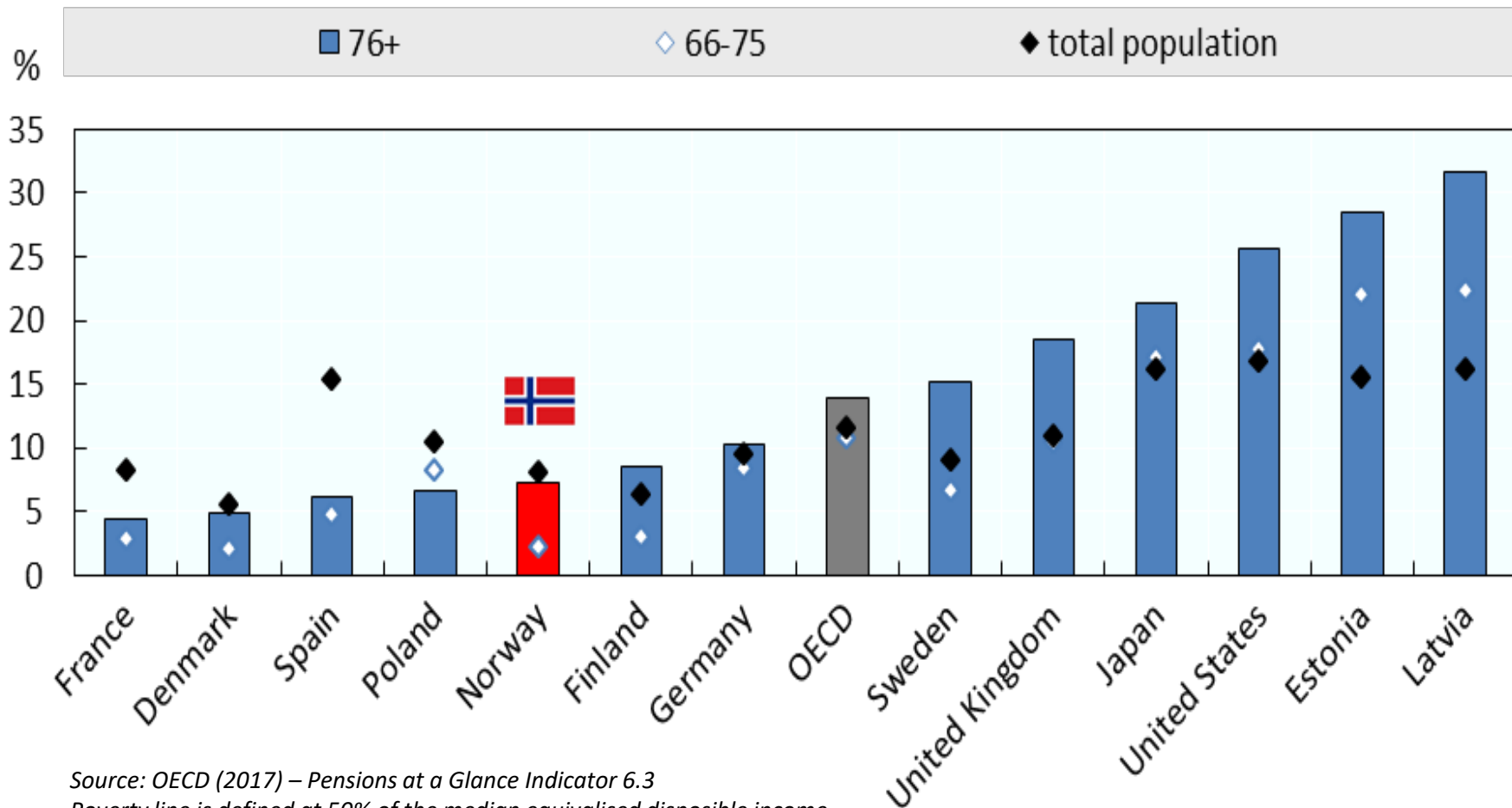
Income inequality among those older than 65 years is among the lowest in Norway

Gini coefficient, 2014 or latest year



Source: OECD (2017) – Preventing Ageing Unequally, Figure 1.18

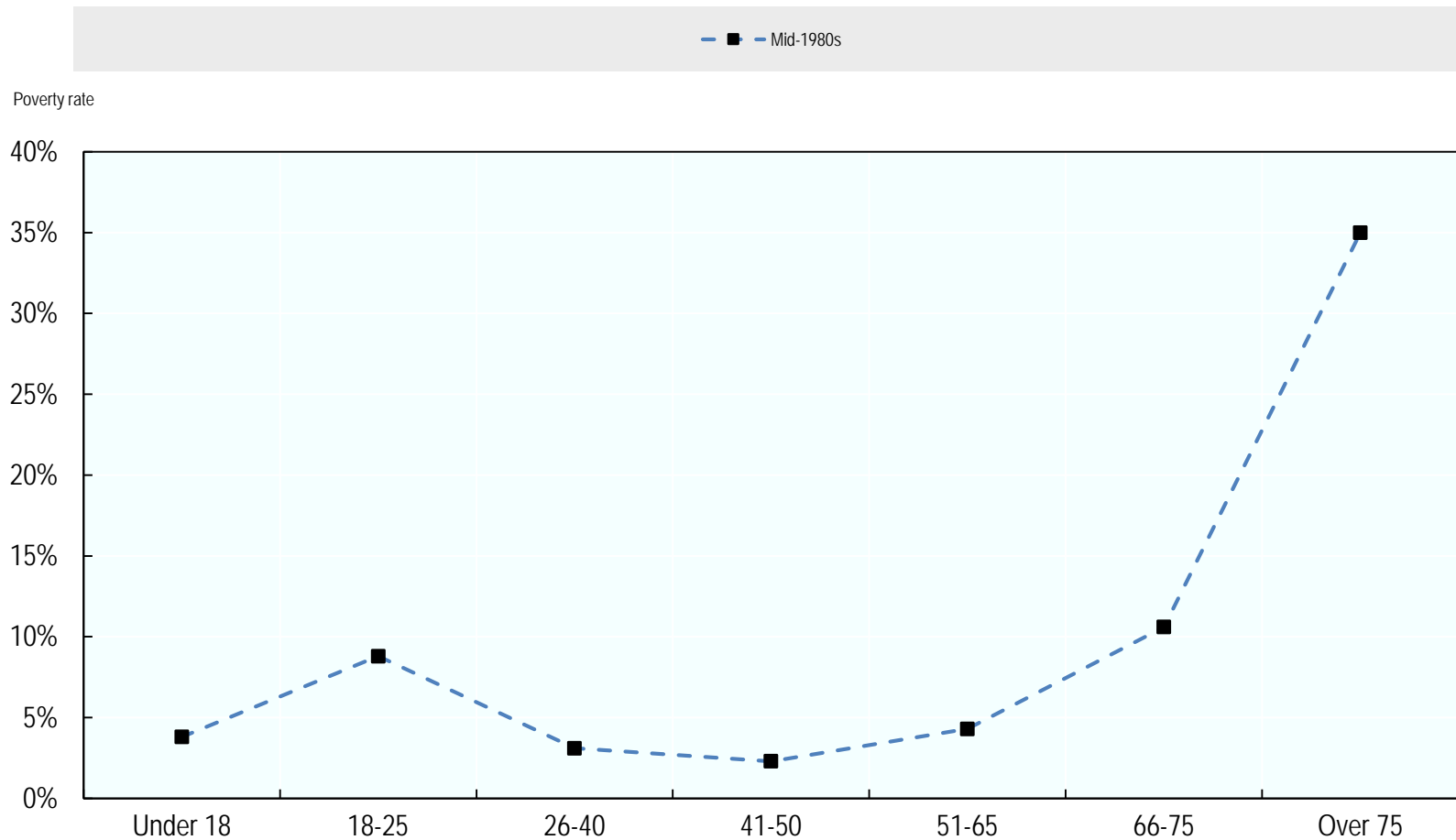
Relative old-age poverty is low in Norway and particularly low among 66-75



Source: OECD (2017) – Pensions at a Glance Indicator 6.3
Poverty line is defined at 50% of the median equivalised disposable income

On average poverty risks have shifted from the old to the young in Norway

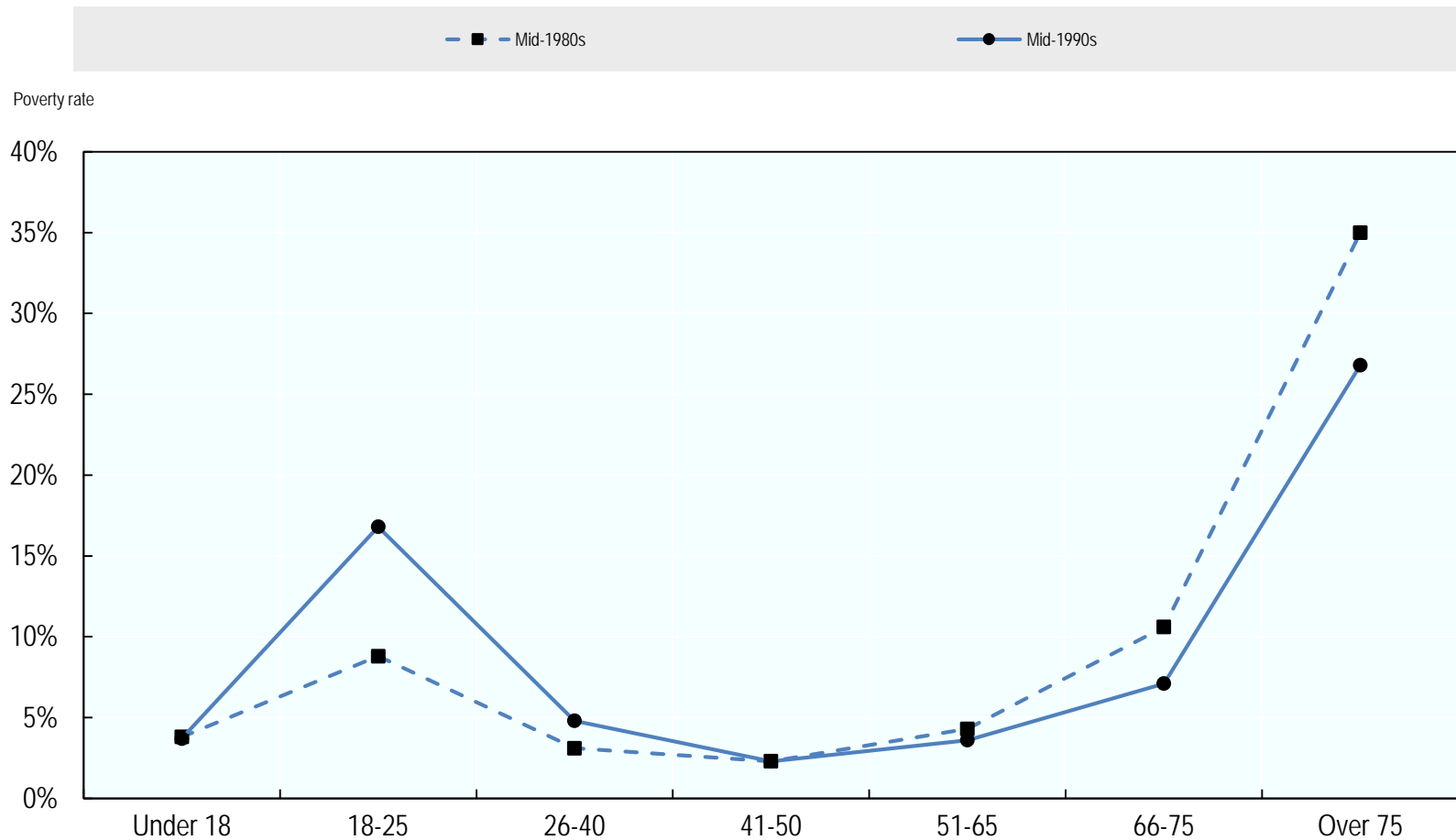
Relative poverty rates by age group since the mid-1980s



Source: OECD (2017) – Preventing Ageing Unequally, Figure 3.8

On average poverty risks have shifted from the old to the young in Norway

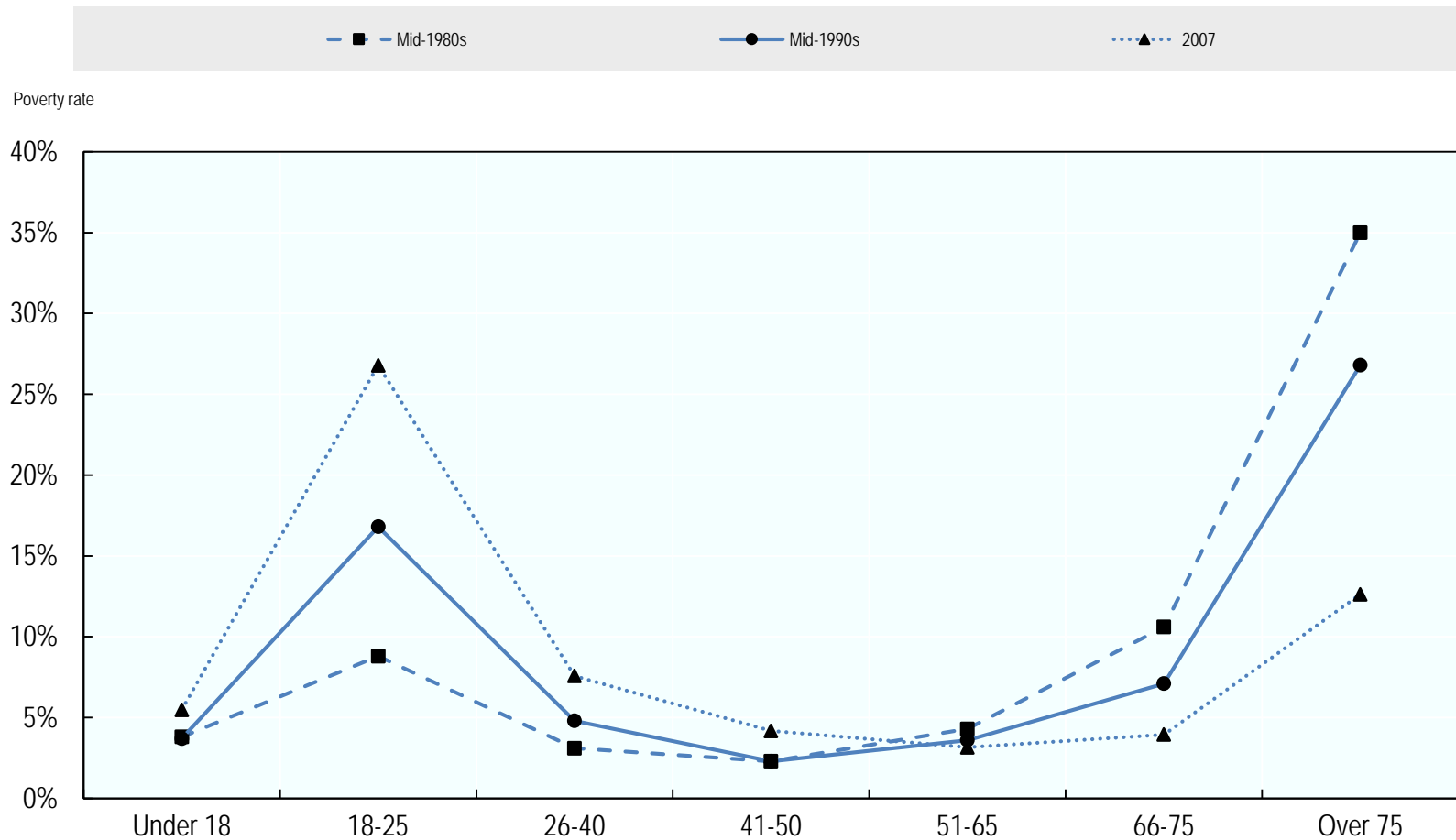
Relative poverty rates by age group since the mid-1980s



Source: OECD (2017) – Preventing Ageing Unequally, Figure 3.8

On average poverty risks have shifted from the old to the young in Norway

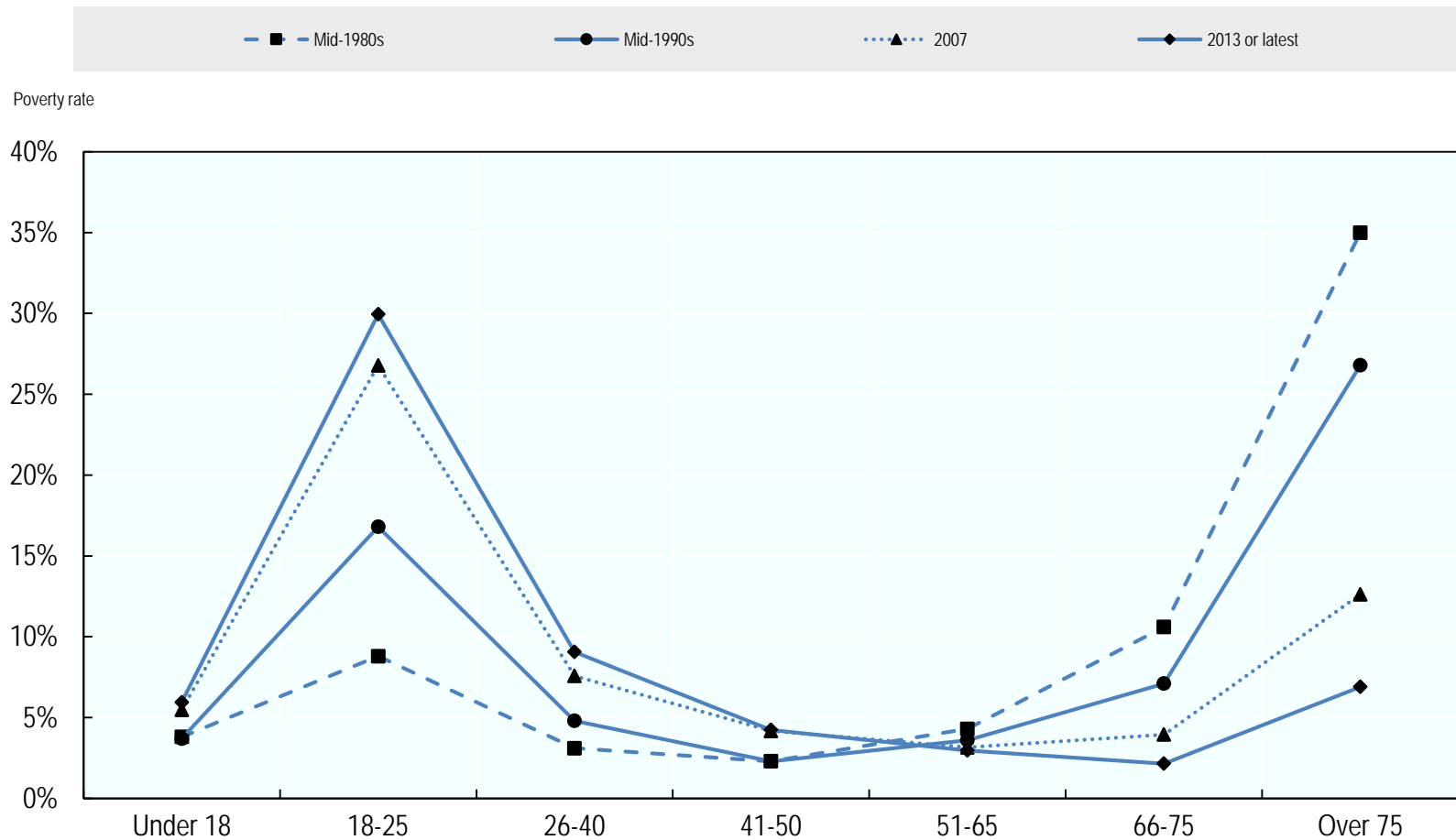
Relative poverty rates by age group since the mid-1980s



Source: OECD (2017) – Preventing Ageing Unequally, Figure 3.8

On average poverty risks have shifted from the old to the young in Norway

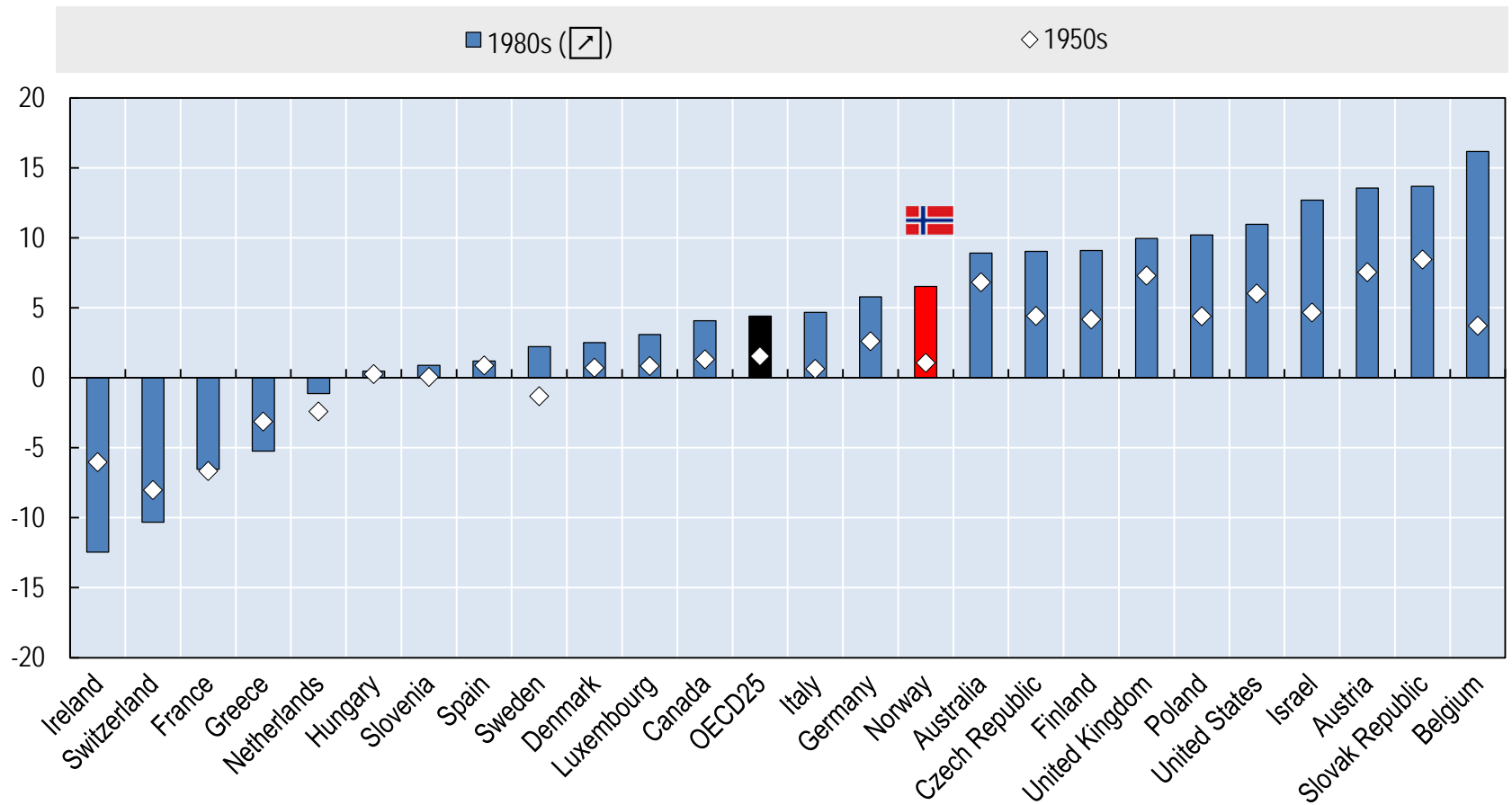
Relative poverty rates by age group since the mid-1980s



Source: OECD (2017) – Preventing Ageing Unequally, Figure 3.8

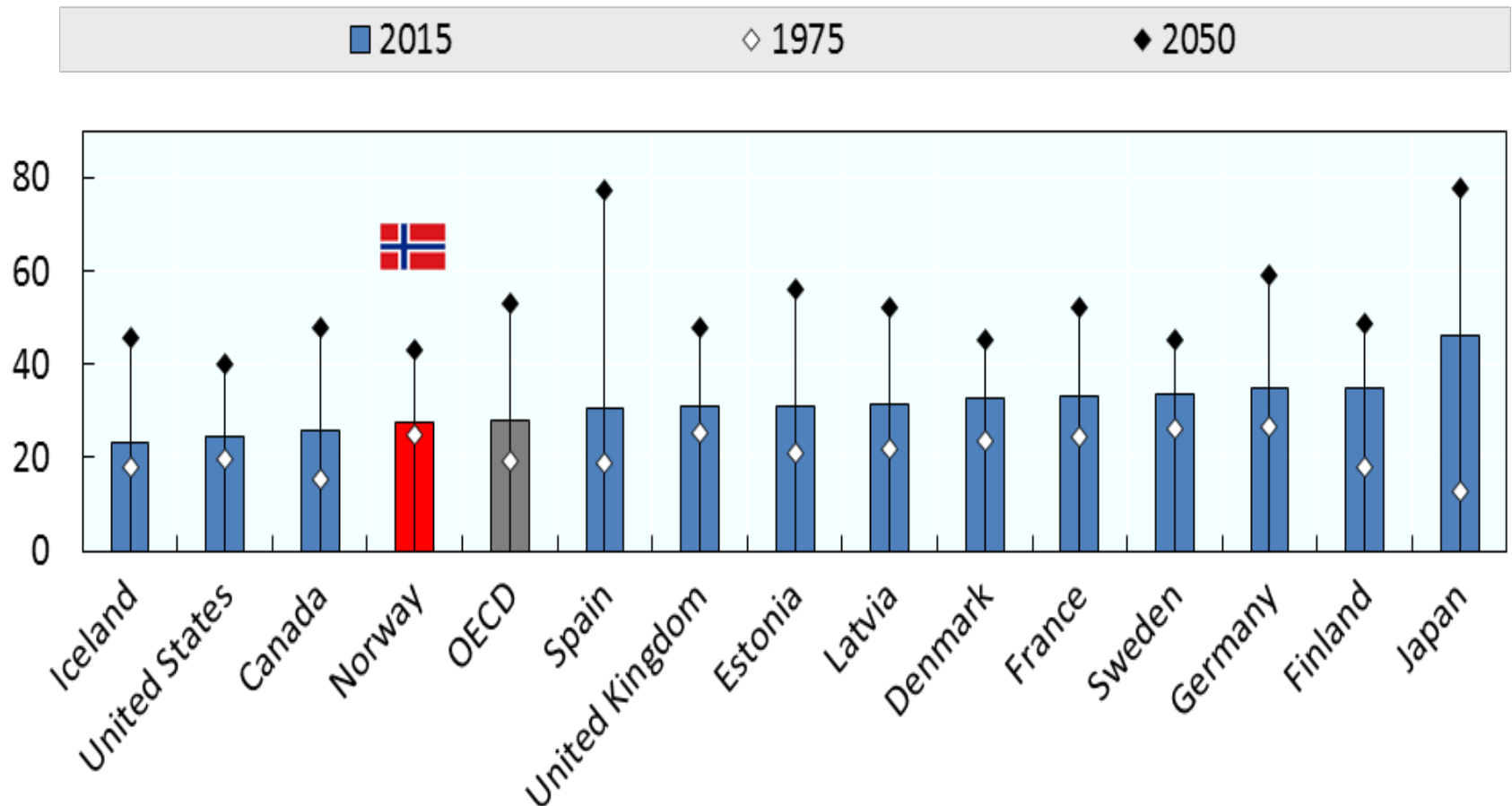
Income inequality has been increasing between generations

Changes in income Gini coefficients at the same age across birth cohorts in percentage points, average across age groups, cohort reference = 1920s



Population ageing is slower in Norway than in most OECD countries

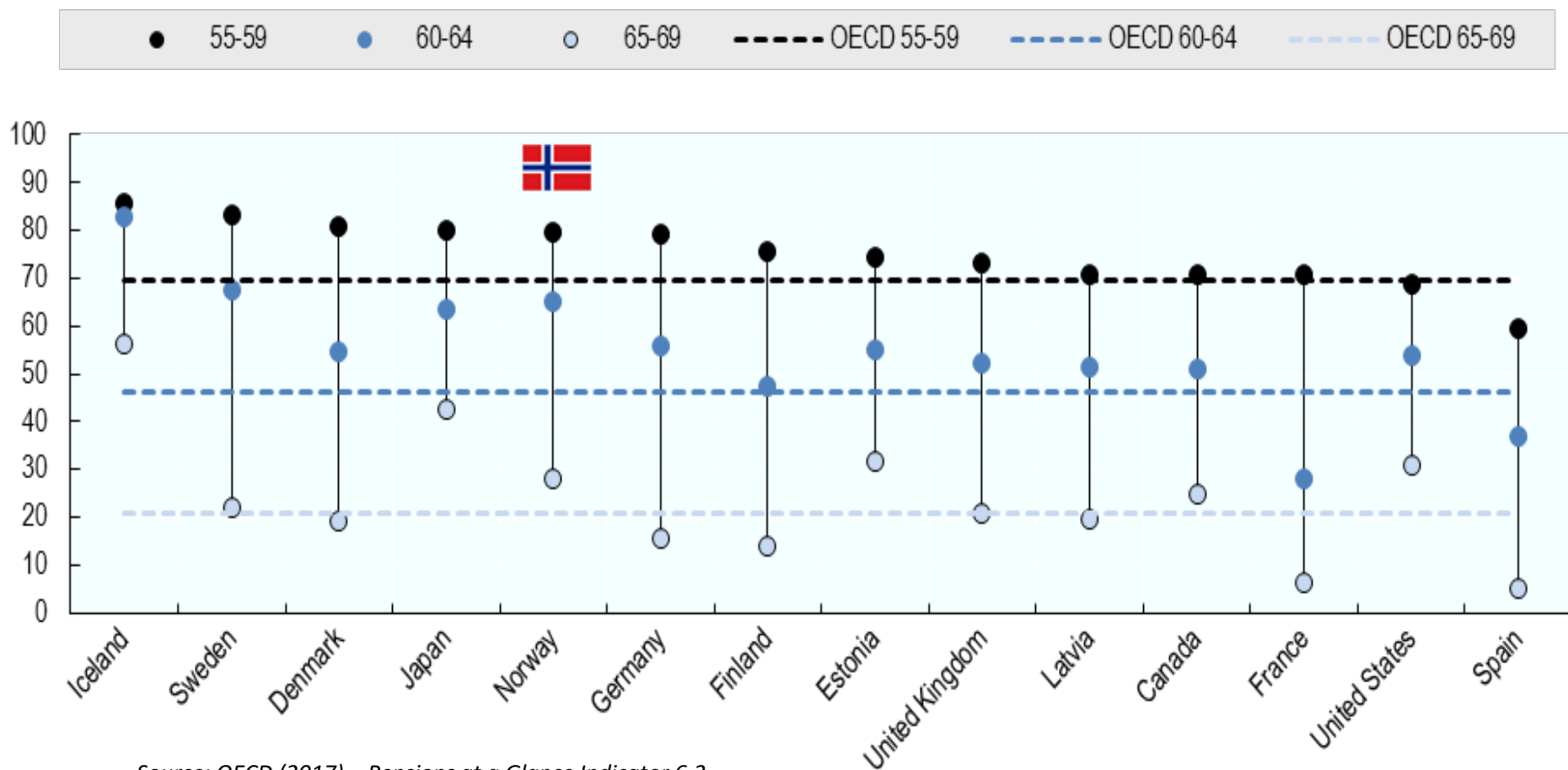
Number of people older than 65 years per 100 people of working-age (20-64), 1980-2050



Source: OECD (2017) – Pensions at a Glance, based on United Nations World Population Prospects data.

Employment among older workers is high but fall sharply after age 65

Employment rates



Source: OECD (2017) – Pensions at a Glance Indicator 6.3
Poverty line is defined at 50% of the median equivalised disposable income

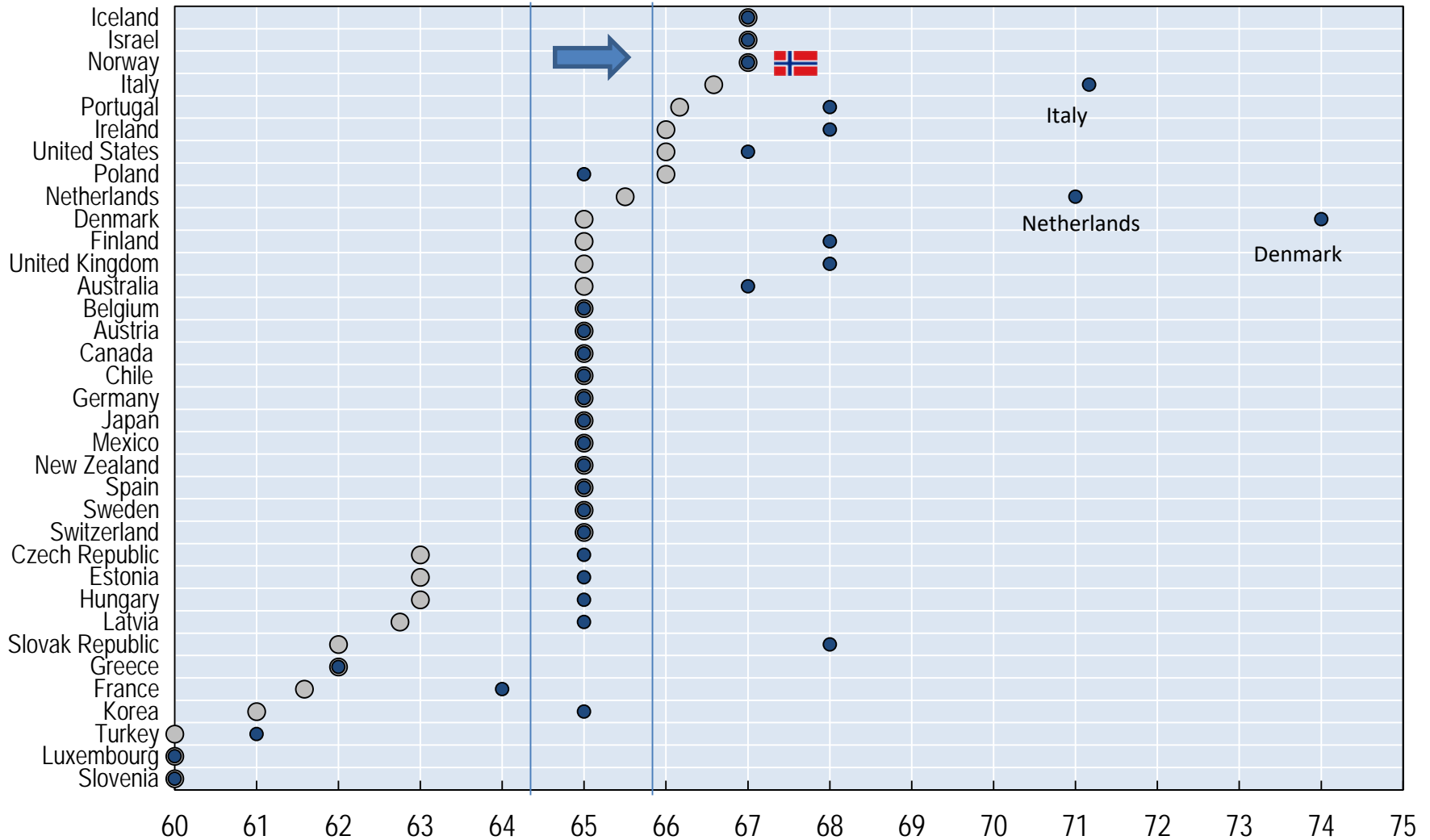
Recent pension reforms

Pension reforms in the OECD over the last two years

- Reforms were fewer and less widespread than before
- Canada, Finland, Greece, Poland and the Czech Republic : large repercussions, move backwards in certain cases
- Age:
 - increase: Denmark, Finland, Netherlands
 - cancellation of the planned increase: Canada and Czech Rep.
 - decrease: Poland

Normal retirement age

full career from age 20



Source: OECD (2017) – Pensions at a Glance Indicator

Retirement age

Pension reforms in the OECD over the last two years

- Reforms were fewer and less widespread than before
- Canada, Finland, Greece, Poland and the Czech Republic : large repercussions, move backwards in certain cases
- Age:
 - increase: Denmark, Finland, Netherlands
 - cancellation of the planned increase: Canada and Czech Rep.
 - decrease: Poland
- Change in contributions: one-third of OECD countries
- Change in benefit levels: one-third of countries
- Minimum pension and safety net: one-fifth of countries

Pension measures in Norway since September 2015

- **November 2017**

A new scheme for individual pension savings is introduced. Individuals will receive a deduction in capital income up to NOK 40 000 a year for payment to the scheme.

Pensions paid from the scheme are taxed as capital income.

The new scheme substitutes a more limited scheme.

Automatic adjustments of benefits

- Main idea is to reduce political pressure, yet there could be some resistance to implementation
- Links between retirement ages and life expectancy in Denmark, Finland, Italy, the Netherlands, Portugal and the Slovak Republic
- Automatic adj. in funded DC schemes: pricing of annuities
- Automatic adj. in NDC for new pensions: ITA, LVA, NOR, POL, SWE
- Similar mechanisms in DB: Finland, Japan and Spain
- Adjustments to dependency ratio or public finances: Germany, Japan, Portugal, Spain, Sweden

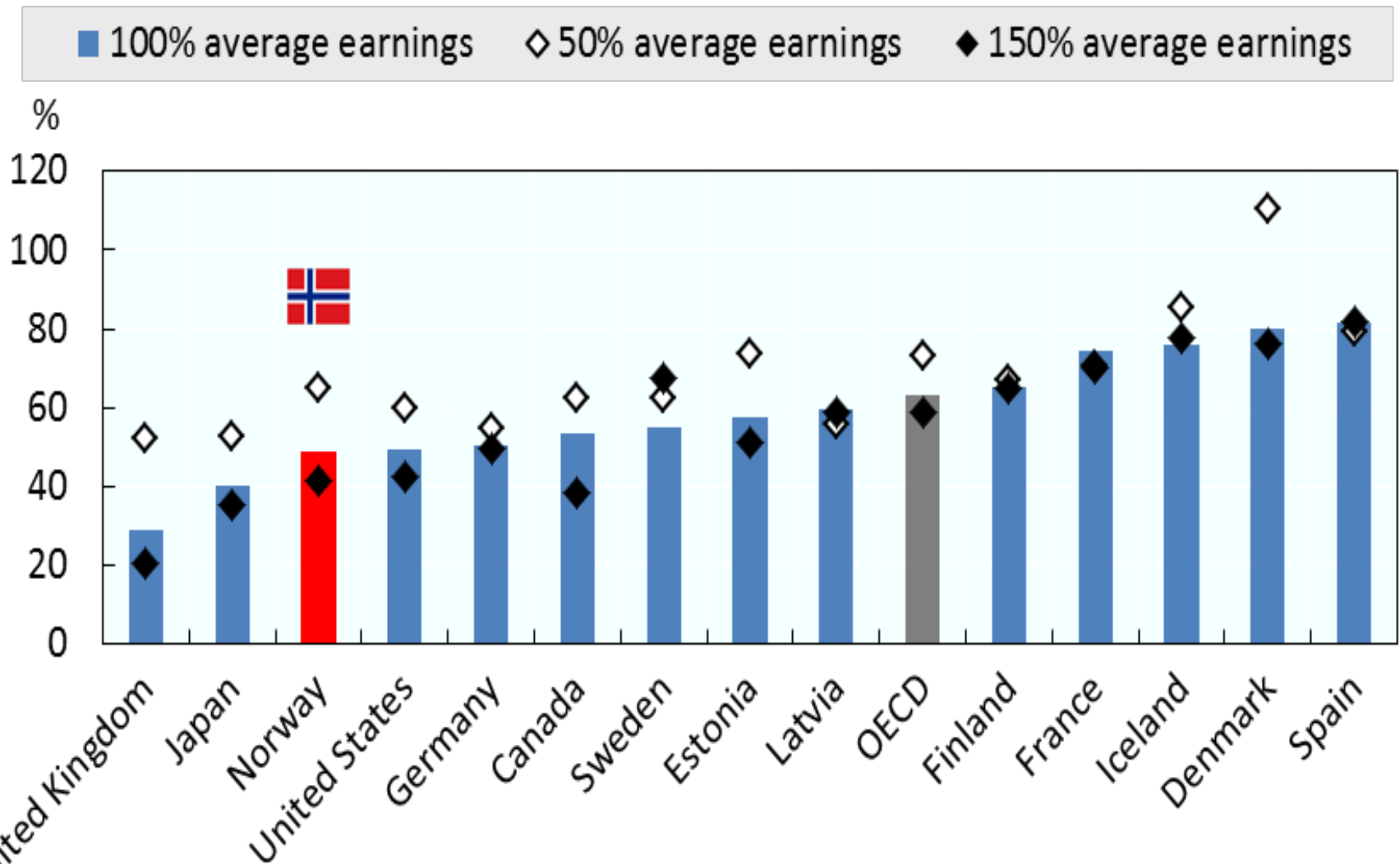
Pension system in Norway compared to other OECD countries

2011 pension reform in Norway

- Automatic links between benefits and remaining life expectancy
- Past contributions updated with average-wage changes in notional accounts: no adjustments for employment changes
- Pension entitlements up to a wage ceiling of about 120% average earnings
- Substantial redistribution: guarantee means-tested pension, no ceiling on contributions, limited impact of career breaks
- Reform of AFP schemes for private-sector workers

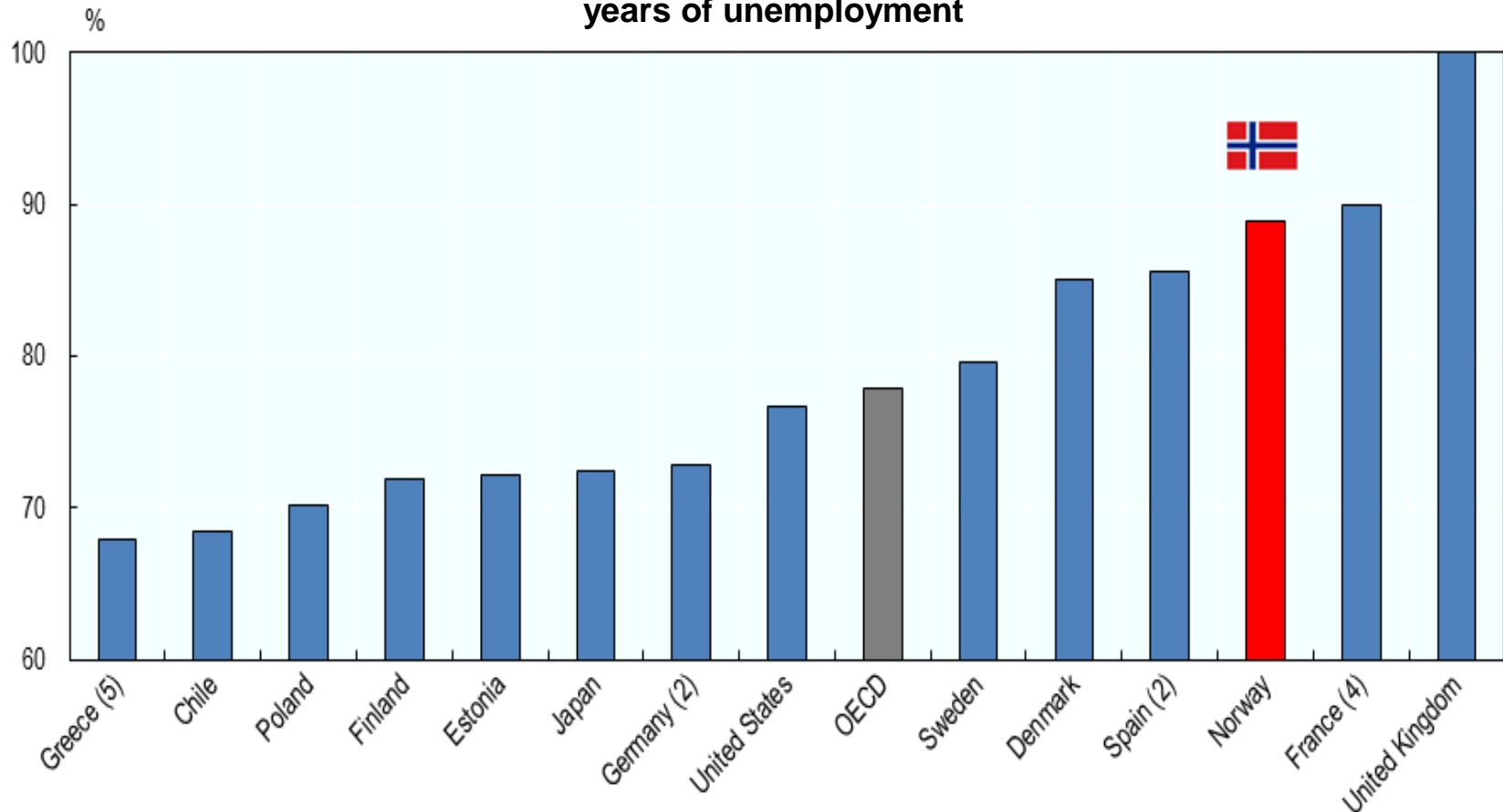
Future net replacement rate

% last earnings, full career from age 20 in 2016



Impact of career breaks on pension entitlements

Gross pension entitlements of average earners who start at age 25 and experience ten years of unemployment



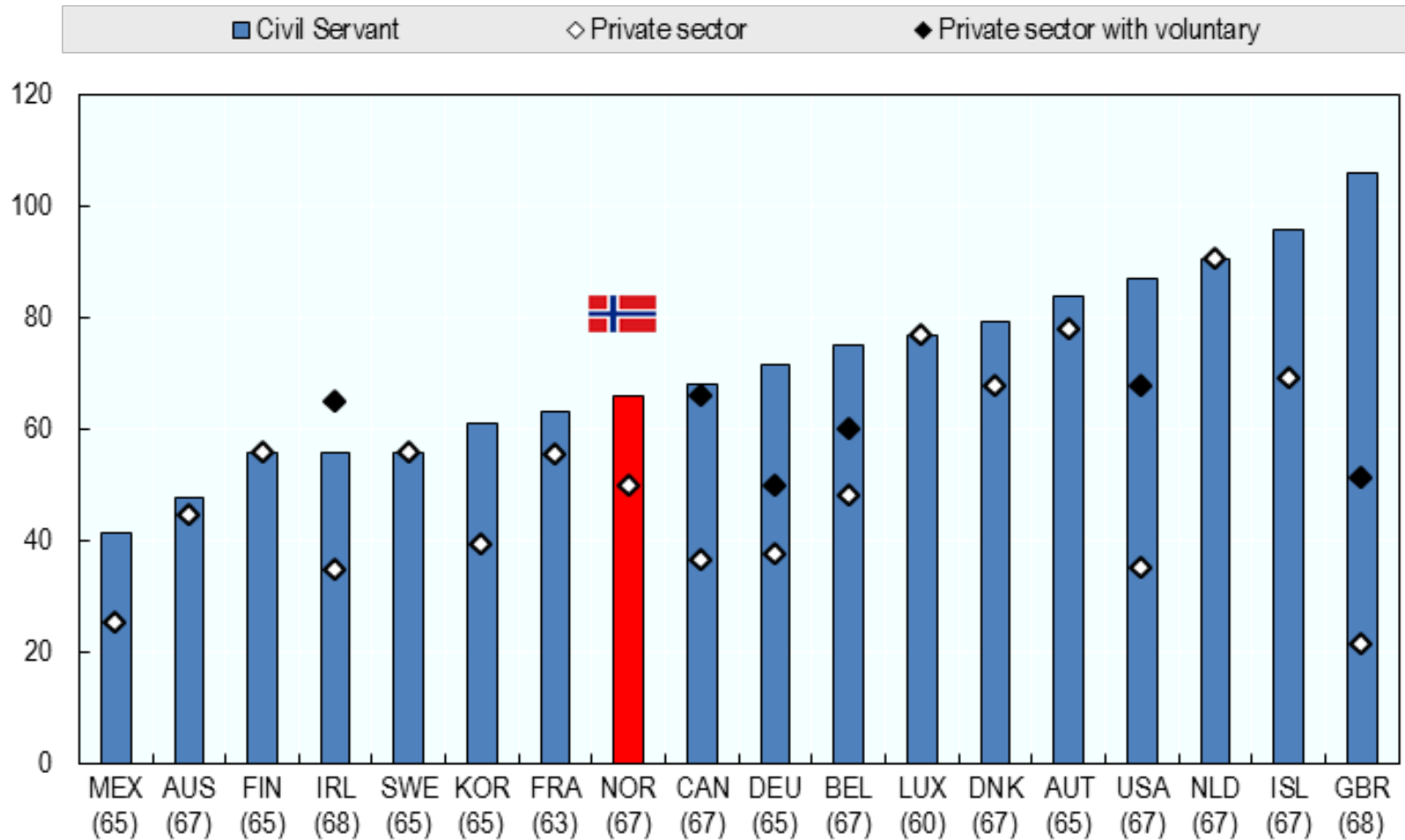
Figures in brackets are the number of years more (than workers with unbroken careers) that labour-market latecomers with career gaps must work to qualify for a full pension. Source: OECD (2017) – Preventing Ageing Unequally Fig. 4.17

Civil-servants have a top-up component beyond the mandatory scheme for private sector workers in Norway

Fully integrated	Separate but similar benefits	Fully integrated with top-up	Entirely separate
Chile (1981)	Finland (1995)	Australia	Belgium
Czech Republic	Luxembourg (1999)	Austria (2004, 2009)	France
Estonia	Netherlands	Canada	Germany
Greece (2011)	Sweden	Denmark	Korea
Hungary		Iceland	
Israel (2002)		Ireland (1995)	
Italy (1995/2008)		Mexico (2007)	
Japan (2015)		Norway	
Latvia		United Kingdom	
New Zealand (2007)		United States (1984)	
Poland			
Portugal (2006)			
Slovak Republic			
Slovenia			
Spain (2011)			
Switzerland			
Turkey (2006)			

Source: OECD (2016) – Pension Outlook, Table 6.1.

Long-term gross replacement rates for civil service and private sector average earners, full career from age 20 in 2014, %



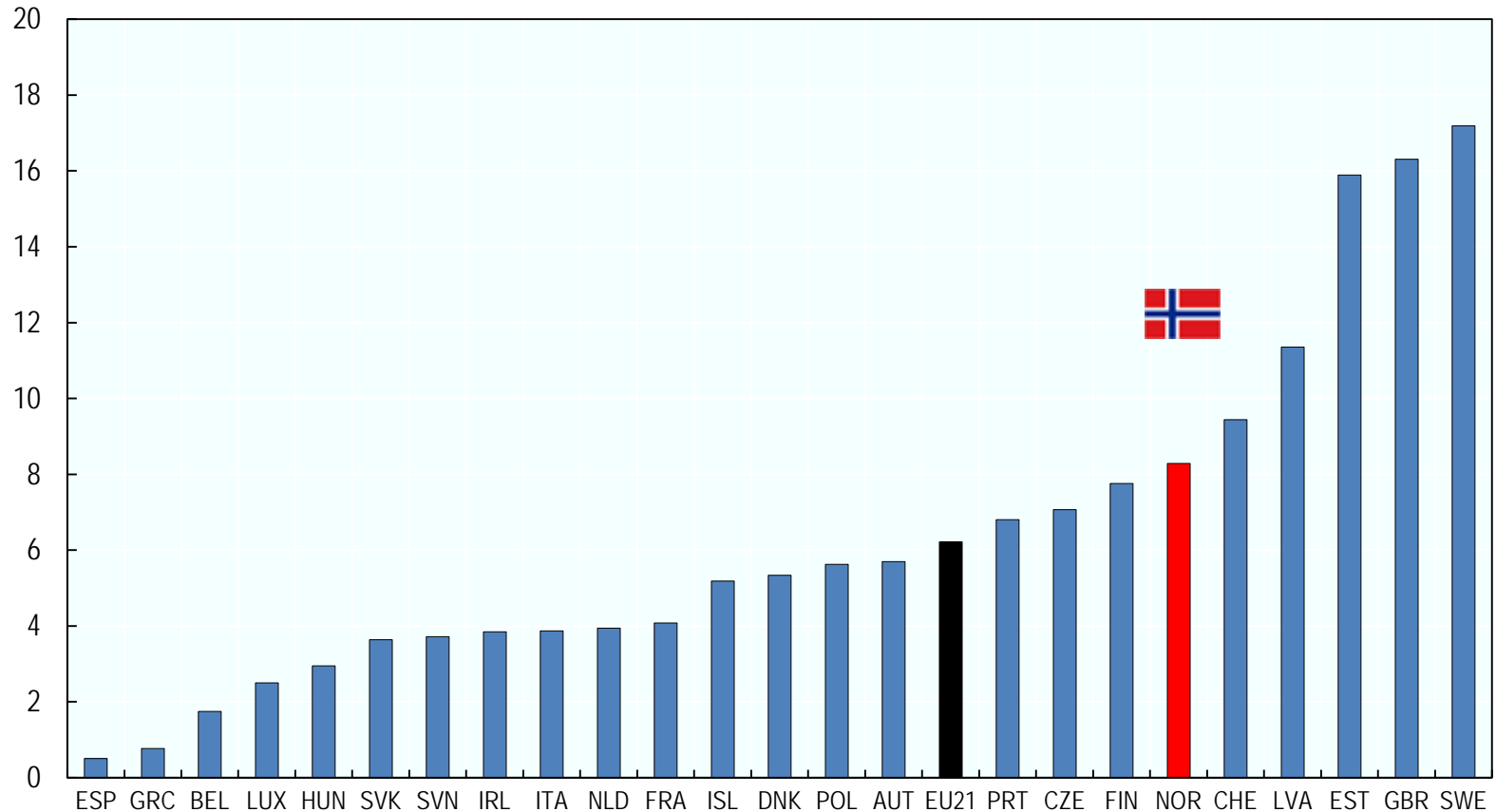
Source: OECD (2016) – Pensions Outlook, Figure 6.2.

Flexible retirement

- *Why is it important?*
- *What does it mean?*
 - gradual retirement
 - combining work and pensions
 - flexibility in the choice of the retirement age

Combining work and pensions

Percentage of population aged between 55 and 69 years, 2012

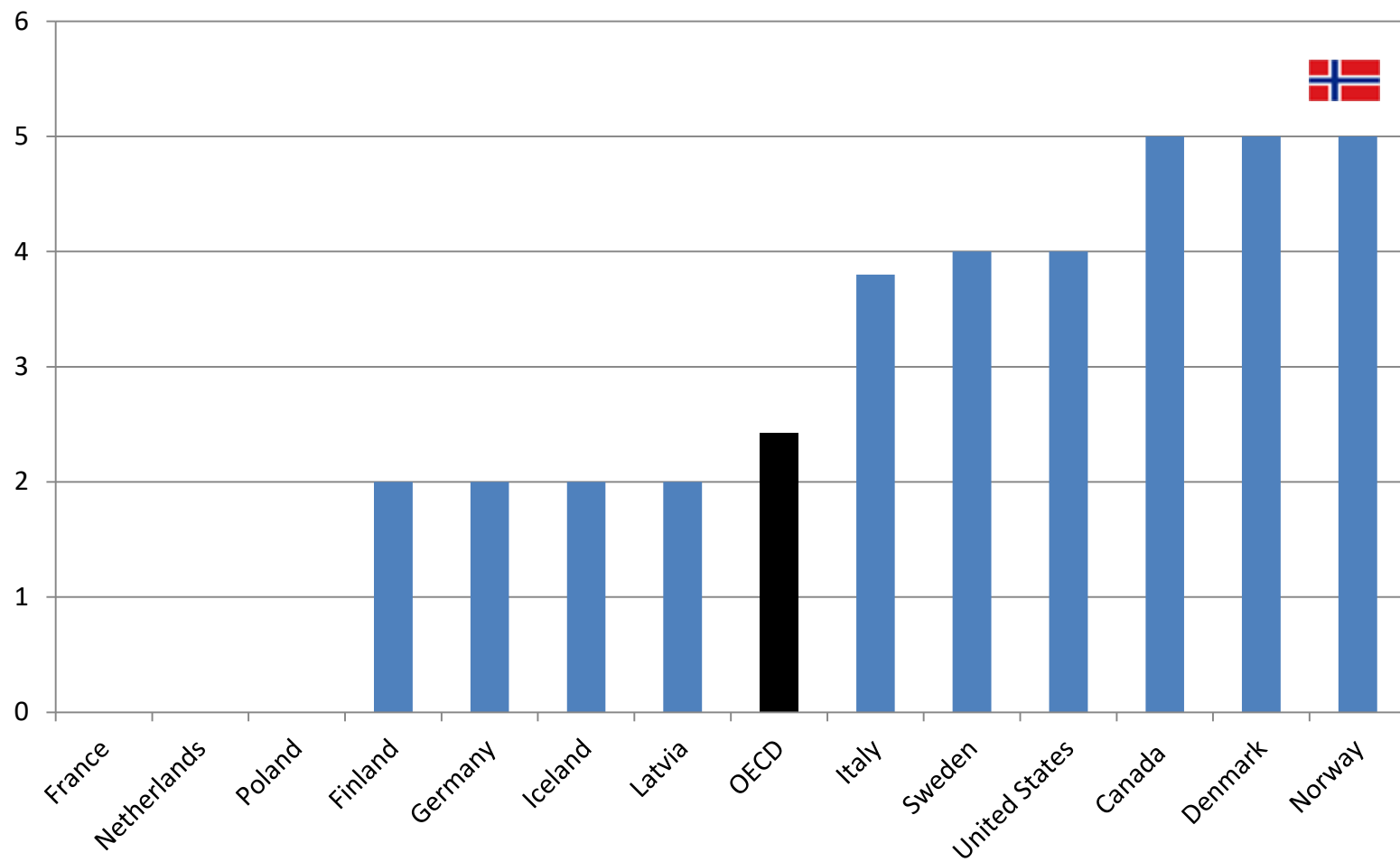


Source: OECD (2017) Pensions at a Glance, Figure 2.8

Flexible retirement options

- Combining work and pensions is possible in all OECD countries
- Most countries including Norway have no work restrictions after being eligible to a full pension, but earnings limits after normal retirement age exist in 7 countries
- Norway among 11 countries where work can be combined with early retirement
- Norway, private-sector workers retiring up to 5 years earlier or after 67: benefits are adjusted based on actuarial principles
- Norway among 9 countries with CHL, CZE, EST, ITA, MEX, PRT and SVK, classified as having a flexible retirement system
- AFP system in the public sector provides incentives to early retire which are costly for the public purse

Difference between normal and early retirement ages, 2016, in years



Source: OECD (2017) – Pensions at a Glance, Table 2.1.

Conclusion : Key findings for Norway

Key findings for Norway (1)

- Old-age pensions protect young retirees against poverty
- Relative income is high in the age group 65+ but it declines considerably for the age group 76+
- Population ageing will be relatively slow in Norway
- Employment rates fall sharply after age 65
- Normal retirement age at 67 is above the OECD average
- Future net replacement rate for full career, average earner in the private sector, of 49% is lower than OECD average of 63%
- The system is very redistributive and offers relatively good protection for low earners and for those with career breaks

Key findings for Norway (2)

- Substantial gap in pension entitlements between private-sector and public-sector workers
- 2011 reform: benefits automatically adjust to longevity gains
- Pension benefits would be enhanced without weighing on long-term finances by uprating individual accounts by growth rate of the wage bill rather than the average wage only
- AFP was reformed in the private sector but eligibility conditions should be improved
- AFP was unreformed in the public sector and generates costly incentives to retire early
- Pension system is flexible

Contact



**Pensions at a Glance
Pensions at a Glance
2013**
OECD AND G20 INDICATORS



Pensions at a Glance 2015
OECD AND G20 INDICATORS



Pensions at a Glance 2017
OECD AND G20 INDICATORS

Pensions at a Glance 2017
OECD and G20 indicators

herve.boulhol@oecd.org

Page web: <http://oe.cd/pag>

Twitter: [@OECD_Social](https://twitter.com/OECD_Social)

Additional slides

Future gross replacement rate by schemes and individual earnings

% last earnings, full career from age 20 in 2016

