

Tove Midtsundstad

Not necessarily weary...

An analysis of early retirement and senior policy in the public sector

English summary of Fafo-rapport 482



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Foreword

This paper is a summary of the final report from the project on early retirement and senior policy in the public sector carried out by Fafo for the Ministry of Modernisation. The report provides a broad overview of the conduct of older government employees with regard to early retirement, i.e. at what age they take retirement, the schemes that are utilised and the main reasons for them deciding either to retire early or to remain at work after the age of 62. In addition, a description is given of older government employees' experience of the working environment and of restructuring and large-scale organisational changes. One section of the report also addresses managers' attitudes to and experience of older employees and senior policy in the public sector.

I would like to thank Dag Skinnes at the Norwegian Public Service Pension Fund who kindly provided register data for the project that enabled us to extract representative selections of employees and enterprises as well as precise information about dates of termination, pension-qualifying income, pension levels etc. Thanks also go to Idar Eidseth at Opinion who did an excellent job in connection with conducting the two somewhat comprehensive and demanding surveys. Finally I wish to extend my gratitude to Wigdis Andresen, Finn Bjørnar Lund and Tore Simonsen in the Ministry of Modernisation and to Axel West Pedersen at Norwegian Social Research (NOVA) for their comments on the draft report. Thanks also go to Fafo's information office for proofreading and finalising the report.

Oslo, November 2005

Tove Midtsundstad

Background and issues

An ageing population and an increasing need for future labour have created concern about the high rate of early retirement. The aim of governmental authorities has therefore been to restrict the existing schemes and to make it more profitable for employees to remain at work longer (Norwegian Official Reports NOU 1998:19 and NOU 2004:1, Report no. 12 [2004–2005] to the Norwegian Parliament). This applies particularly to the so-called AFP scheme – a broad contractual scheme for voluntary early retirement. The principal argument has been that the current schemes are too costly and do not always reach the intended target group, and that there are too many healthy and employable people who retire on the AFP contractual pension.

A survey conducted by Fafo in the private sector in 2001 shows that the AFP early-retirement scheme is first and foremost utilised by those it was intended for, i.e. industrial workers with a long working career behind them and employees who are weary or who have health problems after the age of 60.¹ Most of these chose to retire as soon as they were entitled to and on a full early retirement pension (AFP). The study also showed that retiring on a disability pension is relatively unusual among employees over the age of 60 in the private sector. In addition, there are very few who had the right to retire and retired as a result of the special age limits of their various occupations or who had been offered the opportunity to retire through purely company-financed early retirement schemes. The AFP scheme therefore represents the main route out of working life for employees over 60 in the private sector (Midtsundstad 2002b).

This report presents a similar study for enterprises within the government collective wage agreement area. We examine whether we find occupational and educational differences in retirement conduct that correspond to those in the private sector, and whether the «weary hypothesis» is also relevant here. It is also interesting to see whether the government pension regime leads to retirement conduct and adjustments in the later phase of working life that are different from those evident in the private sector, and thus the need for a different policy for prevention and retention. We have therefore also mapped senior policy in the public sector and have partly analysed whether and to what extent the incidence of active initiatives for senior employees contributes to postponing exits from the labour force.

The data material

The data material consists of a representative selection of 1,800 government employees – both working and retired – who all held positions in the public sector at the age of 55.² They were interviewed by telephone in spring 2002 and were asked to give details of aspects such as work history, education and career, health and sick leave, family and economic circumstances and particular features of their work situation. The latter included their working environment – for instance any incidence of ageism, their relationship with their immediate manager, and their experience of the outcome of recently implemented restructuring and changes. They were also asked about the reasons for their desired and actual choice of pension system respectively as well as desired and actual work adjustments after retirement. These interview data have in turn been cross-referenced with information about educational code, position code, years in work, employment conditions, pension-qualifying income and workplace from the register of the Norwegian Public Service Pension Fund. For a representative selection of 1,125 of these we also have information from their employer/personnel staff about their experience of/attitudes to older employees, any initiatives for senior employees, restructuring etc.

Senior government employees – something of a challenge

As employer, the state faces a greater senior challenge than the private sector in Norway since the proportion of older employees is high and many will be approaching retirement age during the next few years. In 2002 almost half of all senior employees (aged from 50 to 70) in the government collective wage agreement area were between the ages of 50 and 55. Almost 40 per cent were women. The predominant workplaces for senior workers in the public sector are the Norwegian Armed Forces and the university and university college sector.

Most of these senior employees had had a long working career in the public sector. The average working career for the women at the age of 62 was almost 36 years, 25 of which had been served as a government employee, while at the same age the men had worked for an average of 41 years, 32 years of which had been in the public sector. The educational level among government employees is in general high: six out of ten of those over 55 had university or university college education.

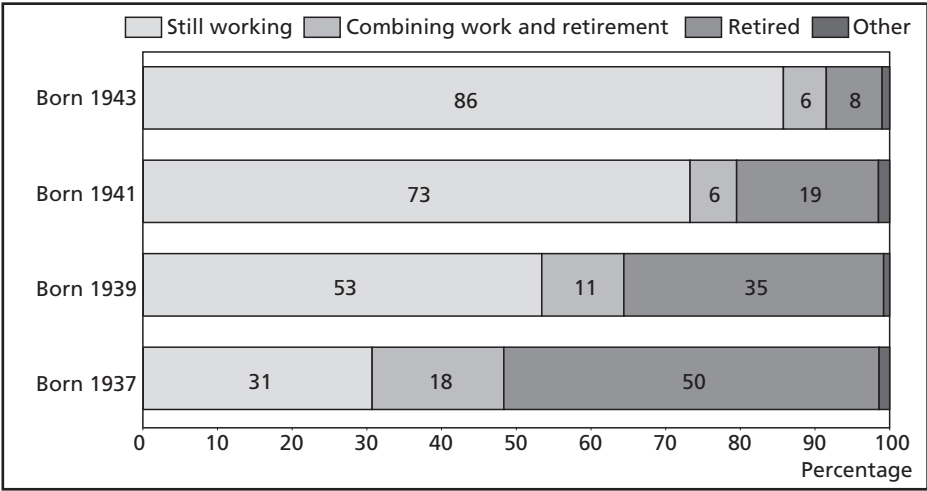
Many opportunities for early retirement in the public sector

The age limit for most positions in the public sector is 70. However, by making use of the AFP, which is a *tariff agreed* early retirement scheme, most government employees can retire at 62 on a pension that corresponds to the National Insurance Service (NIS) pension³ (+ an AFP supplement) or on an occupational pension from the age of 65.^{4 5} From October 1997 it has also been possible to take partial AFP from the same age.⁶

In keeping with others, government employees can also retire earlier on a disability pension if they meet the medical requirements in the scheme. The disability pension for government employees can be compared with the occupational pension they would have received if they had continued to work to the age of 70. The scheme entitles employees to a pension for a degree of disability lower than 50 per cent and the accrual period is calculated up to the age of 70, while the NIS sets a requirement of at least 50 per cent disability and the accrual is calculated up to the age of 67.

A quite considerable proportion of government employees also have the right and obligation to retire earlier due to the special age limit imposed on their occupation. At the end of 2001 this applied to around 10 per cent of all those over 55⁷ and mainly affects policemen and military officers who have an age limit of 60. Combined with the so-called 85-year rule, this entitles them to retire on a pension as early as 57.⁸

Figure 1 Proportion who is retired, are partial retired or are still working in spring 2002, out of those who were working as 55-year-olds, distributed according to year of birth. N=1800.



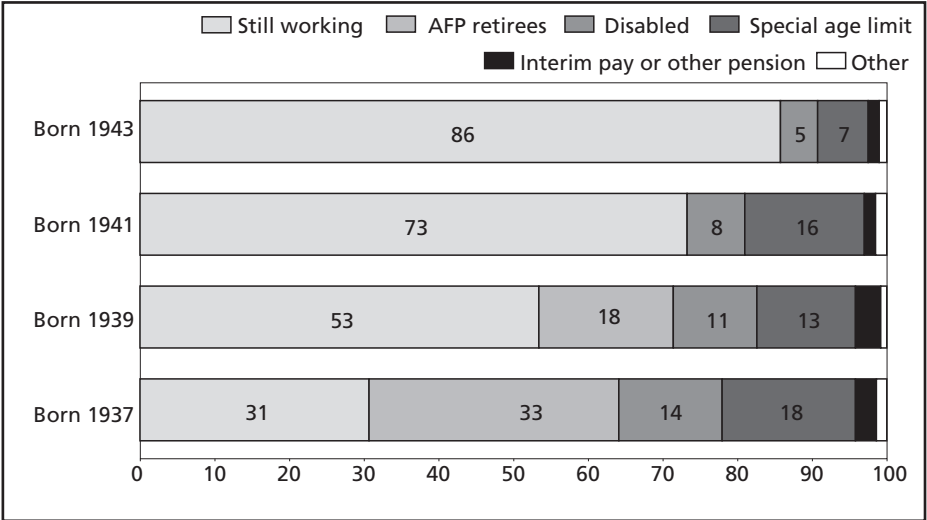
The majority of government employees over the age of 55 retire on AFP

If we trace a selection of 55-year-old government employees up to the age of 65, as we have done in this study, seven out of ten have retired during this ten-year period (figure 1). However, one in four combines retirement with continued work, meaning that only half of the 64-year-olds are completely divorced from working life.

AFP is the main route out of the labour market for government employees over the age of 55. More than one-third of the 64-year-olds (born in 1937) who were working at the age of 55 had chosen to become AFP retirees before they reached the age of 65 (see figure 2). These constituted around half of all those who had retired at this age. Exits from working life resulting from special age limits are also appreciable: in the same age range three out of ten government-employed men retired as a result of their occupation’s special age limit. There is also a far larger proportion on disability pension in the government collective wage agreement area than in the private sector – particularly among women.

Currently the majority of employees – more than 60 per cent – within the government wage agreement area have attained higher education qualifications. Previous studies have shown that academics and those with higher education retire later than employees in occupations that require a lower level of education (see for example Midtsundstad 1999, 2001, 2002a, 2002b and 2003a). This is also the case for government employees (see figure 3). The fact is, however, that those with higher education in the public sector take early retirement through the AFP scheme earlier

Figure 2 Proportion on various pension schemes and the proportion of those still working in spring 2002 out of those who were working as 55-year-olds, distributed according to year of birth. N=1800.



than occupational groups with a corresponding level of education in the private sector.

Figure 3 shows that it is nonetheless the case that the proportion of those who take early retirement within blue-collar occupations is higher than that among ac-

Figure 3 Proportion on various pension schemes and the proportion who were still working in spring 2002 out of those who were working as 55-year-olds, distributed according to occupation for persons born in 1937 and 1939. N=998.

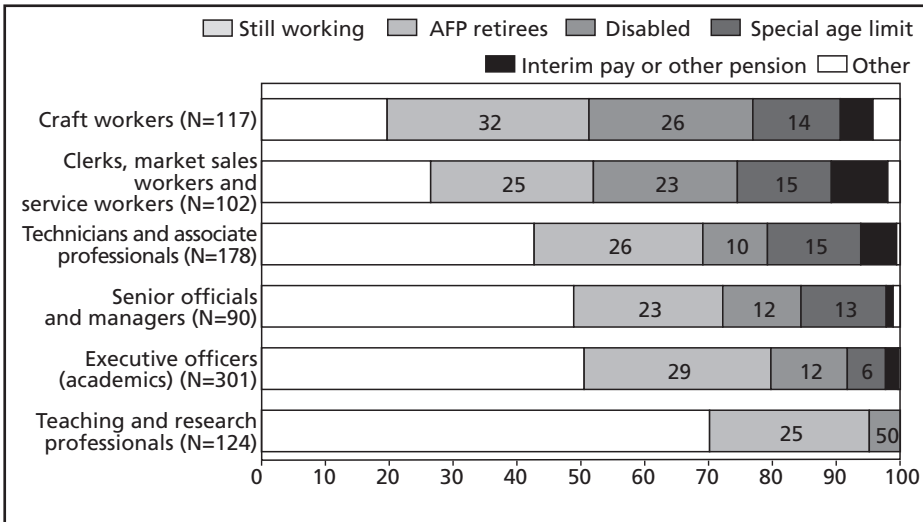
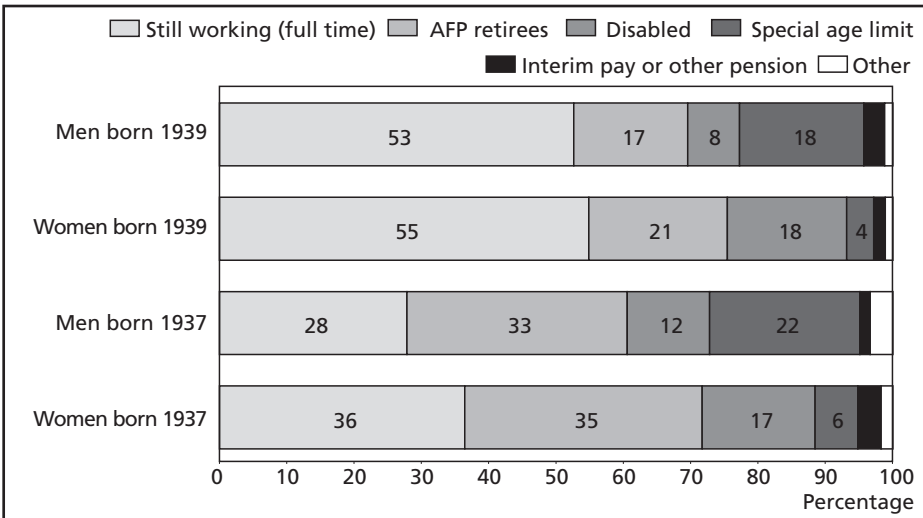


Figure 4 Proportion of various pension schemes and the proportion of those still working in spring 2002 out of those who were working as 55-year-olds, distributed according to gender and year of birth. N=998.



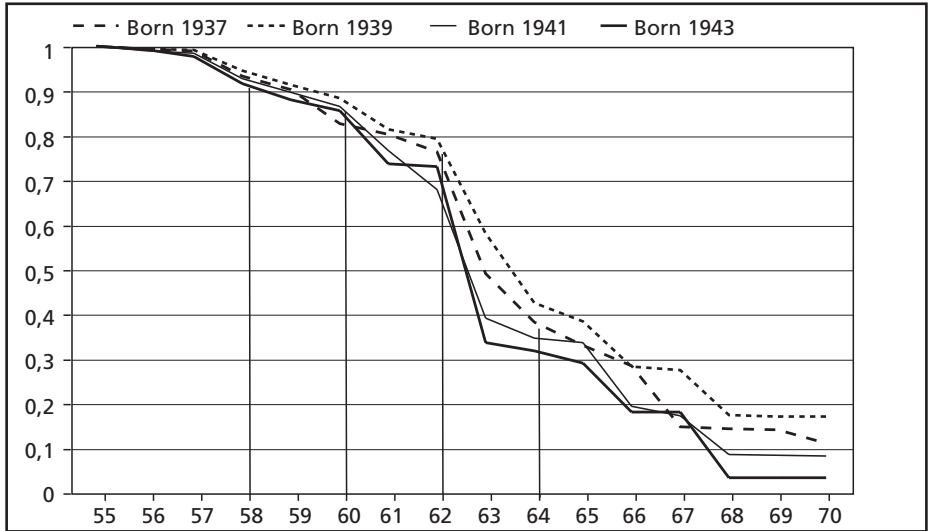
academics and managers. This applies to both disability pension and the AFP early retirement scheme. While almost seven out of ten academics in the teaching and research sector were still working after they reached the age of 62, this applied to two out of ten in various blue-collar occupations.

A higher proportion of women than men who were working at 55 were still employed as 64-year-olds. This is due to the fact that far more men than women have occupations with special age limits, enabling many of them to retire as early as the age of 57 and enforcing retirement at 60. In addition, it is probable that fewer women than men meet the individual selection requirements for the AFP scheme, or are obliged to continue working for some years to achieve the 30 pension-qualifying years that allow them to retire on a full occupational pension.

It is also interesting to note that the proportion of those who want to retire at 62 appears to be higher in the youngest than the oldest age cohort we are examining. Two-thirds of those of 58 and 60 years of age (born in 1941 and 1943) want to retire at the age of 62, representing 20 per cent points more than those who actually retired as early as this in the oldest age cohorts (born in 1937 and 1939).

On the other hand the desired date of retirement will not always correspond with the actual date of retirement. Studies from NOVA show that older employees' desire to take retirement can change dramatically when they approach the age of 62 (see for example Solem 2004). The figures must therefore be interpreted with some caution.

Figure 5. Pension curves for those born in 1937, 1939, 1941 and 1943. Based on the actual date of retirement for the retirees and the desired data of retirement for those still working in 2002



Why retire early on the AFP scheme?

The studies indicate that the senior challenge in the public sector does not primarily consist of retaining «weary» employees, as was the case in the private sector. Here the main challenge constitutes encouraging de-motivated employees to continue working for a few more years.

Loss of motivation – not necessarily health

The main reason given by government employees for taking the AFP early retirement scheme is not primarily associated with health problems or weariness resulting from a long working career – even though these issues are also important among the traditional blue-collar groups in the public sector. However, these groups make up a relatively small proportion of the workforce, and are fewer today than when this study was conducted. The senior challenge in the public sector therefore mainly constitutes attempting to motivate university college groups and academics to continue working even though they want more leisure time or have lost interest and motivation for the job. The challenge within the government wage agreement area is thus different from that in the private sector where the problem of weariness is more dominant (Midsundstad 2002).

Loss of job motivation – want more leisure time!

Just as in the private sector, half of the AFP retirees who retired at 62 state that the *desire for more leisure time* was of great significance for their exit decision. At the same time there are twice as many government employees as private sector employees who related their exit to *loss of job motivation*. Closer examination of the self-reported reasons for retiring on the AFP scheme reveals that lack of motivation and the desire for more leisure time emerge as equally significant explanations for early retirement as health problems and considerable strain at work. However, *the desire for more leisure time* as the main reason for retirement on the AFP scheme is not completely uniform: 40 per cent of those who gave this as a very important reason also emphasise *health problems and considerable strain at work*. For these employees, the desire for more leisure time can equally well be interpreted as a desire to escape from a stressful work situation and/or a wish to be able to relax and rest because of health problems. This overlap in reasons is most prominent in blue-collar occupations and is more widespread in the private sector where around six out of ten employees stated both reasons as equally important.

However, the multiple regression analyses show that self-reported health problems and weariness do not statistically have any definite effect on government

employees' early retirement pattern when a good number of other relevant factors are concurrently taken into account. Nonetheless this does not mean that health problems and weariness do not play a role in exits on the AFP scheme, but that it does not express any general tendency in the selection studied – regardless for example of age, gender and occupation and the other factors we have examined.

Poor management, inability to cope and ageism

The relationship between manager and employee is of great importance for exits on the AFP scheme among government employees. A substantial proportion of public service retirees said that they did not get on with their manager, and almost one-third reported that they did not receive much praise and encouragement from their immediate superior. A significant proportion was also of the opinion that their manager gave them too little necessary professional follow-up (see figure 7).

The multiple regression analyses that were made also show that employees who tend to be overlooked and are not sufficiently looked after or encouraged by their immediate manager chose to retire on the AFP scheme more often than other

Figure 6 Proportion of AFP retirees who emphasised the following reasons for retiring. Covers only those who retired on a full pension at the age of 62. N=108.

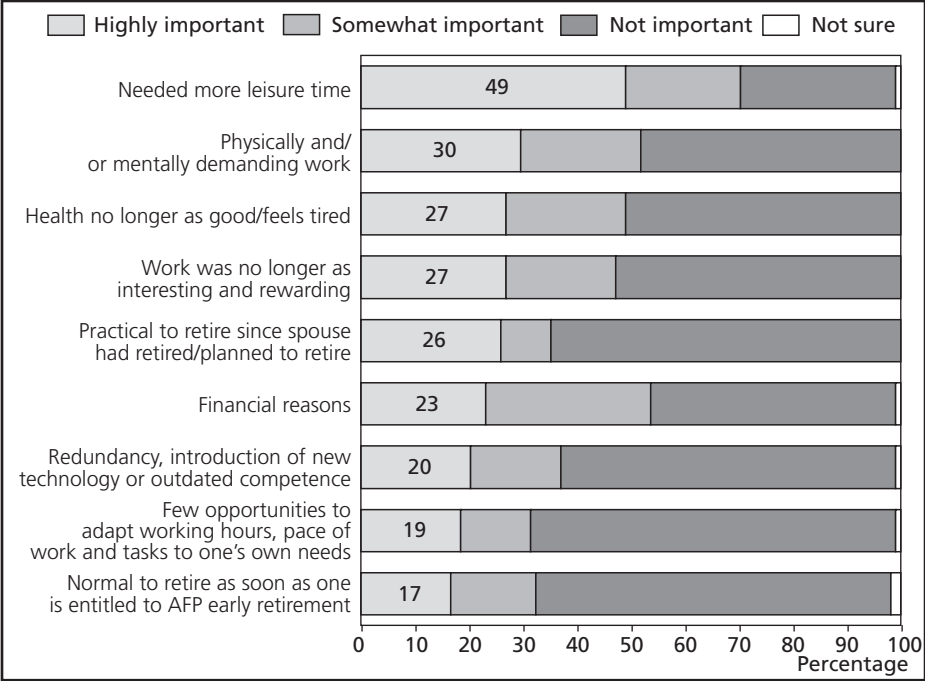


Figure 7 Proportion of the retired employees who said that the following statements were correct, were correct to a certain extent, were not correct, or who were uncertain. N=415.

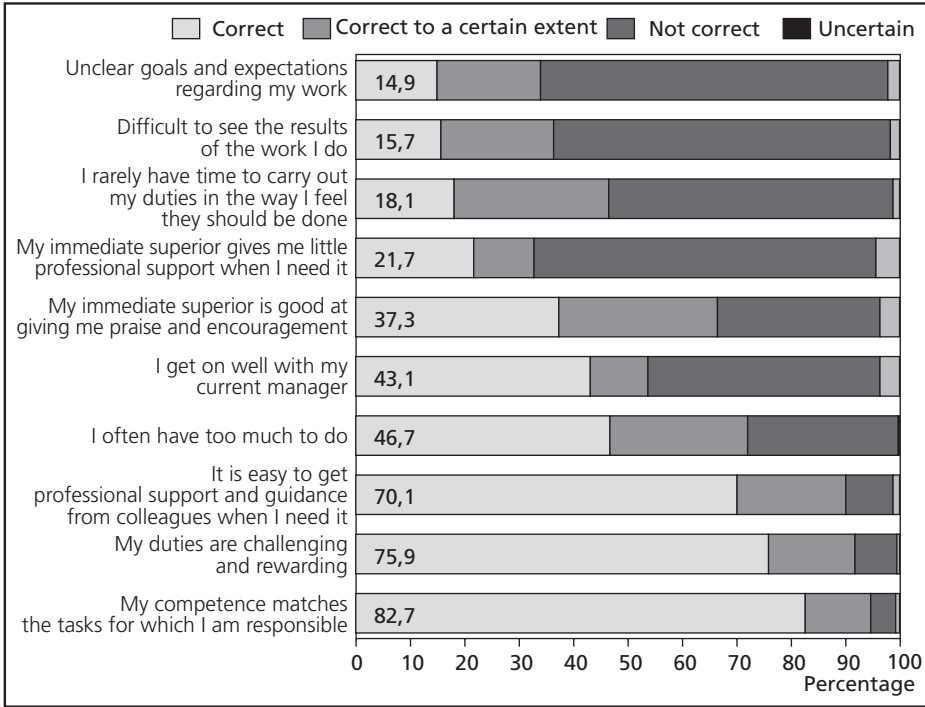
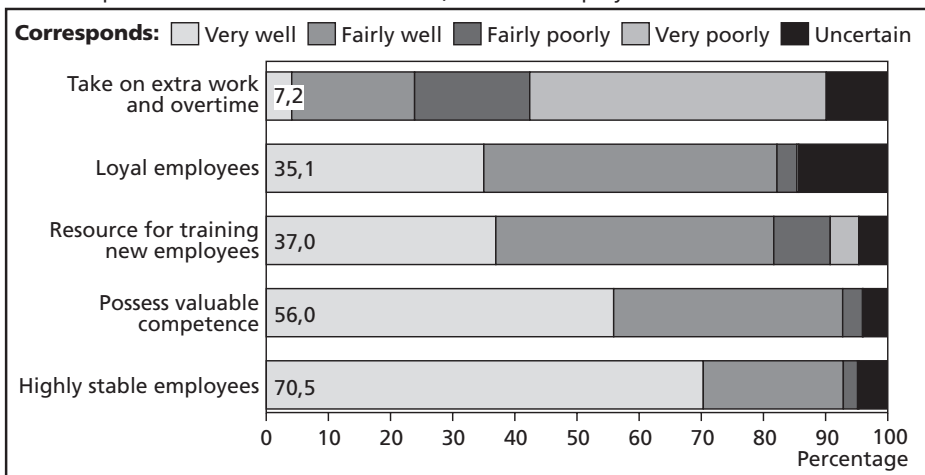


Figure 8 Personnel managers' degree of positive experience of older employees in state-owned enterprises that have employed workers over the age of 55. N=303 personnel managers who cover a representative selection of almost 1,125 older employees over 55.



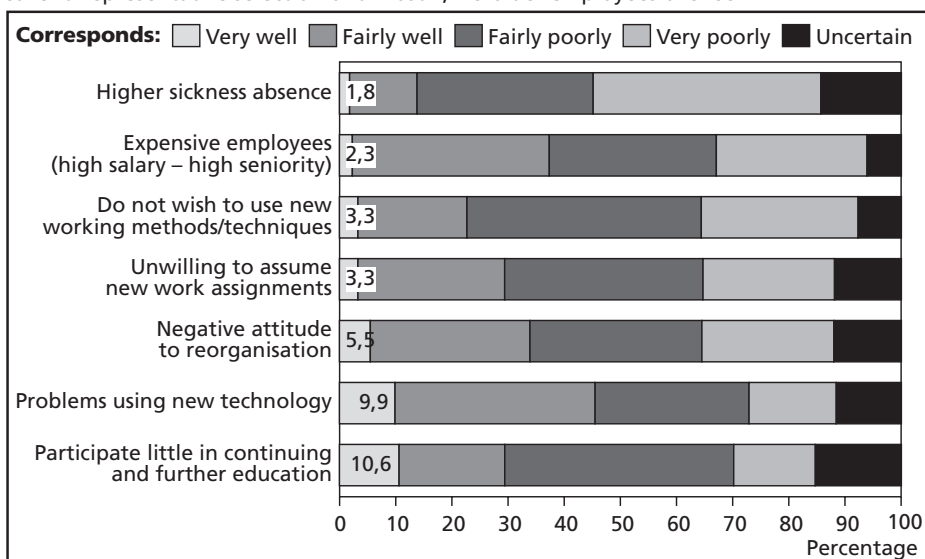
employees. This applies to both men and women and is independent of type of occupation.

This is also the case if employees feel that their work does not give them a sense of coping – for example because they feel that their competence does not correspond to the demands of the job or they have little freedom in their position, have problems seeing the results of their own work or feel that they are given little leeway to carry out their tasks satisfactorily. The multiple regression analyses also show that a feeling that the work does not offer a challenge also encourages employees to take early retirement on the AFP scheme.

However, the study shows that government employers (represented by personnel managers) in general have a positive attitude to and experience of their older workers (see figure 8). Almost all consider them stable and loyal employees. They are also regarded as possessing valuable competence for the enterprise, and are perceived by many personnel staff as a resource for training others.

On the other hand, almost half the older employees have a personnel manager who claims that these workers have problems using new technology (see figure 9). One-third also have employers who are of the opinion that the senior workers in their enterprise have a negative attitude to reorganisation and are somewhat unwilling to assume new work assignments – including extra work and overtime. They are also regarded as somewhat unwilling to participate in continuing and further

Figure 9 Personnel managers' degree of negative experience of older employees in stateowned enterprises that have employed workers over the age of 55. N=303 personnel managers, who cover a representative selection of almost 1,125 older employees over 55



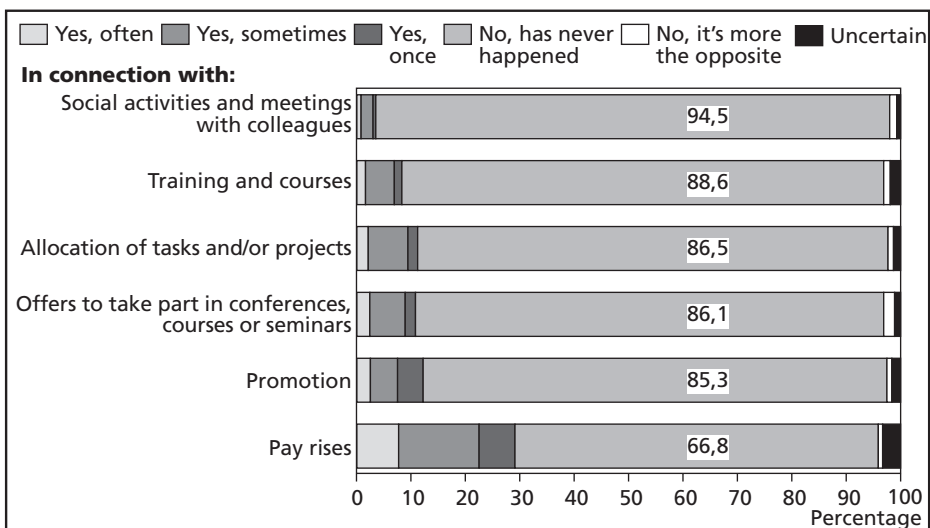
education. One out of three personnel managers also considers older employees more expensive labour, although not because of a presumed higher incidence of sick leave.

Being employed in an enterprise where the personnel manager has a predominantly negative attitude to and experience of older employees does not however increase the probability of early exits when other relevant factors are taken into account – as was the case in the multiple regression analysis.

In spite of the predominantly positive attitude from the management, many government employees still feel discriminated against because of their age. Forty per cent report that they have been exposed to ageism. This is primarily linked to being ignored in connection with pay rises and promotions rather than to the allocation of tasks, participation in projects, offers of courses and professional training or social activities at work – even though one in ten also feels overlooked in such contexts. These high figures can be due to the fact that many older employees have expectations of positive discrimination of senior workers with regard to pay rises and promotions, i.e. they basically think they should be «favoured» for promotion due to their seniority, experience etc., and are therefore disappointed when this does not happen.

Experiencing discrimination and being passed over in this manner does however increase the probability of early exits on the AFP scheme: the more cases of such discrimination that are reported, the greater is the probability of retiring early, all other things being equal.

Figure 10 Proportion of older employees who consider themselves exposed to ageism at the workplace in connection with pay rises and/or promotions, allocation of tasks/projects, participation in courses, seminars etc., continuing and further education and/or social activities at work. N=1497.



The importance of restructuring, downsizing and new technology

Restructuring and downsizing represented a significant explanation for retiring early on the AFP scheme in the private sector (Midtsundstad 2002b). The same pattern is not so clear in the government wage agreement area. Our study indicates that restructuring or large-scale organisational changes do not necessarily contribute to older employees withdrawing from working life too early. The exception is of course if the restructuring leads to downsizing where natural wastage or early retirement is one of the most important decruitment tools. A quarter of the government employees also say that they would prefer to have remained at work longer if they had been given the opportunity. However, restructuring that leads to other work tasks, new colleagues and new management seems to be perceived as less problematic. Other studies have also shown that being busy and having a lot to do (if it is felt as meaningful) is just as often experienced as positive by many and thus reduces rather than increases the wish to retire early.

Nonetheless there are some older employees in the public sector that experience that they cannot «tackle» the transition to new technology or who do not want to continue if new technology demands skills enhancement. One in ten employees give this as a very important reason for choosing to take early retirement (see figure 7). There are therefore grounds to believe that a certain proportion of early retirement cases among government employees are due to technological exclusion. However, we do not know what importance the requirements for technology and competence have for early retirement conduct when other relevant factors are examined concurrently.

In this context it must be stressed that the study only covers the government wage agreement area and not state-owned enterprises that are wholly or partly privatised, converted to limited liability companies and the like, and have thus become part of the NAVO employer association area. The situation would in all probability have been different if these enterprises had been covered (cf. Midtsundstad 2002 and Trygstad, Lorentzen and Løken 2005). In addition, the study was conducted before the initiation of the quality reform in the university and university college sector and before government supervisory authorities were relocated.

Financial aspects are less important than expected

The financial advantages/disadvantages of early retirement are presumed by many, particularly economists, to be the single factor that has decidedly most significance for the exit decision (see for example Hærnes et al. 2002). However, government employees ascribe little importance to this aspect. Only one in five claimed that it was very important for them to know that the occupational pension they would receive from the age of 67 would remain unchanged even if they retired as 62-year-

olds, and/or emphasised that the current pension level meant that they «could afford to retire early» in the sense that they would manage well on the income from their pension alone (see figure 7). On the contrary, a total of 40 per cent of those who remained at work after the age of 62 said that they could not afford to retire early. One-third also stated that it was important for them to accrue higher pension benefits by postponing their retirement (see figure 11).

However, the results of the multiple regression analyses indicate that on the whole economic incentives play a small role in government employees' early retirement conduct when other relevant factors are taken into account. At all events it appears that low pay does not increase the probability of early retirement on the AFP scheme, even though high pay gives higher pension benefits in relation to former salary when factors such as occupation, educational level, gender, years in work etc. are included in the analysis.

In contrast, the number of years (qualifying years) in the public sector does affect exits from the workforce. Those who have accrued 30 years or more in government service are more likely to retire as early as possible than those who have 15 years' service or less. This is probably connected to low pension accrual or lack of fulfilment of the individual requirements set for taking early retirement on the AFP.

Variation in the reasons for early retirement between different groups

Blue-collar workers have health problems – academics are fed up with the job

The factor that first and foremost distinguishes the reasons of blue-collar workers and lower clerical staff for early retirement from those of academics and managers is their emphasis on working environment strain and health problems. This corresponds to findings from the private sector (Midtsundstad 2002b) as well as with the assumption that blue-collar occupations result in more fatigue and strain – particularly physical – and are thus also more tiring and more likely to harm the health than academic and managerial occupations. Since employees in traditional blue-collar jobs constitute an extremely small proportion of government employees, the health/weariness issue has on the whole little significance for exits on the AFP scheme in the government wage agreement area. In addition, we find no total effect of health problems/weariness in the multiple regression analyses of AFP early retirement when other relevant factors are taken into account.

Women's early retirement is more health-related

There are also noticeable differences between the reasons men and women in the public sector give for choosing to take AFP early retirement at the age of 62. Although both men and women assign great importance to the fact that the desire for more leisure time plays a major role in their decision, for women their choice appears to a larger extent than for men to be related to poor health and to feeling weary, or to adjustment to their spouse's retirement. Men relate their decision more to a lack of motivation for the job.

Greater preference for leisure time among young people?

It has been claimed that more and more value is placed on leisure time by younger generations. Interestingly enough, among those who planned to retire at 62 (58- and 60-year-olds) there were also far more who linked their planned retirement to *the desire for more leisure time* than among those who were older than 62 and had already taken early retirement on the AFP scheme. The wish for leisure time expressed by the first group was also far less connected to strain at work and health problems. This can be an indicator that preferences for leisure time rather than work are in a process of change: the proportion who are tempted to enjoy their retirement as early as possible may in fact be increasing in younger age groups. Nevertheless, wanting to retire or planning to retire is not the same as actually retiring. In addition, health problems will usually grow with the years and there will therefore probably also be more workers in these age groups who will be obliged to retire when they approach the age of 60 for reasons other than those they themselves envisage.

Why work longer?

A larger proportion of women than men in the public sector are still in work at the age of 64. In other words, working women over 55 in the public sector retire somewhat later than men. The main reason is that far more of the men have occupations with a special age limit, which allows them to retire as early as 57. As previously mentioned, the retirement pattern also varies substantially between different occupational groups and position categories and according to educational level. But almost nine of ten academics in the education and research sector were still working at the age of 62 and 64 respectively, whereas this applies to less than three in ten of those in blue-collar occupations.

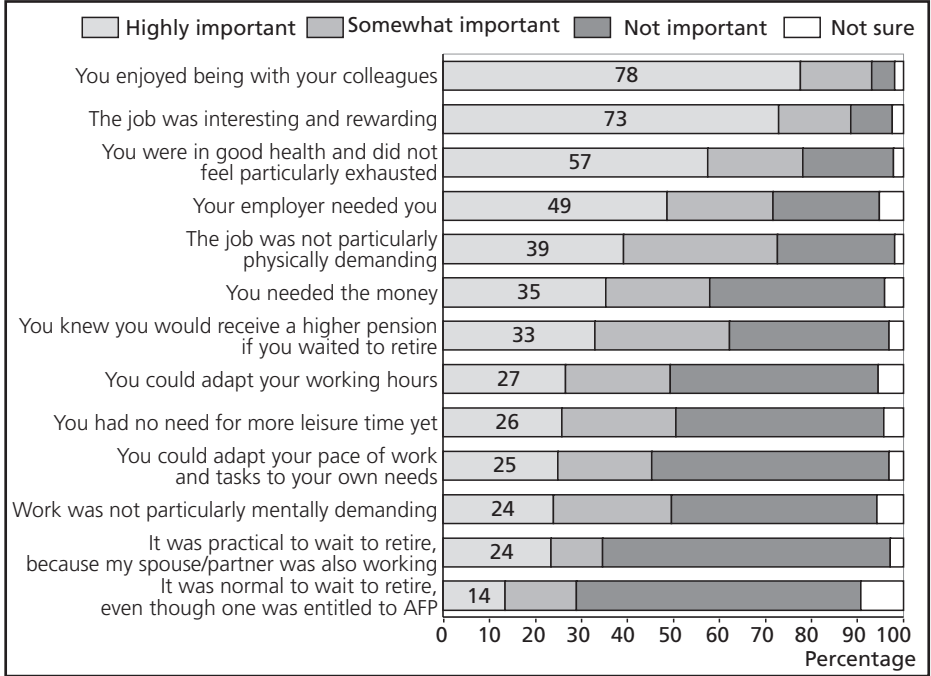
It is also interesting to observe that a total of 40 per cent of those who remained in their jobs as 62-year-olds planned to be there until they were 65 or 66, and 20 per cent until they reached the age of 67 (see figure 5). In general it appears that if government employees have once decided to prolong their working career, they are willing to wait until they can retire on an ordinary occupational pension. This indicates that some employees do in fact attach a certain importance to the level of the benefits. Four in ten also claim that they waited to retire because they needed the income from work – since the pension was regarded as too low.

«I am my job»

However, those who choose to work after the age of 62 places most emphasis on the fact that they like being with their colleagues and still experience their job as interesting and rewarding. Three out of four attach great importance to this – a fact that is clearly expressed in the statement: «I am my job!»

In contrast it is not the case that those who retire early do so because they are unhappy at work. Interestingly, little importance is attached to this. Dissatisfaction at work may well lead to early retirement, but since most employees appear to enjoy

Figure 11 Proportion who emphasise the following reasons for continuing to work after the age of 62 out of those who were still working as 55-year-olds. N=421.



being with their colleagues (far more than 90 per cent), in general it has little importance for total AFP early retirements.

We find the same disparity in the reasons given by those who retire and those who remain in work when assessing the desire and the need for more leisure time. Among those who decided to remain in work for a longer period there were very few who said that their decision reflected assigning low priority to more leisure time, whereas the desire for more leisure time was the factor that the majority of

AFP retirees emphasised. As mentioned, however, the «desire for more leisure time» is not a universal goal: very many of the same early retirees also placed great emphasis on health problems and considerable strain at work. The factors «social well-being at the workplace» and «the need for more leisure time» are therefore ambiguous explanatory factors that do not appear to be exclusively decisive when attempting to understand the choice between work and retirement.

Almost six out of ten of those who continue to work after the age of 62 say that their good health had a considerable affect on their choice (see figure 11). Half also claim that the fact that their employer said that their work contribution was still needed played a major role. However, 40 per cent stated that they needed the income from work. In other words they did not regard the pension benefits as adequate. For one-third, the fact that they would accrue higher pension benefits if they postponed retirement was of importance. This may mean that the amount they have accrued does not entitle them to a full occupational pension from the age of 65 if they retire at 62, but it can also mean that they regard the AFP pension – that corresponds to NIS benefits before the age of 65 – as insufficient and they therefore wait until they can take an occupational pension at 65. In addition, one in four said that they were postponing their retirement because their spouse/partner had not yet retired or did not have plans to retire in the near future.

Men and academics continue working because they enjoy it – women and blue-collar workers because they have to

Among those who choose to continue working after the age of 62, far more men than women stress that their job is still interesting and rewarding. In addition, there are a larger proportion of men than women who find it practical to wait until their spouse/partner can also retire. This seems reasonable, as we know that in general men have a spouse/partner who is some years younger than they are. However, women who decide to continue working ascribe much more importance to economic factors. The same differences between the genders can also be found among those who retire at 62.

Academics, employees at university colleges and managers explain their continued employment far more often than blue-collar workers and lower clerical officers

by the fact that their jobs are interesting and that they have a high degree of flexibility in their work. However, among blue-collar workers and lower clerical officers it appears that financial considerations are considerably more important and it is far more seldom that they feel they can afford to retire early in spite of the fact that the compensation rate from the NIS – pension as a proportion of former salary – is basically far higher for these groups than it is for the high education groups if they retire on the AFP scheme before the age of 65.

Managers – critical for the wish to postpone exits from the workforce?

If we compare the reasons of those up to 60 who say that they wanted to remain in work after the age of 62 with the reasons given by those who were over 62 and in work, the main differences were linked to managers wanting to retain them, the desire for more leisure time and/or adapting to the pension plans of their spouse/partner. Twice as many of those who had continued working after the age of 62 as of those who planned to work so long mentioned that the manager's expressed wish to retain them was extremely important for their decision/choice. This may indicate that the closer employees get to possible retirement age (62) the more important being recognised and appreciated by the immediate manager becomes. But it can also indicate that managers only express how valuable an employee is when he or she approaches the age of 62 and they have a genuine opportunity to influence the retirement decision.

For 58- and 60-year-olds it mainly appears to be the positive aspects of the job that promote the wish to prolong the working career beyond the age of 62 rather than the desire for more or less leisure time or the need to adapt to the family's pension choice. As mentioned, awareness of the importance of leisure time and the family is far greater among those who have already made the decision – maybe because these factors become more evident and therefore more decisive at the point in time when employees actually have the opportunity to make their choice. However, it can also be that retirees' distance from the job naturally leads to such aspects being ascribed less importance.

One in four chooses to cut down gradually

One employee in four combines retirement with continuing to work.. Only half of the 64-year-olds are thus completely without a connection to the labour market. It is primarily the AFP retirees who choose to combine work and retirement, and it is among academics that the majority chooses this solution where the proportion of semi-retirees is twice as high than it is among blue-collar workers. The proportion

of semi-retirees is also far higher than in the private sector where only one out of ten chose partial retirement (Midtsundstad 2002b).

Employees' reasons for taking semi-retirement do not vary particularly from the reasons given by those who postponed their retirement, even though a far greater proportion naturally stressed the possibilities of adapting their working hours to their own needs and of taking a partial pension. Since everyone basically has the opportunity to retire on a partial AFP pension if their employer agrees, we interpret the latter as there being acceptance at their workplace for selecting this type of solution and that they thus experience having a genuine opportunity to choose part-time work in combination with partial AFP. In addition, the most important reasons for choosing semi-retirement rather than full-time work were good health, adaptation to the retirement of the spouse/partner, the need to accrue better pension rights or the desire to wait until it was possible to retire on a full occupational pension.

Retiring on a disability pension

Almost 14 per cent of the government employees who were working as 55-year-olds had taken disability retirement before they reached 65 (see figure 2). They thus constitute one-fifth of all those who had chosen to retire in the age range between 55 and 65.

There is also great variation in retirement on a disability pension with regard to occupation and gender: while a quarter of the blue-collar workers and lower clerical staff retired on a disability pension between the ages of 55 and 65 (see figure 4), this applied to five to twelve per cent of the academics, although this was somewhat dependent on the type of occupation (see figure 3). Women also retire on a disability pension twice as often as men. The difference is particularly noticeable among those aged 60 and 61 where the rate of disability retirement for women is three times that for men. This must presumably be seen in connection with differences in educational level, occupation and thus strain at work, but can probably also be related to differences in accrued rights since disability retirement provides higher benefits for most than, for example, retiring through the AFP scheme before the age of 65.

Over a quarter of those who have taken disability retirement receive a partial disability pension. Most of these are 50 per cent disabled. There are twice as many women who receive a partial disability pension than there are men. The main proportion of these partial-disability retirees are in work, mostly working 15–20 hours per week, and those who are not in work say that their health problems are too great to allow it. Comparatively few relate it to the non-taxable income limits or to the

fact that the situation on the labour market makes it difficult for them to get suitable work.

Taking retirement on a disability pension in the public sector deviates considerably from our findings in the private sector where almost no employees retired on a disability pension after the age of 62 and few between 60 and 62. In comparison, in the public sector a total of 25 per cent of those who were working as 55-year-olds in the 1937-year group had retired on a disability pension in the age range 62–65. The substitution effect between the AFP scheme and retiring on a disability pension – which was one of the reasons for establishing the AFP scheme, in the first place – thus seems to be greater in the private than in the public sector.

Retiring on the special age limit pension

Around ten per cent of all those working within the government wage agreement area at the end of 2001 were in occupations that had a special age limit. More than three per cent had an age limit of 60 – mainly military officers and police officers. These have the opportunity to retire as early as 57 if they have been in work for a minimum of 28 years (the 85-year rule). The majority of those who are subject to the special age limit nonetheless have an age limit of 65 (seven per cent), which entitles them to retire on a full occupational pension at the age of 62 if they fulfil the requirements of the 85-year rule.

Exits resulting from special age limits are important in the public sector

When we follow a year-group of government-employed 55-year-olds within the government wage agreement area for almost ten years, as we have done, around one-sixth have retired because of the occupation's special age limit (see figure 2). In total they constitute more than a quarter of all retired 64-year-olds who had been in work at the age of 55. The difference between the genders is large: while three in four 64-year-old men retired under the special age limit system in 2002, this applied to just one in ten women.

The majority of military officers and police officers choose to apply the 85-year rule and retire up to three years before the special age limit of 60. Over four in ten of those subject to special age limits retire as early as 57 and a quarter as 58- and 59-year-olds respectively. Only one in three waited until they were 60. In this area there is a marked difference between police officers and military officers: while 70 per cent of the policemen chose to retire at 57, this applied to only one-third of the

military officers. However, we do not know whether the variation in retirement according to age is due to their own wish or whether those who wait do not meet the retirement requirements laid down in the 85-year rule, i.e. their qualifying years were insufficient.

Many work after retirement

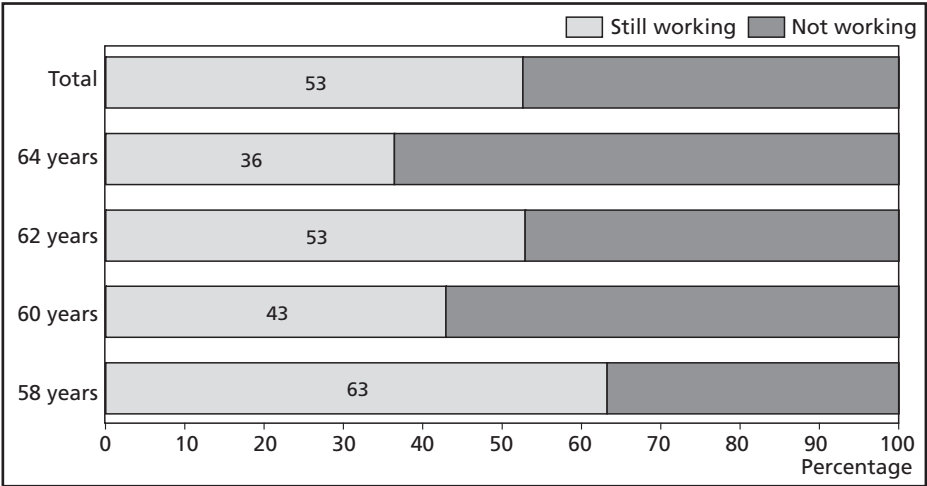
Very few police officers and military officers appear to perceive the special age limit obligation to retire at the age limit of 60 as unfortunate: only one in ten said that they would have liked to have worked longer than stipulated by the age limit.

Over half the retirees within the police and the armed forces nonetheless combine their retirement with continued work (see figure 12). Among 58-year-olds this applied to more than 60 per cent, and among 64-year-olds the proportion was one-third. A quarter was working almost full-time, i.e. 30 hours or more per week. One-fifth works in the public sector, even though this leads to a reduction in their pension benefits. However, the majority were working in the private sector – as workmen, drivers, lower clerical staff, offering personal services of various types or doing various kinds of odd jobs.

The reasons they gave for working were that they were in good health and had found an interesting and rewarding job that could easily be adapted to their wishes concerning working hours, tasks and work pace.

Those who were full-time retirees gave the desire for more leisure time as the major reason. Less than 40 per cent assigned priority to this. Over one-third also

Figure 12 Proportion of the various age levels among police officers and military officers who are still working after retirement. N=141.



attached importance to the fact that they did not need extra income from paid work since they could manage well on their pension income. In addition, almost one-fifth stated that their health had failed and that they did not therefore want to work in their retirement.

It is also interesting to observe that 60 per cent of the 58-year-olds who work after retirement want to continue working for four years or more, i.e. until they are between 62 and 66. This means that almost 40 per cent of retired 58-year-olds in the police and armed forces plan to work beyond the age of 62. Among retired 60-year-olds – where almost 40 per cent combine work and retirement – less than 60 per cent of these want to work after the age of 62. One-third wants to remain in work until they reach 67.

Senior initiatives and their effects

Most government services run senior initiatives

The replies from personnel managers in the public sector revealed that more than five out of six older employees work in government enterprises that have one or more senior initiatives available. Not unexpectedly it is enterprises with many employees that report most initiatives. According to the personnel managers, the measures mainly offered are the opportunity to combine work and retirement, more flexible working hours, transition to less demanding work or the offer of continuing or further training to update skills. From 2002, the wage agreement allowed employers in the public sector to give employees over the age of 62 extra pay if they decide to continue working. At the interview date, however, there were few who had such instruments available as the agreement had just been formed. The use of some of the collective pay resources for such initiatives requires agreement between local parties.

Do senior initiatives have an effect?

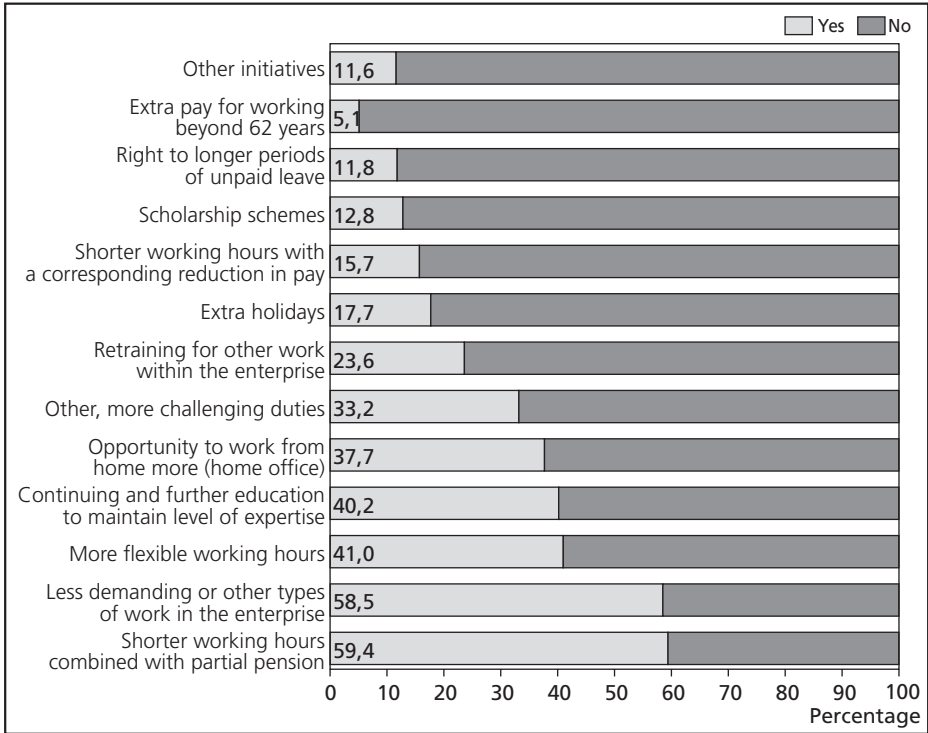
The study indicates that senior initiatives can have some effect on AFP exits from the workforce. Employees in government enterprises and services that provide many adjustment initiatives – such as the opportunity to reduce working hours and/or transitions to less stressful or other types of work – are less likely to retire early than employees in enterprises with fewer or no such initiatives. We do not find a corresponding effect of the available initiatives intended to increase motivation and job attractiveness – such as the offer of higher pay, more days off, longer holiday allowance or more challenging assignments. In addition, such initiatives were not wide-

spread and a limited selection was available. Neither did the possibility for greater flexibility (e.g. more holidays, better opportunities to take leave, flexible working hours, the chance to work at home etc.) promote later exits from the workforce. However, in this study we do not know whether the individual worker/early retiree has in fact been offered any of the initiatives that the general manager indicated were available at their workplace. What we are measuring is therefore an effect of the availability of a limited selection of workplace initiatives rather than the effect of the actual use of these initiatives.

What initiatives are needed?

If we assess the need for initiatives on the basis of the retirees’ own reasons for exiting from the workforce, it does not appear that the greatest requirement is for the *adjustment initiatives* that make it possible for persons with failing health or a stressful work situation to continue working for some years, but initiatives that can contribute

Figure 13 Proportion of older employees working in an enterprise that provides the following initiatives for senior workers. The replies are based on information from their personnel managers. N=303 personnel managers covering a selection of 1,125 senior workers in the public sector in 2002.



to making continuing to work more attractive than retirement and leisure time. These include *better management, various initiatives to increase motivation and job attractiveness* and *more challenging work*. Such senior initiatives or working environment measures cannot be considered to be widespread in the public sector.

For example, if we examine the employees' reasons for retiring early or continuing to work respectively, these are related to only a very small extent to the initiatives employers either currently had available, for example adjustments to work and the work situation, or initiatives that they considered effective financial instruments. Both those who retired and those who remained in work were more concerned about whether the job was still interesting and rewarding, whether their employer had any use for them, the extent to which the work was mentally stressful and whether their health was good – even though when asked directly about what could be effective initiatives the majority stated that higher pay, extra holidays and better management could influence their wish to prolong their working career. As already mentioned, the desire for more leisure time is difficult to interpret. On the one hand it can be connected to the desire to relax and take things easy because of poor health and stressful work, while on the other hand a strong prioritising of leisure time combined with great emphasis on job content can also be interpreted as employees no longer feeling that they will benefit – either financially or otherwise – from continuing to work.

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Notes

¹ This study was conducted among a representative selection of employees and retirees who were or had been employed in companies that were affiliated to the AFP scheme and to the Norwegian Confederation of Trade unions (LO) and the Confederation of Norwegian Enterprise (NHO). All those in the selection were working as 60-year-olds and were interviewed when they were between 64 and 68.

² Or more precisely in an enterprise that at the end of 2001 formed part of the government wage agreement area, i.e. employees who were or who had been employed in enterprises that are part of the public sector or are state-owned but affiliated to the NAVO employer association area are not covered by this study.

³ The benefits from the NIS, measured as a percentage of the final salary, will however vary depending on the accrued pension points for the 20 best point years (the best-years rule). The calculation of pension points for a given year is based on the pension-qualifying income and the base amount for the relevant year. Full pension from the NIS also requires 40 years of accrual time. However, this does not mean that employees must have had pension-qualifying income for 40 years to entitle them to a full NIS pension if they retire on the AFP scheme at 62 since the years from the exit date to 67 are included in the 40 years.

⁴ Occupational pension from the Norwegian Public Service Pension Fund amounts to 66 per cent of the final salary plus $\frac{1}{4}$ G (the base amount or key indexation parameter of the NIS) for a single person who has been in service for at least 30 years, but is reduced for part-time work.

⁵ The National Insurance Scheme's regulation and calculation methods always apply for retirement between the age of 62 and 65. These regulations will also apply if you retire between the age of 65 and 67 if this should prove to give the best result for you. The main rule is still that the regulations of the Norwegian Public Service Pension Fund apply from the day you turn 65 and until you retire at the normal retirement age of 67.

⁶ Partial AFP means that if a person works in a position that is more than 60 per cent, he or she can choose to receive a partial AFP pension and combine this with continued work. From 1 October 1997 it was possible to take 20 or 40 per cent pension and combine this with an 80 or 60 per cent position respectively. It was most common to take the pension in the form of a reduced number of working days per week. It is also currently possible to choose other percentage combinations of part-time work and partial AFP or to take a reduction in work in the form of reduced working hours per day or as longer periods of time off combined with longer periods in full-time work – for example seven months in work and four months off. The scheme was revised in August 2000. From the same date the non-taxable amount of 1 G (the base amount) was removed and replaced by a tolerance amount.

⁷ This proportion is presumably higher today as some enterprises in which employees are not subject to the special age limit have been wholly or partly privatised or converted to limited liability companies after 2001 and have thus become part of the NAVO area. For example, this applies to parts of the Norwegian Public Roads Administration.

⁸ The lower age limits in the public sector are currently 65, 63 and 60. As a result of the 85-year rule this means that police officers and military officer who are subject to an age limit of 60 can retire as early as 57 if the total of their service time and age is 85 or more (cf. Section 21, paragraph 2 of the Norwegian Act relating to the public service pension fund).

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