

English summary
of Fafo-rapport 2020:31

Retirement in the municipal sector:

Early retirement and use
of the AFP scheme in the
tariff area of the Norwegian
Association of Local and
Regional Authorities (KS)
2002–2019

Retirement in the municipal sector: Early retirement and use of the AFP scheme in the tariff area of the Norwegian Association of Local and Regional Authorities (KS) 2002–2019

Research questions and data material

In this report we explore the following:

- 1 A description of the pattern of early retirement in the tariff area of the Norwegian Association of Local and Regional Authorities (KS). To do so, we look at the rates of early retirement, which show the proportion of those who retire at a specific age among all those who are entitled to do so. These rates form the basis for retirement curves that show the proportion of an age cohort (here: the 50-year-olds) that can be expected to retire at different ages in a given year, as well as estimates of the expected retirement age, which show at what age a cohort of 50-year-olds can be expected to retire in a given year.
- 2 The variations in the pattern of early retirement, the use of various pension schemes (AFP, disability pension, the special age limits and the 85-year-rule), partial retirement and the variations among occupational groups, genders and age cohorts for the period 2002–2019.
- 3 A simple analysis of the association between early retirement and selected individual background variables – age, gender, FTE percentage, occupational category and sector – with the aid of a regression model.

The estimates and analyses in the report are based on comprehensive registry data from the insurance providers in the KS tariff area, specifically Kommunal Landspensjonskasse (KLP) for the periods 2002–2005 and 2007–2019, and the Norwegian Public Service Pension Fund (SPK) for the years 2002, 2003, 2005 and 2007–2019. The registry data from KLP also include information on employees in the health trusts (except for the period 2007–2009). Since the health trusts employ many of the same occupational groups as the municipalities, such as auxiliary nurses, nurses and doctors, we have included some analyses of them as well.

In previous reports, the estimates of expected retirement age among 50-year-olds in the KS tariff area were based on the retirement patterns for employees aged 50–67. In 2017, some analyses that also included employees aged 68–70 were performed (Nielsen 2017b). In this report, such analyses are presented in Chapter 6.

English summary of Fafo-rapport 2020:31
Retirement in the municipal sector
Roy A. Nielsen

© Fafo 2020

Main results

When all early retirement schemes – disability pension, contractual early retirement pension (AFP), service pension with special age limits and the 85-year-rule – are included in the analysis, we could expect that in 2019, a 50-year-old municipal employee would keep working until the age of 60.9 years. Expected retirement age for a 50-year-old employed in the county administration was 61.3 years, and 63.2 years for employees in the school system.

The figures show that the retirement age for employees in the municipalities and the county administrations has remained stable when compared to corresponding figures for 2002. In the school system, however, the expected retirement age has increased from 2002 to 2019. In comparison, figures for the general population indicate that the expected retirement age has decreased somewhat during the same period.

Stability in early retirement over time

The expected retirement age is estimated on the basis of retirement curves. These curves give a picture of how early retirement varies by age. The retirement curves enable us to observe the proportion of a cohort of 50-year-olds who have not started to draw their pension at different ages, provided that the members of the cohort over time will have the same retirement rates that have been estimated for the different ages in a specific year.

In 2019, approximately one in every four gainfully employed 50-year-olds in the municipalities (with the exception of those in the educational system) could be expected to be fully or partly retired at the age of 62 years, while one in every four could be expected to keep working until the age of 67 years. These results presume that their retirement pattern will be consistent with the retirement rates for the 50–67-year-olds in 2019. The results show a fairly similar pattern of early retirement in 2002 and 2010, although the figures for both these years are somewhat lower than the corresponding figures for 2019.

In the county administrations (minus the schools) there are only minor changes in early retirement for those aged 50–62 when comparing 2019 to 2002 and 2010. There is a weak tendency for the rates of early retirement to be somewhat closer to 62 years in 2002 and 2010 when compared to 2019. Among county administration employees aged 62 to 67 years, early retirement is further postponed in 2019, so that the proportion that can be expected to keep working until the age of 67 is higher in 2019 than in 2002 and 2010. At the age of 62 years, approximately two of every ten 50-year-old employees (in 2019) in the county administrations can be expected to be fully or partly retired, and this proportion increases to three of every ten at the age of 67 years.

In the health trusts there was a small reduction in the rate of retirement before the age of 62 in 2019, while the retirement pattern for the 67-year-olds was the

English summary of Fafo-rapport 2020:31

Retirement in the municipal sector

Roy A. Nielsen

© Fafo 2020

same as in 2002, and both rates were somewhat higher than in 2010. Approximately one in every five were fully or partly retired at the age of 67.

In the school system early retirement has notably declined from 2002 to 2010 and 2019 for employees in the age group 55–67 years. There has been a clear reduction in retirement up to the age of 62 years, and an even greater reduction among employees aged 63–67 years. In 2002, one in every five school employees was still working at the age of 67, while in 2019 this applied to nearly one-half of the employees.

Women retire earlier than men

Expected retirement age and retirement patterns differ considerably between men and women. The differences vary according to place of employment, but have also varied over time.

In 2019, the health trusts and the municipalities had the greatest gender differences in expected retirement age, while the educational system had the smallest. In the health trusts and the municipalities, women could be expected to retire more than two years earlier than men, while this gender difference was somewhat less than a year among school employees.

The gender differences have remained relatively stable from 2002 to 2019, especially in the school system. In the municipalities, counties and health trusts, the gender differences in 2019 are fairly similar to those seen in the early 2000s, even though they have increased since 2011. In recent years, the differences seem to have declined again. The increased differences are mainly caused by changes in the expected retirement age among men, since the changes among women have been smaller.

In all sectors that have been examined, men tend to wait longer than women to retire until they have earned an entitlement to a contractual pension (AFP). In the municipalities, 15 per cent of the men and 25 per cent of the women could be expected to have retired at the age of 62 years in 2019. The proportion of those retiring before the age of 62 years was virtually unchanged from 2004 to 2019. For men, early retirement after the age of 62 years was far less common in 2019 than in 2004, while no change was observed among women.

In the county administrations, nearly 25 per cent of the women had retired at the age of 62 in 2019, but only 15 per cent of the men. After the age of 62, on the other hand, men have a considerably lower retirement rate than women, so that at 67 years, the proportion of those taking early retirement is far lower among men.

In the health trusts, the difference in retirement rates was also approximately the same in 2004 and 2019; 12 per cent of the men and 20 per cent of the women had retired at the age of 62 years in 2019, both a little lower than in 2004. Among

women aged over 62 years in the health trusts, early retirement increased from 2004 to 2019, especially among the oldest, while it fell among men.

In the school system, the rates of early retirement declined from 2003 to 2019 among both women and men, although some of this reduction is due to changes in the underlying data. This notwithstanding, there is a tendency for gender differences in the rates of early retirement to increase after the age of 62 years.

Most of those who retire early are disabled

Among 50-year-olds employed by municipalities and county administrations in 2019, nearly one in every four can be expected to have retired on a disability pension at the age of 62 years, and one in every three at the age of 67 years. Retirement on special age limits has little impact on early retirement before the age of 62 years, but at the age of 67 years, somewhat more than 15 per cent have retired according to special age regulations.

Contractual pensions (AFP) are frequently used after the age of 62 years, and up to the age of 67 years, nearly 25 per cent have started to draw an AFP pension. Disability pensions, special age limits and AFP taken together mean that a little more than three in every four 50-year-olds employed in the municipalities and county administrations in 2019 can be expected to have retired before the age of 67 years.

Continued differences between occupational groups

Estimates for 2019 show that among the largest occupational groups in the KS tariff area, engineers and technicians, executive officers and office staff have the highest expected retirement age, while nurses and auxiliary nurses, social workers, child welfare officers, pre-school teachers and cleaners have a lower expected retirement age.

As a whole, the expected retirement age for municipal and county administration employees has remained stable from 2002 to 2019. For nurses, social workers, child welfare officers and pre-school teachers, the expected retirement age has fallen somewhat during the same period. Engineers and technicians, who have a relatively high expected retirement age of 63.2 years, had a somewhat higher retirement age in 2019 than in 2002. For executive officers, however, who also have a high expected retirement age – a little over 61 years – there has been a slight decline.

Among the occupational groups that have the lowest expected retirement age in 2019 – below 60 years – the trend has largely moved towards an increase since 2002. The exception is among pre-school teachers, whose expected retirement age is in fact lower at the end of the period than in the years from 2002.

Because of changes in the underlying data, it is difficult to draw any clear conclusions regarding the development among school system employees, but the expected retirement age appears to have risen for all categories. Teachers with a bachelor's degree had the lowest expected retirement age in 2019, at nearly 63 years. The expected retirement age for teachers with a master's degree was higher than 63 years, and it was highest among general teachers and school administrators (school heads, deputy head teachers and leaders) at more than 64 years.

The AFP scheme continues to be popular after the age of 62

From 2010 to 2019, the early retirement rate declined both in the municipalities and the county administrations. In parallel, there was a small decline in the proportion of those who start drawing a contractual pension, although the AFP scheme accounts for the majority of early retirements, especially in the county administrations. Developments in the school sector have largely followed the same trend from 2010 to 2019: the rate of early retirement declined, while an increasing proportion of these take out the contractual AFP pension.

In general, the proportion of disability pensions in the different age groups appears to have declined somewhat from 2010 to 2019. The trend in retirement according to special age limit rules has developed differently in the municipalities and county administrations; the proportion has increased in all age groups in the municipalities, while the changes have varied across the county administrations.

More women than men retire on disability pension

In general, more women than men retire early on a disability pension. In the municipalities, a little more than 1 per cent of all men aged 50–62 years became disabled in 2019, and this proportion was a little lower than in 2010. Approximately twice as many women in the same age group retired on a disability pension, and this rate also declined from 2010 to 2019.

The retirement pattern differs between men and women also in the county administrations, with women also having the highest rates of disability here, and the reduction in the disability rate was also mainly among women.

The disability rate is somewhat higher for women than for men also in the school sector and the health trusts, but when compared to 2010, this rate is lower for both women and men.

Increased use of partial retirement among women

Among municipal and county administration employees, the proportion that takes partial retirement has grown slightly from 2002 to 2019. The proportion

of partially disabled retirees has increased from approximately one-third at the start of the period to nearly one-half in recent years, with a somewhat higher rate in the county administrations. Partial use of the AFP scheme among employees aged 62–64 years has increased from approximately 20 per cent at the start of the period to nearly 30 per cent in recent years.

In the first years after 2002, the majority of those who took out a partial AFP pension in the municipalities were men, followed by a period when the majority who chose this option were women. In 2015, men and women in the municipalities chose a partial AFP pension with equal frequency, before women were in the majority again in 2019. Throughout the period approximately one-quarter of all men in the county administrations have chosen a partial AFP pension, although the rate has varied considerably in recent years. Among women with an AFP pension in the county administrations, the proportion with a partial AFP has increased from approximately 20 per cent to more than 30 per cent from 2002 to 2019.