

# Pensions-

**Old age pensions and employment  
A comparative perspective  
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# OLD AGE PENSIONS AND EMPLOYMENT A COMPARATIVE PERSPECTIVE

Concern about ageing societies wide-spread – almost unquestioned

Rise in dependency rates – through longevity and lower fertility

Can “we” afford this?

Search for cost containment solutions is on: extend working life, reduce pension entitlements, increase private provision

On the other hand: can we afford pensions & protect people?

**A social policy challenge**



# OVERVIEW

1. Economic activity. Who is active, who is most vulnerable? Norway & EU
2. Pension reforms since 2002: cost aware and socially inclusive? Norway & EU
3. Reformers between cost constraints and social social problems. Germany & the UK
4. Questions for Norway? Lessons for Norway?

**Pensjons-**  
**LAB**



# ECONOMIC ACTIVITY RATES BY AGE

## I. Economic activity. Who is active, who is most vulnerable? Norway & EU

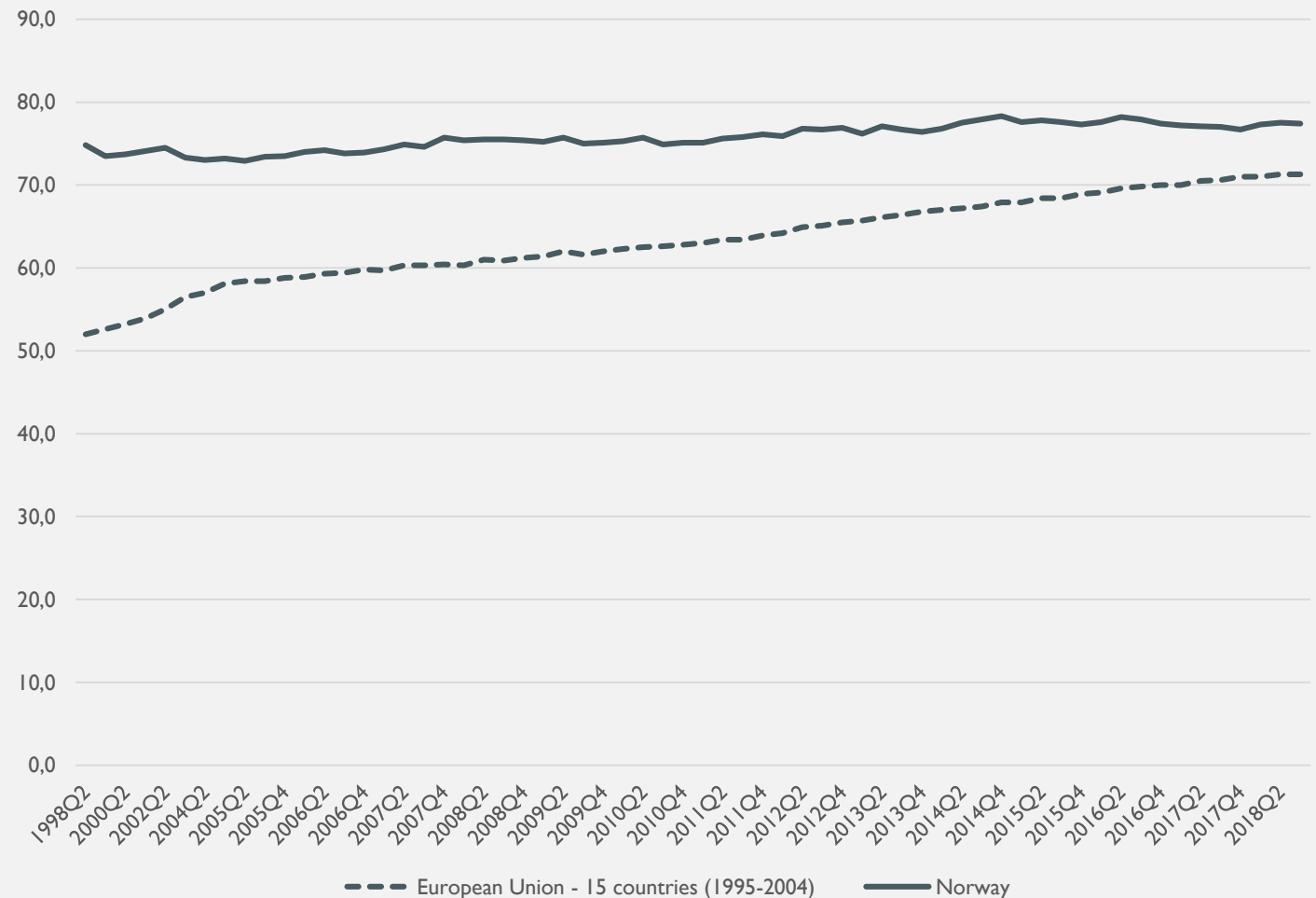
Older people are working longer in the EU.

But not much change in Norway.

High rates have persisted since late 1990s.

Nothing to worry about?

Activity rates of 50-64 year-old adults : Norway & EU15, 1998-2018



All labour force data: Eurostat

# ECONOMIC ACTIVITY RATES BY AGE

## I. Economic activity. Who is active, who is most vulnerable? Norway & EU

Not quite, perhaps. There is a gender gap in Norway.

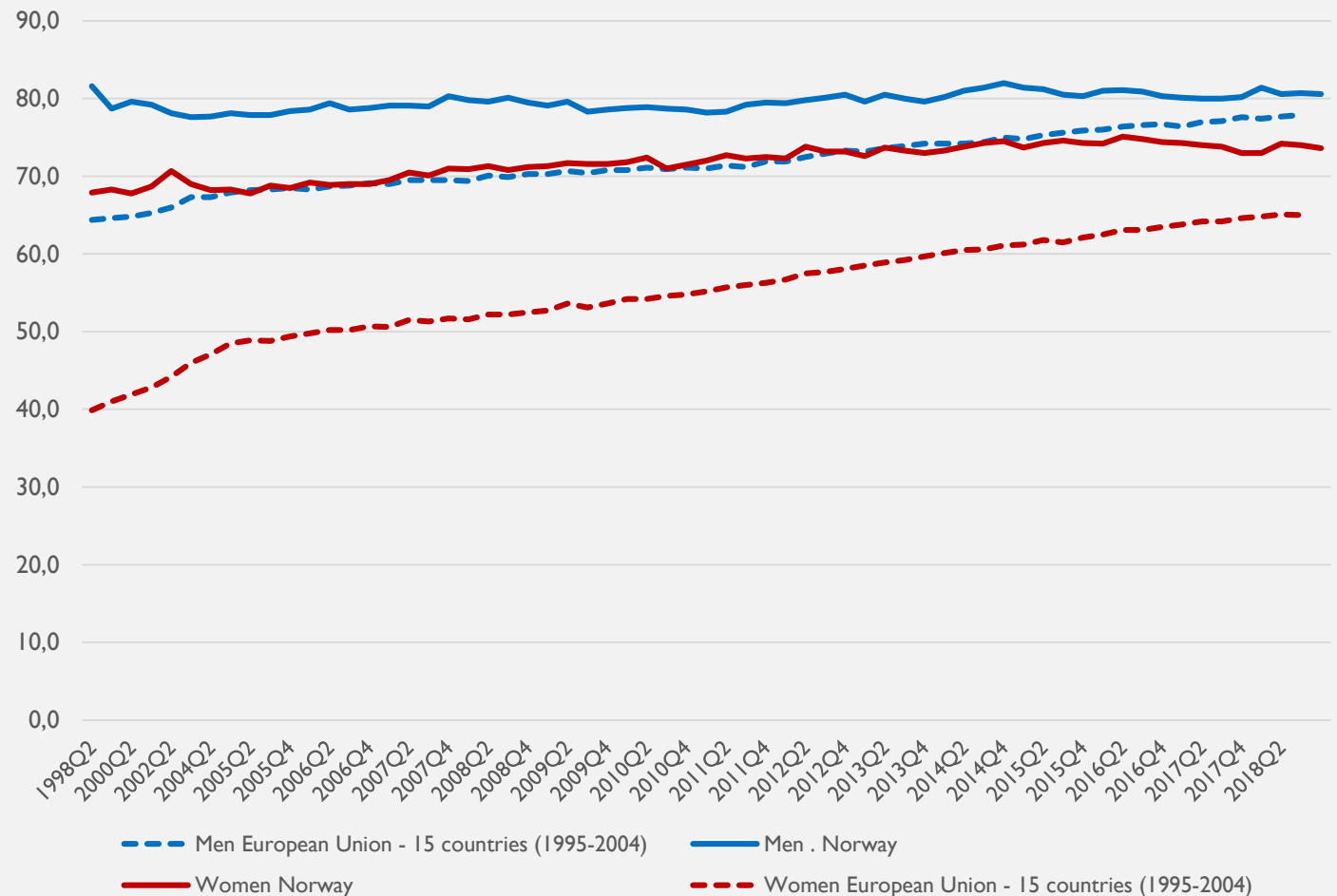
And an even bigger one in the EU15.

The EU15 gap has declined a lot more.

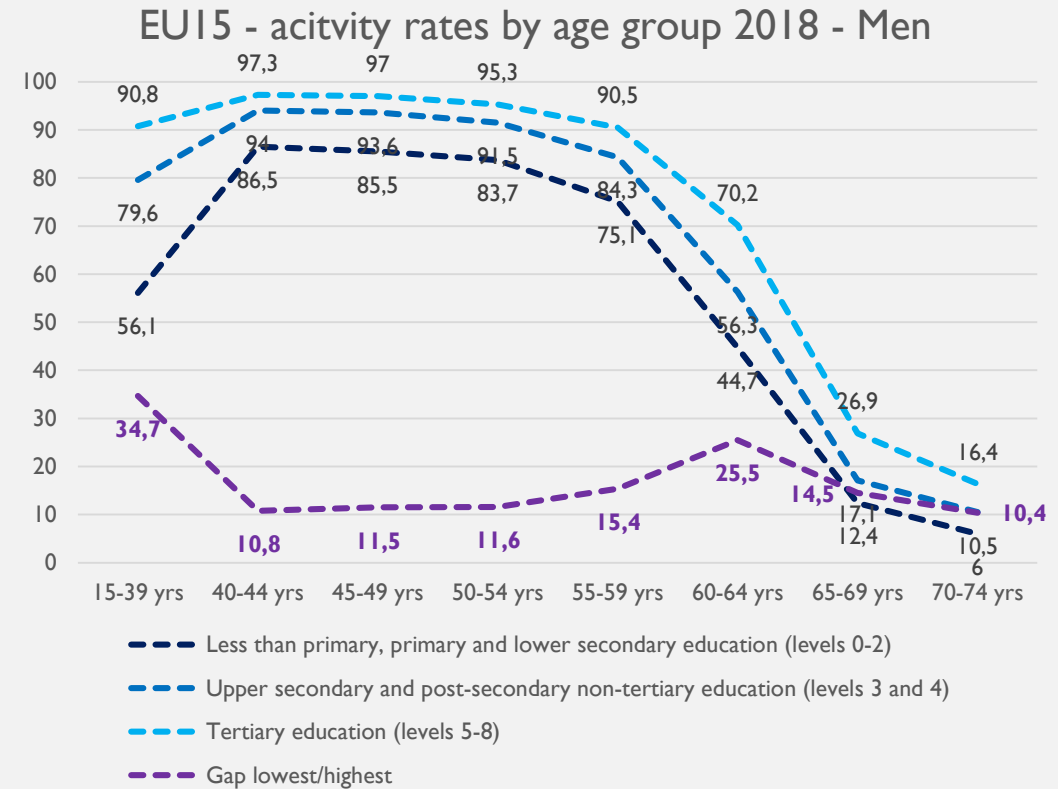
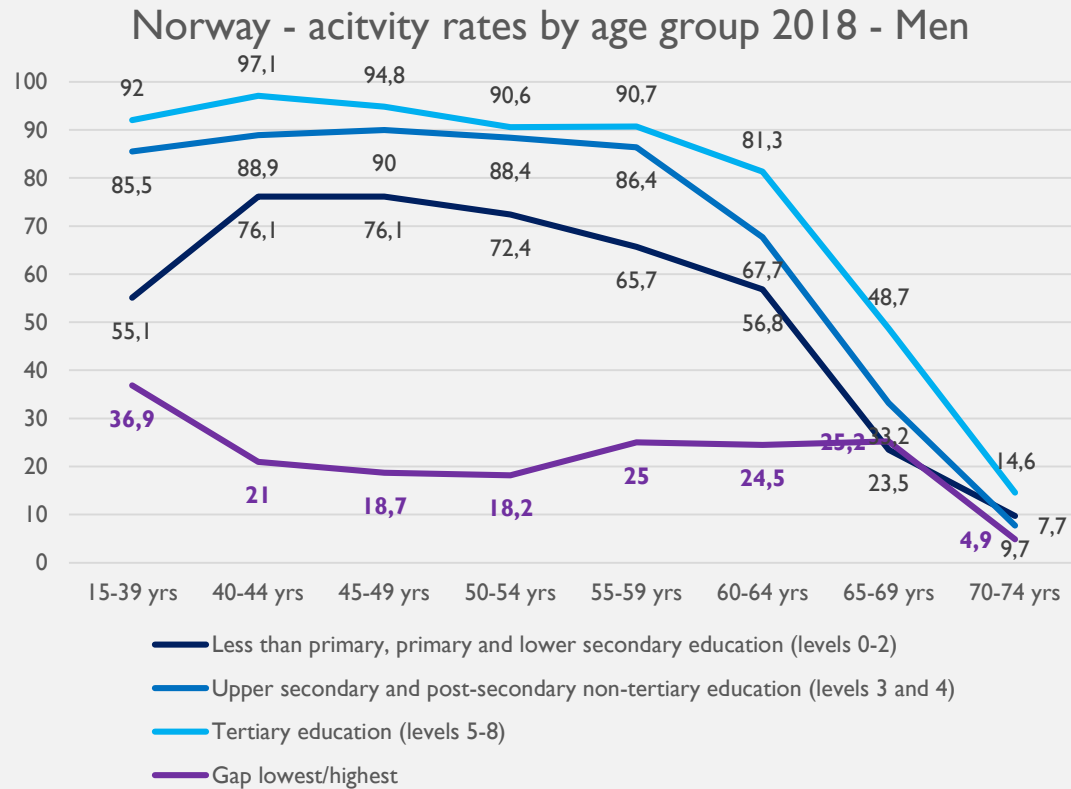
Nevertheless – with these figures, do the Norwegians have much further to go?

Education...

Activity rates of 50-64 year-old women & men: Norway & EU15, 1998-2018

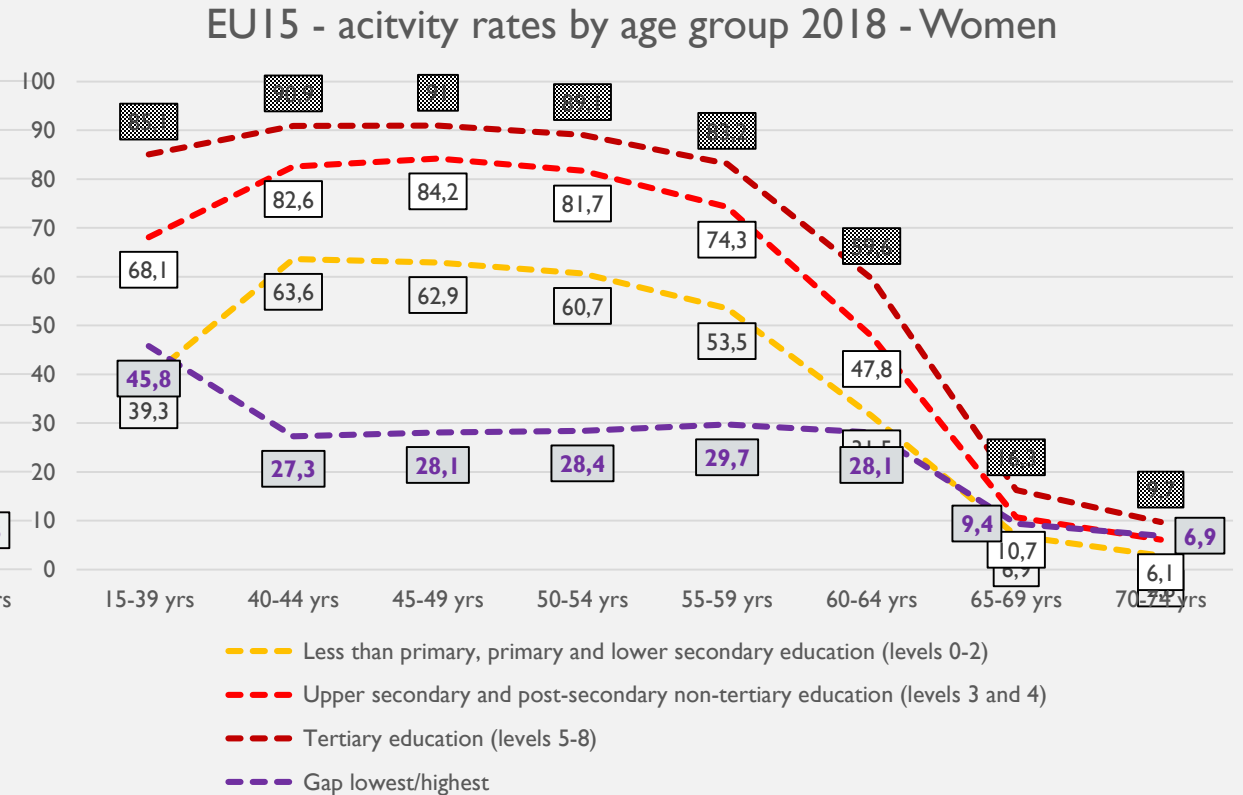
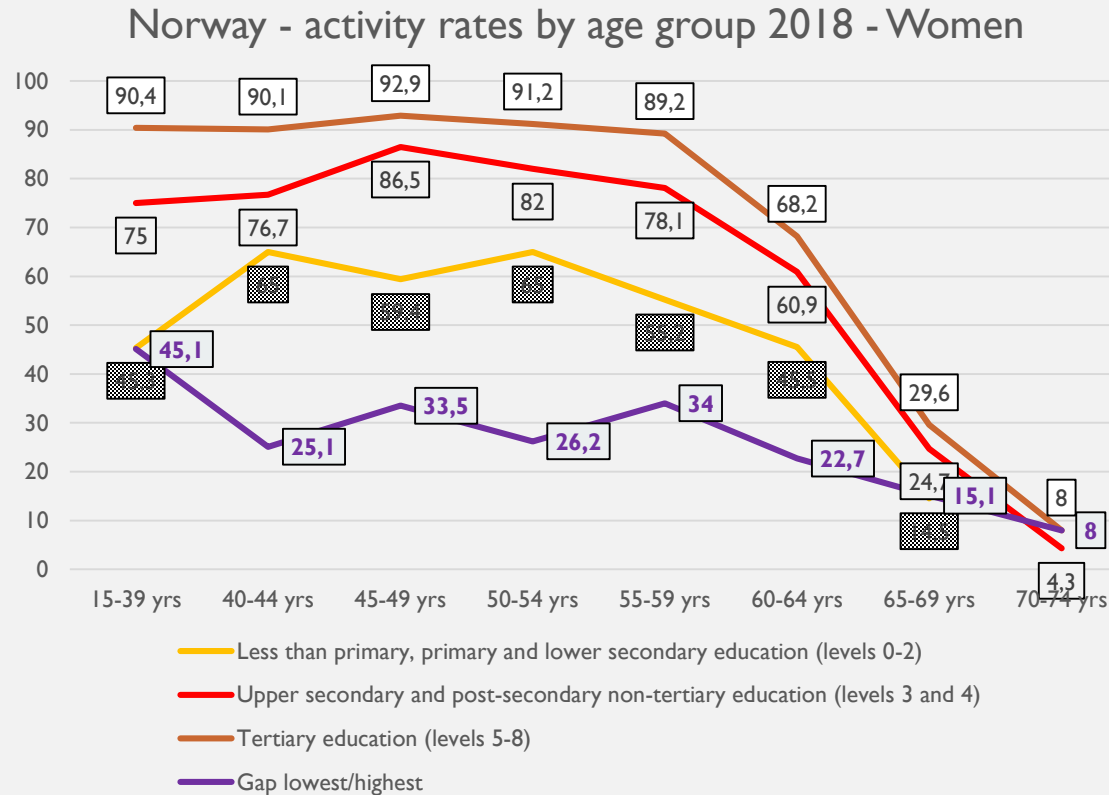


# ECONOMIC ACTIVITY RATES BY AGE & EDUCATION: MEN



- Large differences by educational attainment level throughout life-course.
- Norway: gap between lowest/highest educated 40-60 year-old men much bigger than EU15 gap.
- Norwegian men less active than EU15 men on all levels of education – but activity declines more slowly with age (more likely to be working between 60 and 70).

# ECONOMIC ACTIVITY RATES BY AGE & EDUCATION: WOMEN

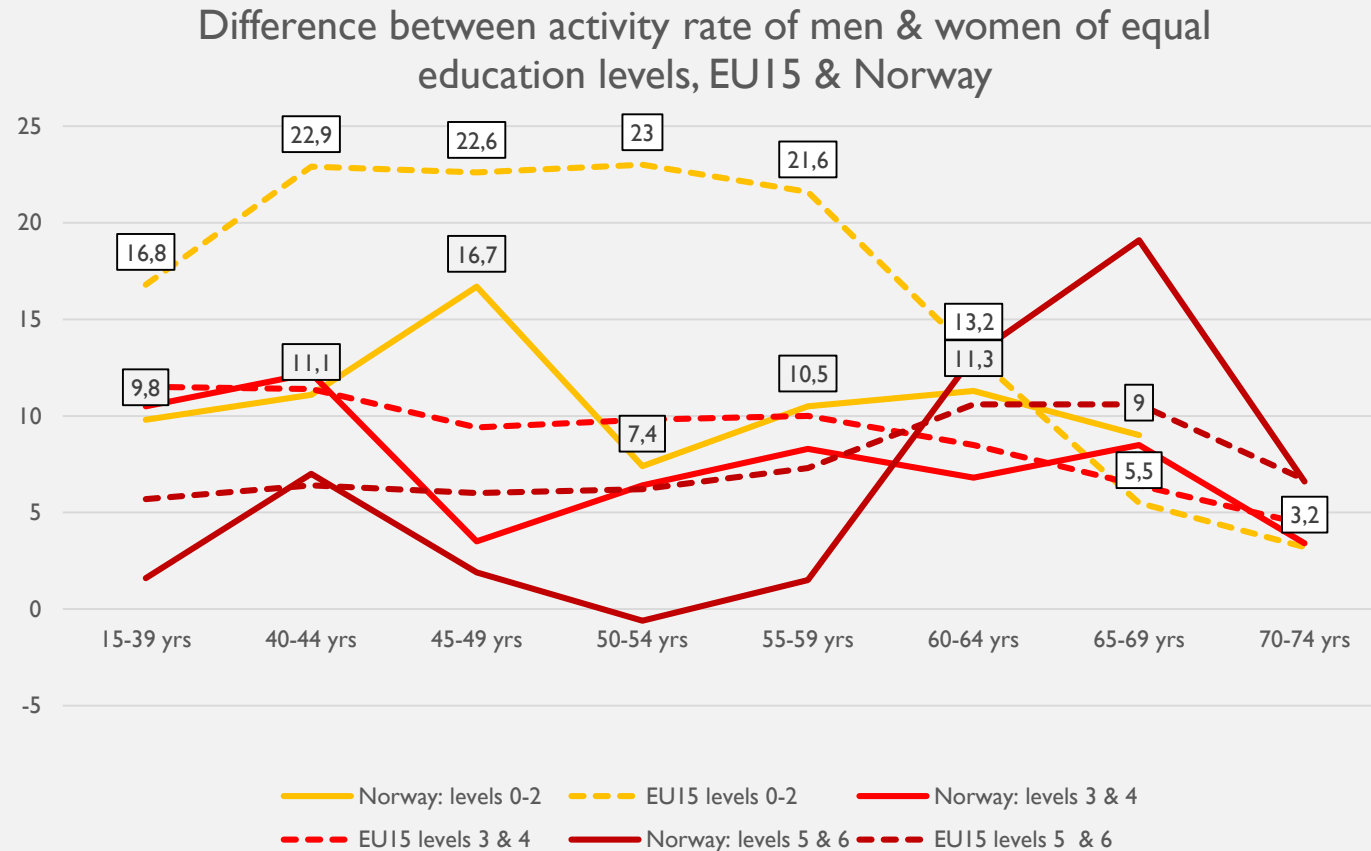


- Large differences by educational attainment level throughout life course.
- Gap between lowest/highest educated women a lot bigger than equivalent for men.
- Norwegian women about as active as EUI5 women, but activity declines more slowly with age (more likely to be working between 60 and 70).
- A dilemma for couples' risk-pooling capacity

# ECONOMIC ACTIVITY RATES BY AGE & EDUCATION: GENDER

Comparing women's and men's activity rates

A dilemma for couples' risk-pooling capacity



- Activity differences between men and women greatest for the low educated in EU. True also for Norway, but less pronounced – partly because male employment participation of low qualified men (40-60 yrs.) below EU average.
- Hardly any difference for highly educated Norwegian men/women until 60th birthday – big difference between 60 and 70.



# ECONOMIC ACTIVITY RATES BY AGE & EDUCATION & GENDER

## **Rising economic activity rates for older workers in EU15**

### **Particularly high rates in Norway age 60 to 70**

### **But high rates mask gender & class gap**

- Activity rates differ strongly by educational level, age 15-74
- Activity rates differ by gender
- Low educated women significantly less likely to be in the labour force than highly educated women
- True for low educated men, too, but gap is smaller
- Norway: male activity rates generally lower than EU15 & of low educated 40-60 year-old men particularly low
- Similar education levels of individuals in couples => Weaker labour force attachment of low-educated women and men amplifies poverty risks of such households

### **Implications for social/pension policy**

- Socially inclusive policies need to start from entry of the young into labour force & focus on risks generated by low educational attainment.
- They must pay particular attention to women with a low level of education.
- Norway: low participation rates of low-qualified men noteworthy also.

# PENSION REFORMS IN EUROPE 2002-2015

**How have European governments reformed their pensions systems?**

**Have reforms been cost-aware as well as socially inclusive?**

**Have they addressed the class/gender risks outlined?**

An overview of pension rights workers accrued 2002 and 2015

20 EU countries and Norway (OECD data: Pensions at a Glance)

# PENSION REFORMS IN EUROPE 2002-2015

## Have reforms been cost-aware as well as socially inclusive?

### Cost containment

- Cuts in statutory pension commitments for all adults of working age
- Individuals starting work in 2015 and working until retirement would receive a lower pension in relation to last wages than workers who started in 2002.

### Social inclusion

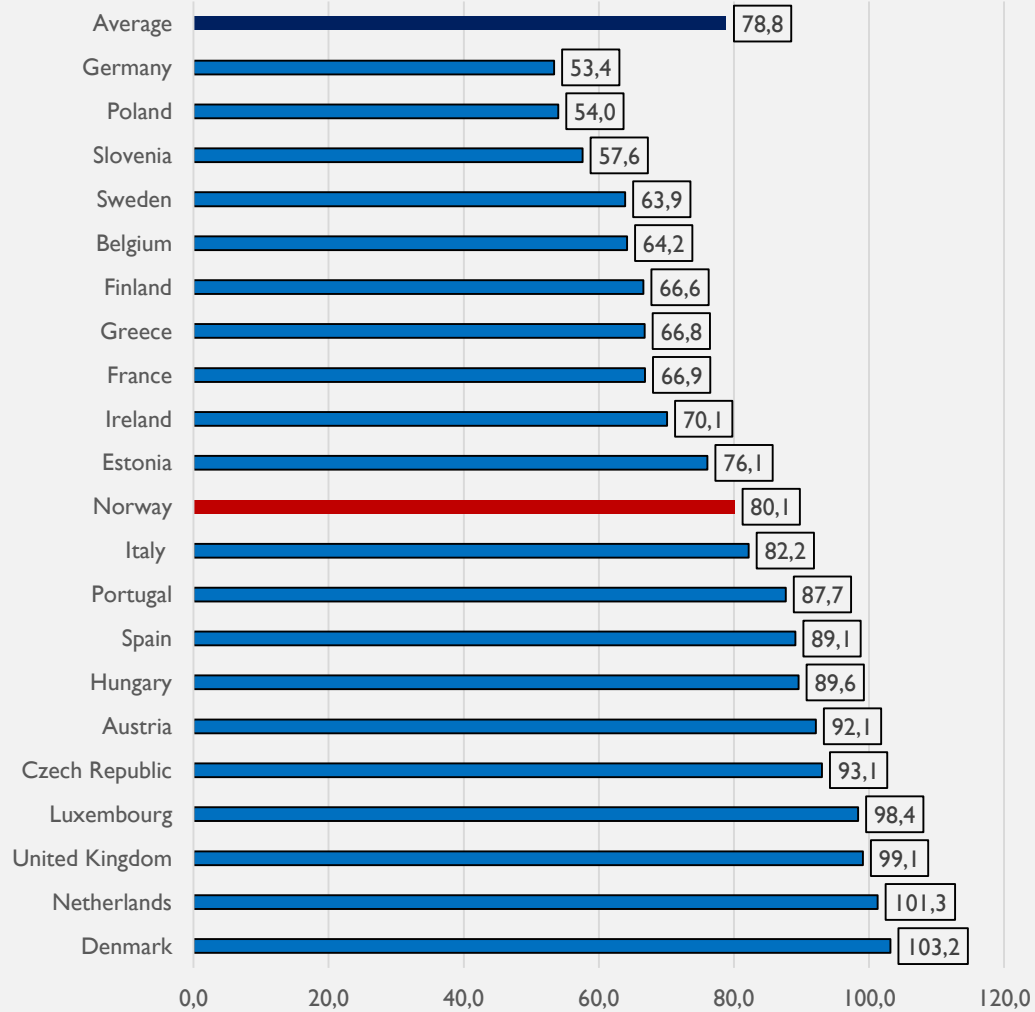
- Low earners suffer steepest cuts, but stay on highest replacement levels throughout Europe

### Extent of reduction 2002-2015, EU20 / Norway average

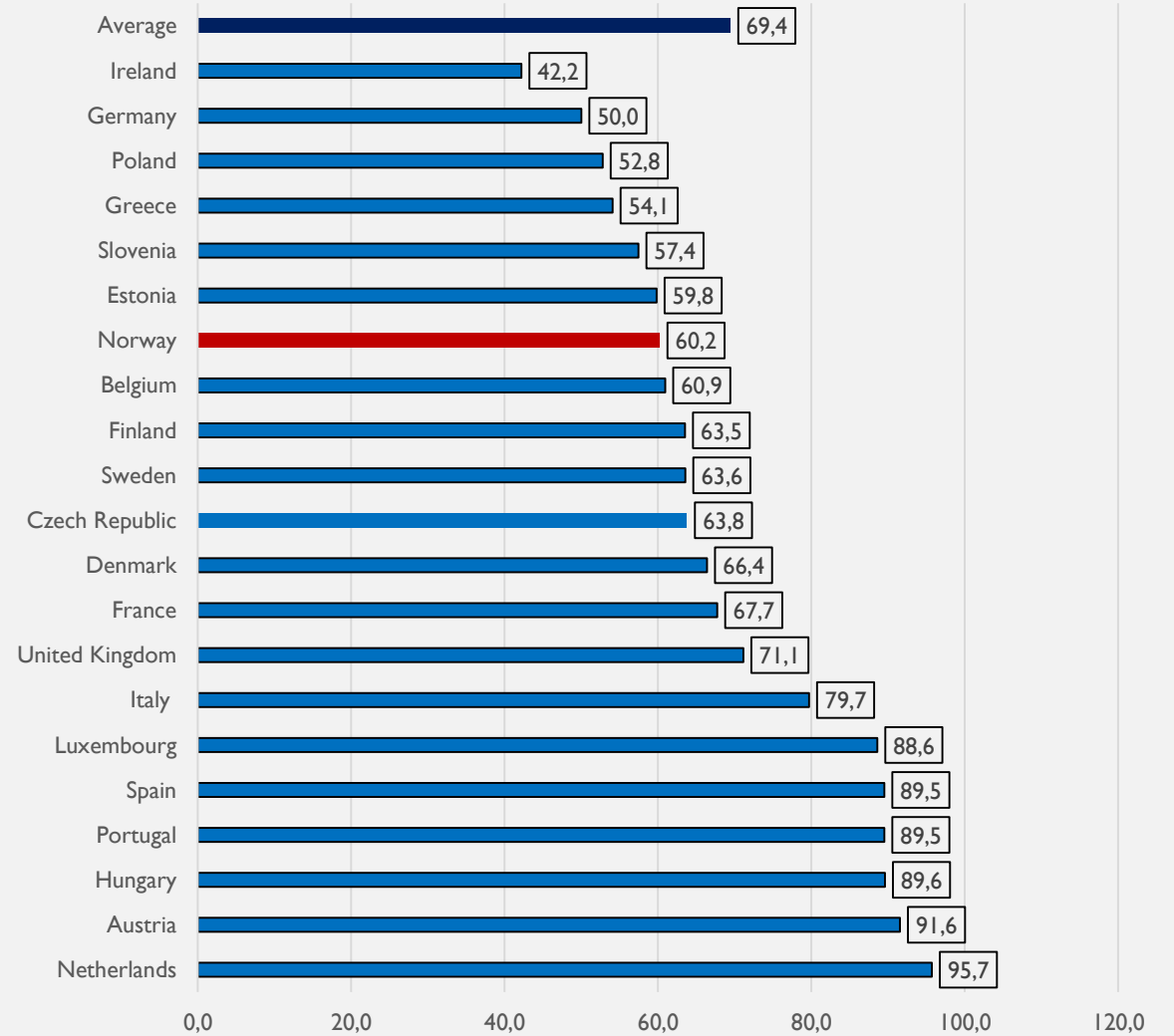
- Workers on half average wages: 8 percentage points reduction, to 79% of pre-retirement wage (Norway 5.4 / 80.1%)
- Workers on average wages: 4 percentage points, to 69% of pre-retirement wage (Norway 4.9 / 60.2%)
- Workers on 1.5 average wages: 5 percentage points, to 66% of pre-retirement wage (Norway 9.6 / 46.8%)

# Replacement statutory pension/last wage for low/average earners 2015 - Ranking

EU countries & Norway (2015) ranked by pension replacement level for earners on half average wages



EU countries & Norway (2015) ranked by pension replacement level for earners on average wages



# PENSION REFORMS IN EUROPE 2002-2015

## **Have reforms addressed the class/gender risks outlined?**

- Highest replacement rates for low-waged - But is this enough?
- Current pension replacement levels highest for low earners, but nevertheless below poverty line (50% average/60% median)
- Reconsider employment rates of low-qualified. Life-long career on low wages is rare.
- Shorter employment careers mean even lower entitlements.
- Two low-educated partners in a couple amplify this risk.
- This is a challenge for social-policy-makers. For pension policy & for active labour market policies
- Reforms appear to have shown awareness of the vulnerability of the poor. But it is not enough.

Not sufficiently.

The low-educated particularly vulnerable – especially in systems without residence-based social minima.

## REFORMERS BETWEEN COST CONSTRAINTS AND SOCIAL PROBLEMS

**Have reformers recognized the class/gender risks outlined?**

**Germany - No**

Outlier in Europe: Worst performer for low-paid in 2015 – 53.4% replacement (down from 61.7% in 2002)

Big economic activity gaps by education levels and gender

No residence-based minimum pension (only social assistance for pensioners)

Reforms (2001) have increased poverty risks for the vulnerable (and reduced entitlements for all)

**Why possible for social-democratic/Green government to enact radical cuts which exacerbate social risks outlined?**

Red-Green coalition driven by cost constraints. Responded to immediate pressure from business to freeze rise of social insurance contributions.

Pressures from social risks not acute. In 2001 current pensioners not affected by cuts - full impact of cuts to come decades later – effect apparent to voters long after government had gone.

**Cost constraint pressures were immediate – social pressures not.**

## REFORMERS BETWEEN COST CONSTRAINTS AND SOCIAL PROBLEMS

**Have reformers recognized the class/gender risks outlined?**

**UK -Yes**

Outlier in Europe: Among best performers for low-paid in 2015 –99.1% replacement (up from 78.4% in 2002)

Big economic activity gaps by education levels and gender

Reforms designed by Labour, enacted by Coalition government Cons/Lib (2009) reduced poverty risks for the vulnerable

Reforms improved inclusiveness of minimum state pension (near universal) & auto-enrolment for all employees

**Why did a cross-class coalition agree on significant improvement for economically vulnerable adults?**

Labour government under acute pressure to address social problems: large parts of the population save too little for old age

Occupational provision in significant decline / voluntary savings schemes not working

**Social pressures were immediate – cost constraint pressures not.**

## CONCLUSION/LESSONS/QUESTIONS

- Pension reform: a class and gender issue
- Norway in a relatively good position regarding economic activity
- But differences according to educational levels exist
- Norway also in good position because of its guarantee pension
- No immediate social pressures – but the long view is required