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Pension in Norway

1. Introduction

Overview

There are three main types of pensions in the Norwegian pension system:

- Public pension: established in 1966/1967, the state pension scheme has long been the 'backbone of the Norwegian pension benefits system' (Nergaard 2001: Background). Together with the entire public social security system of Norway this pension scheme is consolidated in the *Folketrygden* (National Insurance Scheme, NIS) (Pension Funds Online 2010). The NIS provides a two-tier system with a universal flat-rate pension and an additional earnings-related supplementary pension (Nergaard 2001: Background).
- Occupational pension
 - Before 2006 occupational pensions in the private sector have been voluntary. Only about one third of the employees were covered and most of the schemes were in fact established at company level. The arrangements varied considerable with regards to level of compensation, period of compensation etc. (Nergaard 2004b: 5-6). In 2006 it became mandatory for companies to provide occupational pension plans which reach certain minimum requirements (OECD 2008: 253). It is estimated that between 550,000 and 600,000 people previously without occupational pension schemes are now covered because of the new legislation (OECD 2008: 255). According to Veland

(26.08.2009, telephone interview), the companies have established their own schemes, normally in cooperation with insurance companies.

- In fact, almost no collectively negotiated pension schemes have been introduced. Nevertheless, a few sectoral schemes based on collective labor agreements (CLAs) can be identified. And it seems possible that within the next years, sectoral CLAs with pension provisions will come back on the agenda of sectoral bargaining rounds (Veland 26.08.2009, telephone interview).
- In the public sector, occupational pensions have existed since the beginning of the 20th century. State employees are covered on the basis of an act while employees in the municipal sector are covered by collective agreements. Both schemes are coordinated with the public pension. In sum, all public sector employees are covered by occupational pensions (Nergaard 2004b: 4).
- Personal savings also exist (Pension Funds Online 2010).

The role of the social partners and of collective labor agreements (CLAs):

- Concerning CLAs with pension provisions in the private sector, social partners could play a role in the field of occupational pensions. However, since 2006 (and in most cases already before 2006) it has been the companies that have established their own schemes, normally in cooperation with insurance companies.
- Thus, the social partners' role is not important at the moment, even though this might change in the future. At least, there are some small sectors with CLAs related to pensions (Veland 26.08.2009, telephone interview).

Levels of Bargaining

Actors

Trade unions that are involved in the negotiation of pension CLAs (according to the CLAs mentioned in this report):

- The LO (*Landsorganisasjonen i Norge*, Norwegian Confederation of Trade Unions) is the largest trade union confederation in Norway. The LO has 21 affiliated trade unions. About half of all unionized workers are members of the LO (EIRO 2009: Main Actors). The NTF (*Norsk Transportarbeiderforbund*, Norwegian Transport Workers' Union) is affiliated to the LO (NTF 2007: The Norwegian Transport Workers' Union). Also affiliated to the LO is the HK (*Handel og Kontor i Norge*, Norwegian Union of Employees in Commerce and Offices) (HK 2010: Fakta om HK).
- The *Fellesforbundet* (Norwegian United Federation of Trade Unions) (EIRO 2009: Main Actors) has also been concerned with occupational pensions (see section 2).

Employers' associations that are involved in the negotiation of pension CLAs (according to the CLAs mentioned in this report):

- The NHO (*Næringslivets Hovedorganisasjon*, Confederation of Norwegian Enterprise) is the largest employer organization in the private sector. One of its major industrial associations that has been concerned with occupational pensions is the BNL (*Byggenæringens Landsforening*, Federation of Norwegian Construction Industries). Another big affiliated organization is the *Norsk Industri* (Federation of Norwegian Industries) (EIRO 2009: Main Actors).
- Another major employer organization in the private sector is the HSH (*Handel- og servicesektorens Hovedorganisasjon*, Federation of Norwegian Commercial and Service Enterprises). The HSH organizes companies in the retail sector (EIRO 2009: Main actors).

Critical Junctures

Definition: Critical junctures are years or time periods when important decisions on the development of the collectively negotiated pension scheme were made.

Three critical junctures are identified:

- In 1960, the occupational pension scheme FTP (*Felles tariffestet pensjonsordning*, Pension Scheme under Collective Wage Agreements) was established by the NAF (*Norsk Arbeidsgiverforening*, Norwegian Employers' Confederation, today called NHO) and the LO (Joint Office for the LO/NHO Schemes 2007: 47). However, this CLA based scheme no longer exists. The FTP was regarded as being one of the most important agreements of the social partners. The intent of the FTP pension was to be a supplement to the official old age pension, which at that time provided the same amount of pension for all Norwegians (Joint Office for the LO/NHO Schemes 2007: 48). The scheme covered all companies and their employees regardless of their membership with a trade union that were members of NAF (today NHO) and all companies which had a collective agreement with the LO (Joint Office for the LO/NHO Schemes 2007: 47). Yet, when the National Insurance Scheme (NIS) was introduced in 1967, no new members were accepted to the FTP scheme and a decision was made to gradually close the scheme (Joint Office for the LO/NHO Schemes 2007: 48). In 2006, 801 people still received regular pension payments and 2,493 people received a lump-sum pension. Yet, the number will decline significantly in the next few years (Joint Office for the LO/NHO Schemes 2007: 50).
- After the closing of the FTP scheme and until 2006 there existed several other voluntary occupational pension schemes in Norway. In most cases these schemes were provided by medium-sized and large employers (OECD 2008: 253). Hence, these schemes were in

most cases company specific. Furthermore, they were rarely based on collective agreements. In 2004 one third of private sector employees were covered by these occupational pension schemes (Nergaard 2004b: 5).

- In 2006 occupational pensions became mandatory in Norway because of the 'Act of 21 December 2005 nr. 124 on Compulsory Occupational Pensions'. Since then, all employers must establish an occupational pension scheme (ISSA 2008: Pension Plans (Mandatory)). The act introduces certain minimum requirements for all occupational pensions (OECD 2008: 253). Most schemes, however, have still been established at company level (Veland 26.08.2009, telephone interview). If a private sector company already had an occupational pension plan or scheme, which was in accordance with legislation or collective local or national public-sector agreements and met the minimum requirements of mandatory pension plans, it must not develop a new pension plan (OECD 2008: 253).

2. Important Collective Agreements (Examples)

As mentioned above, most schemes are established at company level. Nevertheless, a few sectoral CLAs deal with occupational pensions:

- In 2002, an occupational pension scheme was agreed by the social partners in the transport sector (Van het Kaar 2004).
- In 2002, during industry level negotiations in the engineering sector between the TBL (*Teknologibedriftenes Landsforening*, Federation of Norwegian Manufacturing Industries), which is today known as *Norsk Industri*, and the *Fellesforbundet*, the introduction of an agreement based occupational pension scheme was debated (Lismoen 2002). In the final agreement the proposed introduction of an agreement based occupational pension scheme was rejected by TBL. Instead, the agreement introduced voluntary procedures relating to how the parties at company level may influence employers to introduce occupational pension schemes (Lismoen 2002: Private Sector Negotiations).
- The 2002 agreement in the building and construction industries between the BNL and *Fellesforbundet* produced a similar result to the engineering sector in regard to occupational pensions (Lismoen 2002: Private Sector Negotiations).
- Within the wholesale and retail trade sector the HK and the HSH decided in the 2002 sectoral agreement that the occupational pension issue is to be considered at the company level (Lismoen 2002: Private Sector Negotiations).
- Agricultural sector: the social partners concluded an agreement, which says that companies cannot change their pension scheme without consulting the trade unions (Veland 26.08.2009, telephone interview).

- Media sector: there is an agreement that provides minimal requirements for pension schemes (Veland 26.08.2009, telephone interview).

3. Important Sectors

According to Veland (26.08.2009, telephone interview) and Lismoen (2002: Private Sector Negotiations), CLAs with pension provisions exist in the following sectors:

- transport sector,
- engineering sector,
- building and construction industries sector,
- wholesale and retail trade sector,
- agricultural sector,
- media sector.

4. Structure, Organization and Mode of Administration

- Organization: As mentioned in section 2, some sectoral agreements stipulate that occupational pensions shall be established at company level (Lismoen 2002: Private Sector Negotiations). Therefore, not many sectors have their own schemes even though some sectoral agreements actually deal with occupational pensions. There is not much information on how the few sectoral schemes are organized. At least, it is known that in general most occupational schemes (company and sectoral schemes) are administered by private insurance companies (Veland 26.08.2009, telephone interview). In addition, more and more occupational schemes are funded through pension funds (Pension Funds Online 2010). In the case of the scheme of the transport sector, the employers pay contributions to a fund which is part of a private insurance company (Veland 26.08.2009, telephone interview).
- Administration: Again, there is not much specific information on sectoral schemes. Generally, however, occupational pension schemes are not directly administered between the employers and employees. They are administrated by the insurance companies or the funds (Veland 26.08.2009, telephone interview; Pension Funds Online 2010).

5. Role of the State: Financial Support, Legislation, and Extension Procedures

- There is not much state involvement in sectoral agreements on occupational pension schemes (Veland 26.08.2009, telephone interview). The main exception is of course the act that made occupational pensions mandatory in the private sector in 2006: 'Act of 21 December 2005 nr. 124 on Compulsory Occupational Pensions' (ISSA 2008: Pension Plans (Mandatory)).
- Generally, there are tax exemptions from contributions (Veland 26.08.2009, telephone interview).

6. Financial Structure of the Collectively Negotiated Schemes

FTP scheme:

- Employers paid a premium to FTP of three NOK a week for each employee, who is a member of the scheme, and the employees contributed 1.50 NOK a week.

Current schemes:

- Normally, contributions to occupational pension schemes are made by the employer. This is also true in the case of the transport sector (Veland 26.08.2009, telephone interview).
- According to the act of 2005, in the mandatory occupational pension schemes the employers are required to contribute a minimum of 2 per cent of the individual employee's wage (Regjeringen 2007: 7).

7. Benefits and Measures of the Collectively Negotiated Schemes

FTP scheme:

- Membership is based upon one having contributed for a minimum number of weeks to the fund prior to January 1st 1967. The minimum number of weeks is based upon the year of birth of the member (Joint Office for the LO/NHO Schemes 2007: 48).

Table 1 Minimum Number of Weeks Required to be a Member of the FTP Scheme

<i>Year of Birth</i>	<i>Minimum Number of Weeks</i>	<i>Year of Birth</i>	<i>Minimum Number of Weeks</i>
1927	167	1937	214
1928	172	1938	219
1929	176	1939	224
1930	181	1940	229
1931	186	1941	233
1932	191	1942	238
1933	195	1943	243
1934	200	1944	248
1935	205	1945	252
1936	210	-	-

Source: Joint Office for the LO/NHO Schemes 2007: 49.

- Due to the fact that following 1966 no more premiums were paid into the scheme, the partners decided in 1983 to pay a lump sum, when they reached the age of 70, to those members who still had FTP rights. The size of the lump sum depends on the number of weeks in which contributions were made and the year of birth. For example, in 2007 lump sum payments were 7,400 NOK for 214 weeks and 9,000 NOK for 311 weeks or more (Joint Office for the LO/NHO Schemes 2007: 48-50).
- Members who had been granted a FTP pension before 1983 were allowed to continue receiving regular pension payments. In 2007 regular pension benefits were between 257 NOK and 313 NOK per year (Joint Office for the LO/NHO Schemes 2007: 50).
- The lump sum is not available to employees who were employed by companies which had their own pension scheme that was regarded as being equally as good as or better than FTP, even if the companies were party to an LO agreement in the period of 1961-1966 (Joint Office for the LO/NHO Schemes 2007: 49).
- Because the administration costs are disproportionate to the pension benefits, the partners are currently considering ending the provision of the lump sum (Joint Office for the LO/NHO Schemes 2007: 50).

Current schemes:

- Concerning all occupational pension schemes, defined contribution schemes were illegal until 2000/2001. Now they are more widespread than defined benefit schemes. The vast majority of new occupational pension plans established since the new legislation was introduced have thus been defined contribution schemes (OECD 2008: 253-254). This is also true for the scheme of the transport sector where the social partners have established a scheme with defined contributions (Veland 26.08.2009, telephone interview).

8. Coverage Rates of the Collectively Negotiated Schemes

FTP scheme:

- The scheme covered all companies (and their employees regardless of their membership with a trade union) that were members of NAF (later NHO) and all companies (or companies that were members of employers' organizations outside NAF) which had a collective agreement with the LO (Joint Office for the LO/NHO Schemes 2007: 47). Companies whose employees were covered by a statutory pension scheme, such as the Norwegian Public Service Pension Fund, were exempt from the insurance obligation (Joint Office for the LO/NHO Schemes 2007: 47). Self-employed persons could apply for membership to the FTP Scheme (Joint Office for the LO/NHO Schemes 2007: 47).
- According to Pedersen (2000: 9), it is estimated that the FTP scheme included about one third of all private sector employees.
- In 2006, 801 people received regular pension payments and 2,493 people received a lump sum pension. There are still members who have yet to reach the age of 70, yet the number will decline significantly in the next few years (Joint Office for the LO/NHO Schemes 2007: 50).

Current schemes:

- According to Veland (26.08.2009, telephone interview), there are no figures on how many employees are covered by sectoral agreements relating to occupational pension schemes. However, Veland (26.08.2009, telephone interview) estimates that there are only about 1,000 employees covered.

9. The Politics around the Collectively Negotiated Schemes

Linkages to Public Reform Policies

We have not found any evidence.

Linkages to Wage Agreements and Wage Policy (e.g. Wage Restraint, Tripartite Agreements) and Other Agreements

Lismoen (2002: Commentary) states that in the 2001 sectoral bargaining rounds, the employers seemed to be willing to accept wage increases because this helped to avoid that the pension issue became an important issue at sectoral level.

Actors' Strategies and Conflicts among and between Them (State, Political Parties, Employers, Trade Unions)

Actors' strategies prior to the 2006 reform:

- As of 2001 the LO had the goal of preserving the national insurance scheme by means of earmarking the national 'oil fund' for future pension payments. It also had the goal of seeing the introduction of a fixed method for regulating future pensions in order to avoid value losses in the future. In order to increase the percentage of people covered by occupational pensions they wanted to make demands for occupational pension schemes in collective agreements (Nergaard 2001: To Maintain a Reasonable Pension). In 2002 the trade unions thus prioritized the issue of pensions in the sectoral bargaining rounds (van het Kaar 2004: The Growing Importance of Collective Bargaining).
- On the side of the employers, the NHO clearly opposed the introduction of CLA based pension schemes. The NHO was afraid of the potential consequences for vulnerable industries in the private sector. It seems that the NHO also instructed the TBL (today known as *Norsk Industri*) and other employers' associations, to be strict in this regard. The employers' associations made the impression that they accepted relatively large wage increases in order to avoid the establishment of CLA-based pensions (Lismoen: 2002: Commentary).
- Concerning occupational pensions, the unions did not achieve their goal in 2002. However, the leader of LO, Gerd-Liv Valla, did not see it as a defeat that an agreement based occupational pension scheme was not introduced after the 2002 manufacturing industry negotiations. Instead, Gerd-Liv Valla stated that the voluntary arrangements achieved should be seen as a first step towards a more just pension system in the private sector. Nevertheless, other unions in the private sector were of course not pleased with the outcome on pensions. For example, the leader of NTF, Per Østvold, clearly said that

the transport union had expected a stronger commitment to the establishment of occupational pension schemes (Lismoen 2002: Commentary).

- Two years later, in the 2004 bargaining rounds, the employers of the manufacturing industry, the building sector and the textiles industry again opposed agreement based schemes. However, soon after the employers in these sectors conceded on condition that such pension schemes should be based on a statutory right applicable to all employees (not just those covered by collective agreements). The Prime Minister then stated that the government intends to propose the necessary legislative measures before parliament in the autumn 2004 (Nergaard 2004a: Agreement in Trend-Setting Sector).
- Finally, in 2006 occupational pensions schemes became mandatory. Veland (26.08.2009, telephone interview) confirms what has been indicated above: this new act was in some ways a result of industrial relations. It is a response to the trade unions, which began calling for a new law on occupational pensions.

10. Recent Developments and Other Interesting Information

There are tendencies that occupational pensions are becoming a topic in sectoral bargaining rounds:

- Trade unions are not pleased with the movement from direct benefit to direct contribution schemes (see section 7). Therefore, they are trying to bring this on to the bargaining agenda. In the finance sector they have already succeeded in bringing this topic on the agenda. However, the employers of this sector are not going to accept any agreement linked to that (Veland 26.08.2009, telephone interview).
- Veland (26.08.2009, telephone interview) expects that in the next five years sectoral agreements will be made in regard to occupational pension schemes (Veland 26.08.09. Interview).

11. Contacted Experts

We thank the following expert and colleague for providing information and answering very specific questions:

- Veland, Geir, 26.08.2009, Researcher at Fafo, telephone interview.

12. List of Abbreviations

- BNL: *Byggenæringens Landsforening* (Federation of Norwegian Construction Industries)
- FTP: *Felles tariffestet pensjonsordning* (Pension Scheme Under Collective Wage Agreements)
- CLA: collective labor agreement
- EIRO: European Industrial Relations Observatory On-Line
- HK: *Handel og Kontor i Norge* (Norwegian Union of Employees in Commerce and Offices)
- HSH: *Handel- og servicesektorens Hovedorganisasjon* (Federation of Norwegian Commercial and Service Enterprises)
- ISSA: International Social Security Association
- LO: *Landsorganisasjonen i Norge* (Norwegian Confederation of Trade Unions)
- NAF: *Norsk Arbeidsgiverforening* (Norwegian Employers' Confederation)
- NIS: National Insurance Scheme (*Folketrygden*)
- NHO: *Næringslivets Hovedorganisasjon* (Confederation of Norwegian Enterprises)
- NOK: *Norsk Krone* (Norwegian krone)
- NTF: *Norsk Transportarbeiderforbund* (Norwegian Transport Workers' Union)
- OECD: Organization for Economic Co-operation and Development
- TBL: *Teknologibedriftenes Landsforening* (Federation of Norwegian Manufacturing Industries)

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