

Higher earners have easier time understanding pensions

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Credit: AI-generated image ([disclaimer](#))

People who have higher incomes devote more attention to understanding the pension rules. The information published by the public authorities is designed for too narrow a target group.

Norway's old age pension scheme was recently subject to a major reform

to realign it with the country's [aging population](#). In 2011, the Research Council of Norway was charged with the task of evaluating the Norwegian pension reform.

In the project "Information and interpretation of the retirement pension reform - a matter of securing the legal protection of citizens" researchers are working to identify the socio-[economic factors](#) underlying people's knowledge of and interest in pension issues.

Income and age important

"The results indicate that the more people earn, the more interest they show in their pension – and the more they know about it," explains Eric Breit, Senior Researcher at the Work Research Institute. "We were surprised to discover that income plays such an important role."

"People with more [personal wealth](#) at the outset also tend to be most capable of navigating the [complexities](#) of the new system and making the best choices," Dr Breit adds. "This is an interesting finding in the context of wealth-distribution policy. Our results suggest that people with higher incomes are also in a better position to recognise the most favourable options for optimising pension returns."

Naturally, age is also an important factor in how much attention a person pays to pension issues while gender and education levels appear relatively insignificant.

The researchers have used data from a yearly analysis carried out to measure the state and development of various areas of Norwegian working life (YS Employment Outlook Survey).

Unclear information

In order to analyse how well people understand public information about the pension scheme, the research group has carried out user tests of the webpages and pension calculators at the Norwegian Labour and Welfare Administration, the Norwegian Public Service Pension Fund and KLP, a subsidiary under the Kommunal Landspensjonskasse Mutual Insurance Company and Norway's leading provider of occupational pensions to the public sector and associated organisations.

The results show that the vast majority of test users find the services to be very complicated even if their levels of education, [income](#) and computer literacy are all above average.

"One of the objectives of the [pension reform](#) was to simplify the rules," says Asbjørn Kjønsstad, Professor in social security law at the University of Oslo and participant in the project. "It is very interesting that public websites are so ineffective at helping users to understand the system."

"People are not sure they truly understand which options are in their best interest," Dr Breit states. "This often leads them to seek advice in person rather than relying on the Internet for information."

The younger population an important target group

The researchers believe it is a mistake for the welfare administration to focus its information campaign primarily on people between 62 and 68 years of age.

"Understanding the system and the rules is highly pertinent for younger people as well; they will have to spend more years working than the current generation of pensioners to accrue the same benefits, says Dr Breit.

For those with only a few years left before retirement the choices they

make concerning place of employment will not have much effect on their pension. For those who still have many years ahead of them, however, the ramifications of such choices can be significant.

"This is especially true under the new occupational pension system," Dr Breit says. From 2006, all employers in Norway are required to contribute to employee pensions in addition to the National Insurance Scheme.

"Questions such as whether to seek employment in the private or public sector and how much time to devote to work involve choices that may have a substantial impact on an individual's [pension](#), even for employees in their 30s or 40s," Dr Breit states. "So, we need to ask whether public information campaigns are paying insufficient attention to these age groups."

Provided by The Research Council of Norway

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