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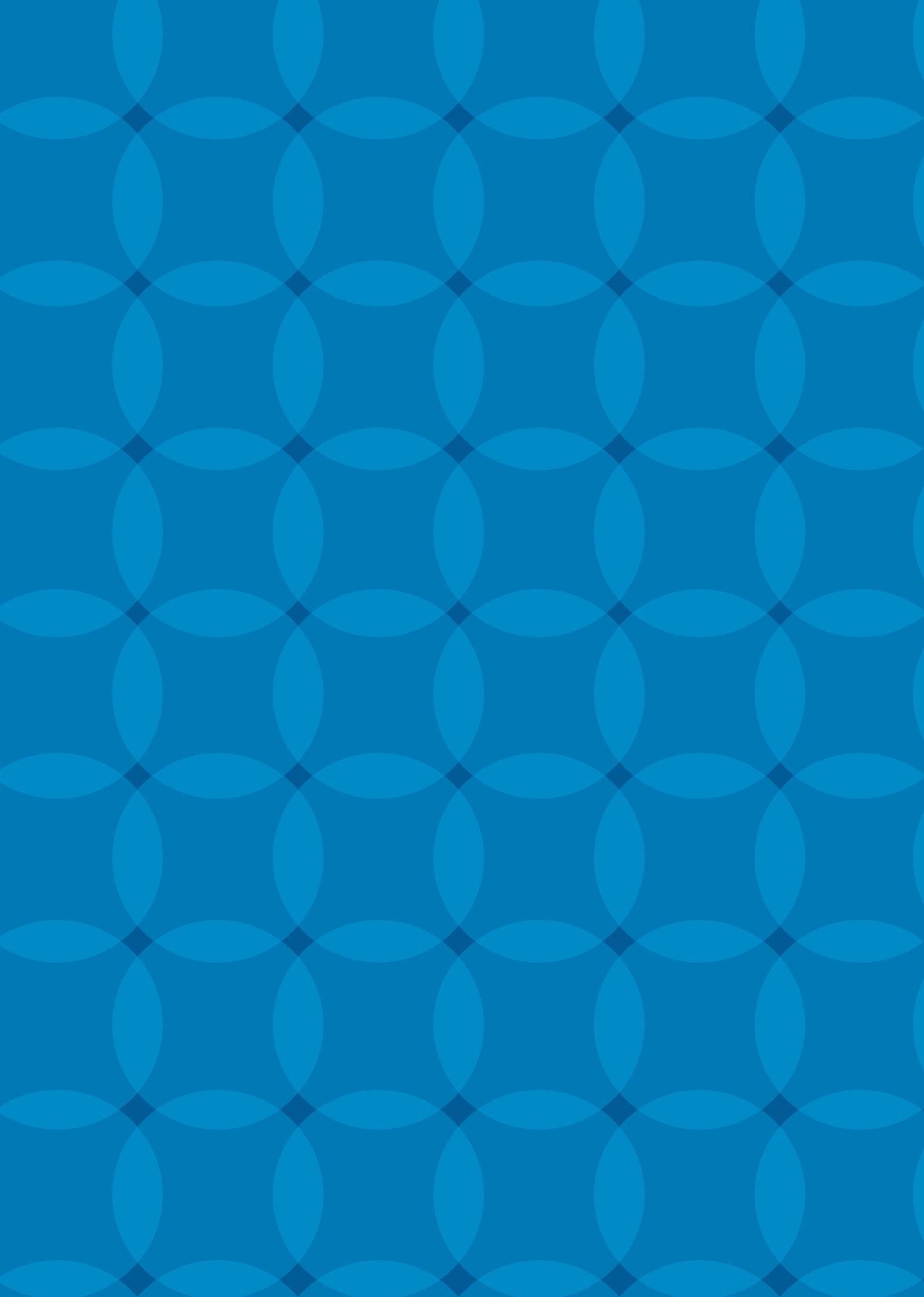
Flexible retirement age in Finland

*The evaluation of the Finnish flexible retirement scheme
in light of employer and employee surveys*

Eila Tuominen



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COVERING NOTE

In Finland, the eligibility age for retirement was 65 years for a long time. In connection with the earnings-related pension reform in 2005, the age limit was lowered to 63 years. At the same time, it became possible to retire flexibly between the ages of 63 and 68, and the incentives for a later retirement were adjusted. Not many countries have a flexible retirement age, which is why the results and conclusions of how the reformed scheme works should also be of international interest.

This comprised research report in English is a summary of the evaluation report of the Finnish flexible retirement scheme, published in its entirety in Finnish in November 2012. The study reviews the functionality of the flexible retirement age at workplaces, based on data from both employer and employee surveys.

The aim of the study was to review simultaneously the views of both employers and employees on the flexible retirement age, the decision to retire on old-age pension, and factors that affect the decision to continue at work or to retire. Flexible retirement age puts more emphasis on the importance of working conditions.

The employer data was collected in tandem with the "Vacancies and recruitment" study carried out by Statistics Finland, by interviewing persons in charge of human resources at workplaces. The employee survey was carried out as a mail survey directed at employees who retired on old-age pension in 2010, directly from work. Both sets of data represent the target groups very well, and the response rates are high.

Mikko Kautto
Head of Research Department

ABSTRACT

The study investigates the views of employers and employees on flexible retirement, the decision to retire on an old-age pension, and factors affecting retirement and continuing at work. The employer data was collected in connection with a research project by Statistics Finland titled "Avoimet työpaikat ja rekrytointi toimipaikoissa" (Job vacancies and recruitment in the workplace) and acquired by interviewing personnel responsible for recruitment in the workplaces. A survey of employees was carried out as a mail survey, directed at wage earners retiring in 2010 directly from work into old-age pension.

Employers and employees share a fairly similar view of the age limits for flexible retirement. The lower age limit is generally accepted. A majority of employers would like to limit upwards flexibility and lower the upper age limit. A significant share of wage earners is also in favour of limiting the degree of flexibility. According to both employers and employees, transition into old-age retirement has, in a majority of cases, taken place so that the individual in question has freely been able to decide when to retire. The employer, on the other hand, is most often involved in the decision to continue working when the individual in question has turned 63 years and wishes to continue at work.

According to the research, more years could be added to the end of careers by adopting more flexible working hours, decreasing the pace and pressure of work and by offering more employer support to continue working until retirement age. Results from the employer survey relating to the goal of extending working careers and the willingness of employers to employ the ageing to a greater extent than nowadays do not support the view that careers would be quickly extending.

ABSTRAKTI

Tutkimuksessa tarkastellaan työnantajien ja työntekijöiden näkemyksiä joustavasta eläkeiästä, vanhuuseläkkeelle siirtymistä koskevasta päätöksestä ja tekijöistä, jotka vaikuttavat työssä jatkamiseen ja eläkkeelle siirtymiseen. Työnantaja-aineisto kerättiin Tilastokeskuksen Avoimet työpaikat ja rekrytointi toimipaikoissa -tutkimuksen yhteydessä haastatteleamalla rekrytointiasioista vastaavia henkilöitä toimipaikoilla. Työntekijöitä koskeva tutkimus tehtiin postikyselynä suoraan työstä vanhuuseläkkeelle vuonna 2010 siirtyneille palkansaajille.

Työnantajilla ja työntekijöillä on joustavan eläkeiän ikärajoista melko yhtenevä käsitys. Alaikäraja hyväksytään yleisesti. Työnantajista suurin osa haluaisi rajoittaa joustoa ylöspäin ja madaltaa yläikärajaa. Jouston rajoittamisen kannalla on myös huomattava osa palkansaajista. Vanhuuseläkkeelle on siirrytty sekä työnantajien että työntekijöiden mukaan suurimaksi osaksi niin, että henkilö on voinut vapaasti päättää eläkkeelle siirtymisestä. Sen sijaan työnantaja osallistuu useimmiten työssä jatkamista koskevaan päätöksen, kun henkilö haluaa jatkaa työssä 63 vuotta täytettyään.

Tutkimuksen mukaan joustavammilla työaikakäytännöillä, työn kiireisyyttä ja paineisuutta vähentämällä ja työssä jatkamisen tukemisella saataisiin työvuosia lisää työuran loppupäähän. Toimipaikkoja koskevat tulokset koskien työurien pidentämistavoitetta ja työnantajien halukkuutta työllistää ikääntyneitä eivät perustele sitä näkemystä, että työurat pitenisivät nopeasti.

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1 Introduction

The growth in public expenditure due to an ageing population is one of the key challenges in EU Member States. Attempts to prolong careers and increase the employment rate of the elderly have been made in order to raise the number of employed persons and thus strengthen public-sector finances. Pension reforms have also been carried out in an attempt to prepare for the ageing of the population. Reforms of old-age and early pension schemes have been carried out in Finland and in several other European countries, including Germany, Sweden, Norway, Denmark, France, Great Britain, the Netherlands, Italy, Spain and Greece (Mielonen et al. 2012). In general, as a result of the implemented reforms, retirement ages will gradually grow to 67–68 years. The changes will take place mainly in the period 2020–2030. In many countries, the retirement age is linked to the development of life expectancy: an increase in the expected life expectancy will automatically raise the retirement age in a predefined way.

In addition to Finland, the retirement age is flexible only in a few other countries: Sweden, Norway, Italy and France. In one way or another, the pension amount has been tied to the effective retirement age. The later an individual retires, the higher his or her pension will be. Besides old-age pension, various early old-age pensions or senior pensions based on long working careers have been common in Southern and Central European countries. The granting criteria of these pensions have also been made more stringent by, for example, extending the policy term required to receive the benefit or by raising retirement ages (Mielonen et al. 2012).

In Finland, the statutory pension scheme has been reformed since the early 1990s with two important goals in mind: reducing early retirement and gaining control of the long-term increase in pension expenditure. One clear goal of the 2005 pension reform was to increase the average effective retirement age by 2–3 years. The pension reform included several amendments aiming at deferred retirement, such as the abolishment of early pensions (unemployment pension, individual early retirement pension), raising the age limit for early retirement and making the general retirement age flexible between 63–68 years. At the same time, a strong financial incentive was introduced to encourage continued working past the lower retirement age limit. As of age 63, pension accrues at a rate of 4.5 per cent of the annual earnings. Working while drawing pension also accrues new pension.

Limiting the opportunities to retire early was also suggested in the most recent government bill. The government proposes to abolish the early old-age pension from the earnings-related pension scheme and to increase the age-limit for part-time pension from 60 to 61 years. The right to early retirement would remain in the national pension scheme, but its lower age limit would rise from 62 to 63 years. In the national pension scheme, the age limit for old-age pension is 65 years. Earnings-related pension acts would also be reformed so that long-term unemployed receiving additional daily allowance would no longer be entitled to retire early at age 62 without a reduction in their old-age pension. Their proposed retirement age would also be 63 years. (HE 77/2012 Parliament.)

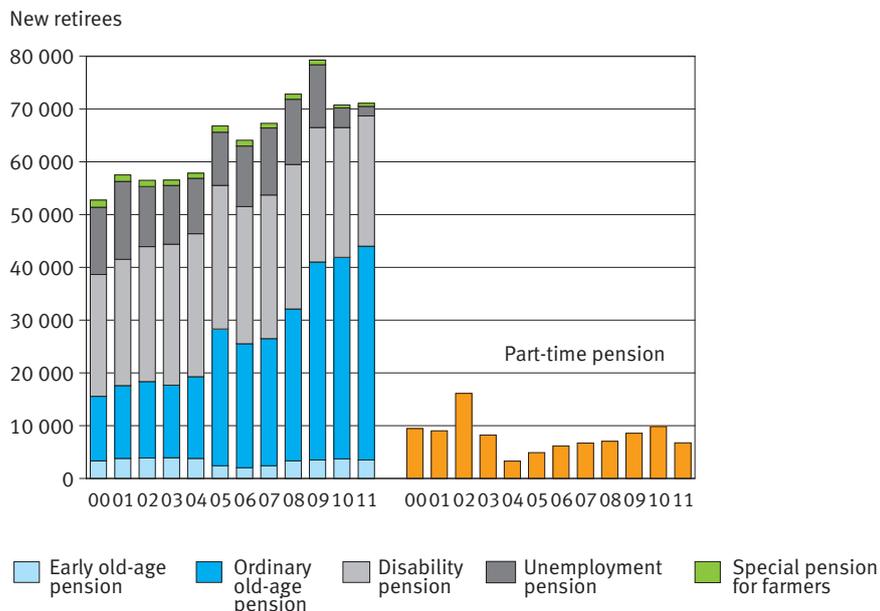
The legislative amendments carried out during the first decade of the 21st century have had the anticipated impact. The expected effective retirement age, used to measure the development of the average effective retirement age, has risen by nearly two years in the period 2000–2011 (Kannisto 2012). Besides legislative amendments, the development of the effective retirement age is affected by many other factors, such as the options linked to the flexible retirement age and the willingness of those reaching retirement age to continue working past the lower retirement age limit. The decision to continue working or retiring is also affected by factors relating to work and working conditions, as well as the employer's possibilities to offer work for those within the scope of the flexible retirement age. Economic and employment outlooks are crucial in this connection.

2 Changes in effective retirement in Finland in 2000–2011

During the past decade, people have retired at a higher age than before, and old-age pension has become the main route to retirement (Figure 2.1). The annual ratio of retirees on old-age pension of all new retirees has risen from approximately one third to two thirds between 2000 and 2011. The number of persons retiring on old-age pension has nearly tripled since the beginning of the 2000s. A change in age structure lies behind the growth in old-age pension incidences, as does the coming into force of the flexible retirement age. People between 63–68 years and from all sectors have been able to retire on old-age pension since 2005 (Kautto 2011). The number of persons retiring on old-age pension has grown partly because the baby boomers have remained at work until retirement age to a higher degree than previous cohorts. In recent years, an ample 40,000 persons have retired on old-age pension each year, and the number is rising.

The figure on old-age retirees also includes people retiring on early old-age pension. As of 2005, people have been able to retire on old-age pension one year early, i.e. at age 62 at the earliest. Approximately 3,300–3,900 persons have retired on early old-age pension each year, excluding 2005–2007. In 2005, when the flexible retirement age came into force, and in the following two years, clearly fewer people (ca. 2,000–2,400) retired on early old-age pension.

Figure 2.1.
New retirees in 2000–2011, by pension type.



Source: Joint statistics of the Finnish Centre for Pensions and the Social Insurance Institution of Finland.

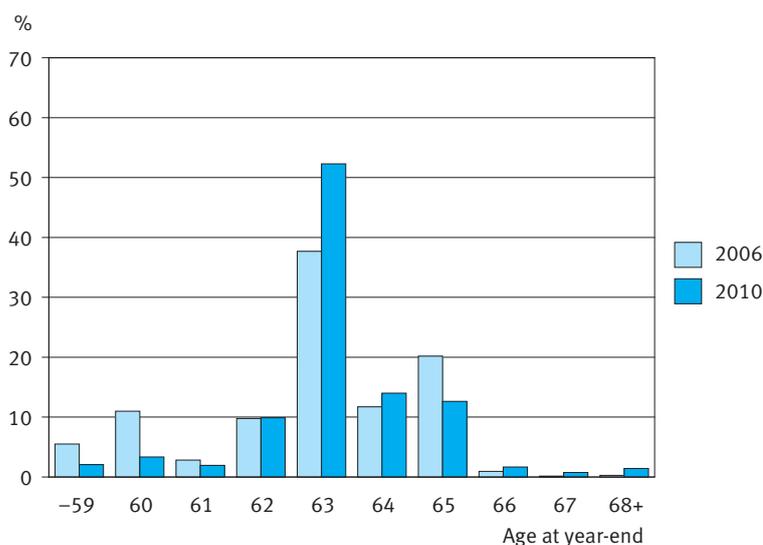
Retiring on old-age pension according to age

Figure 2.2 shows the effective retirement age of retirees on old-age pension in 2006 and 2010. The latter year depicts the situation at the time of our survey. Year 2005, in which the flexible retirement age came into force, has not been selected because three new cohorts received the right to retire on old-age pension that year. Year 2006 depicts the regular situation, i.e. that one new cohort each year receives the right of option to retire. Figure 2.2 present starting old-age pensions, i.e. persons transferring to old age pension from other than part-time pension are excluded. Persons retiring on early old-age pension are included in the figures.

In general, people retire at age 63. This share has increased while the share of persons retiring prior to age 62 has decreased significantly. In the share of persons retiring after the lower old-age retirement age limit, both an increase and a reduction can be observed: the number of persons retiring at age 65 has decreased compared to the year following the introduction of the flexible retirement age, while retirement at age 64 or after age 65 has increased slightly.

Figure 2.2.

New retirees on old-age pension (incl. early old-age pension) in 2006 and 2010, by retirement age. The figures do not include persons transferring to old-age pension from other types of pension than part-time pension.



In the public sector, retirement is still affected by old pension legislation and its regulations on the retirement age. It has been and is still possible to retire at an earlier retirement age than 63. The number of persons eligible for a reduced retirement age is decreasing and will gradually phase out. On the other hand, there are many people within the public sector whose so-called individual retirement age is higher than the current age limit of 63 years. The individual retirement age varies with one-month intervals between the ages of 63 and 65. Retiring before reaching the individual retirement age will decrease the pension due to a reduction made to the pension. These exceptional public-sector retirement ages are a result of the integration of new and old public-sector pension acts. The individual retirement ages will be abolished gradually.

3 Aims and implementations of the study

The flexible retirement age came into force in the mid-2000s. Towards the end of the decade, discussions arose concerning the functionality of the current age limits and, in particular, whether the lower limit of 63 years is too low. The aim of this study is thus to find out how the flexible retirement age works at workplaces in which the decisions to retire on old-age pension are made. Employees and employers were asked of their opinions on the current age limits and how freely retiring employees were able to make use of the flexible retirement age. This study also examines how the decision to continue at work or to retire is affected by factors relating to the individual, the work and working conditions.

Prolonging working careers is a central socio-political goal. Its implementation is largely dependent on attitudes and practices at workplaces. Employers were asked how important they found this aim to be and how likely they thought its implementation in their own workplace would be. Employers were also asked of their willingness to increasingly employ and keep elderly people in employment. According to different studies, the employer's support for continued working has proved to be an important factor promoting later retirement. This study examines both employers' and employees' views on how continued working is supported at workplaces.

The flexible retirement age and its use were studied based on an employer survey covering workplaces throughout the country and a survey of employees who had retired in 2010. The results are compared to results of similar studies conducted in the early 2000s (Tuominen and Pelkonen 2004; Tuominen et al. 2004).

The employer survey was carried out in the same way as the 2004 survey. The data was collected in tandem with the quarterly "Vacancies and recruitment in the workplace" interview study carried out by Statistics Finland. The retirement questions were compiled at the Finnish Centre for Pensions. Statistics Finland collected the research data during the period 8 December 2010–3 February 2011. The bulk of the data was collected at the beginning of 2011. The data was collected by interviewing persons in charge of recruiting in workplaces with at least one paid employee. The response rate rose to as high as 81 per cent. The employer survey comprised a total of 1,894 workplaces.

In private-sector and small (less than 10 employees) workplaces, the respondent was usually the owner of the company. In large companies (at least 100 employees), the respondent was usually the personnel manager. In public-sector companies, the respondent was usually one of the executives.

Employees' views on retirement age limits and retiring were collected through a questionnaire survey directed to employees who had retired on old-age pension directly from work in 2010. Farmers and other self-employed persons, as well as those who lacked insured employment for two years preceding their retirement were excluded from the survey. The target group included persons transferring from part-time pension to old-age pension but not persons transferring from other types of pension. Part-time pension was granted to these individuals based on the Employee's Pensions Act.

The target population – employees who had retired on old-age pension directly from work in 2010 – counts for approximately 70 per cent of all new retirees on old-age pension that year. A sample of 3,273 persons was picked. The Finnish Centre for Pensions collected the research data through a mail survey during the period 18 April–15 June 2011. The final data comprised 2,672 persons, as 112 persons did not qualify and were excluded from the sample because they engaged in self-employment alongside their paid work. The response rate was thus 84.5 per cent of the sample, from which the above-mentioned persons who did not qualify had been excluded.

4 Research results

4.1 Congruent views of employers and employees on age limits and retirement

The evaluations of the flexible retirement age were made based on a fairly good understanding of the system. Of employees who had retired on old-age pension, 76 per cent announced that they had an adequate knowledge of the central concepts relating to the flexible retirement age. Thus, of those who have retired, most have been aware that they can retire flexibly between the ages of 63 and 68 and that the pension accrual rate after age 63 is 4.5 per cent.

The lower retirement age limit of 63 years is generally accepted by both employers and employees (Table 4.1). The share of those finding the lower age limit acceptable has increased compared to the results of previous studies¹. Despite the favourable change, the proportion of employers who find the lower age limit of 63 to be too high is higher than that of the employees. These views are more common in the private sector and in the fields of physical work such as the construction, hotel and restaurant industries, but also in some mainly public-sector fields such as healthcare and social services.

Only a small share of employers and employees find the current lower age limit to be too low.

Table 4.1.

Employer and employee views on the flexible retirement age limits, employer and employee surveys in 2011, %

	Too low	Acceptable	Too high	Do not know	Total
	%	%	%	%	%
Lower age limit of 63 years					
Employers	6	70	21	3	100
Employees	8	86	3	3	100
Upper age limit of 68 years					
Employers	2	29	66	3	100
Employees	3	48	44	5	100

There is more divergence in the views on the upper retirement age limit. Employers still find the upper age limit to be too high. Two out of three employers are of this opinion. However, compared to the 2004 study, this view is now shared by a decreasing number of respondents. An ample one fourth of the employees find the upper age limit of 68 to be acceptable.

¹ In previous employee and employer surveys conducted in 2003 and 2004, the respondents were asked about the early retirement age limit of 62 years. The studies were done prior to the 2005 pension reform coming into force. At that time, the notion of the flexible retirement age limits (62–68 years or 63–68 years) was unestablished. Since then, the lower age limit of the flexible retirement age has been established at 63.

Nearly half of all retired employees find 68 to be an acceptable age limit. However, surprisingly many of the employees – 44 per cent – find the upper retirement age limit to be too high. Employees who considered the upper limit as too high were found more than on average among those who had retired at the age of 63 or earlier. The level of education is also of significance. The upper age limit was found to be too high mainly among employees with a basic or secondary education. The proportion of women who considered the age limit to be too high was greater than the proportion of men who felt the same. The responses are based on the employees' own retirement experiences. Obviously, for these employees, the thought of continuing at work has not been possible for one reason or another, which is why the upper limit has been considered too high.

The idea to raise the lower and upper retirement age limits did not receive a great deal of support among employers. 15 per cent of workplaces were in favour of raising the lower age limit and 12 per cent were in favour of raising the upper age limit. Raising the lower age limit was favoured slightly more by private-sector employers and employers with a need to increase their number of employees. Raising the upper age limit was favoured slightly more when there was a need to increase the number of employees at the workplace.

The views on the retirement age limits can be summed up as follows: employers and employees generally accept the current lower age limit of 63 years. However, a majority of employers found that the current upward flexibility should be limited. A considerable proportion of employees also supports limiting the flexibility.

Flexible choice of retirement age

Employees who had retired on old-age pension were asked whether they had a chance to decide the retirement age themselves within the flexible age limits (63–68 years). Of all retirees on old-age pension, 78 per cent were able to freely decide their retirement age while 17 per cent reported that they lacked the freedom to decide. Five per cent were unable to answer the question. The freedom of choice was better implemented the older the individual retiring was.

The degree of freedom of choice was higher than what the oldest private-sector employees estimated in 2003. At that time, approximately half of them assessed their chances to decide on the retirement age to be very or somewhat good (Tuominen and Pelkonen 2004).

Both employers and retired employees were asked who made the decision to retire (Table 4.2). Employees' and employers' views² on the retirement decision were congruent. In four out of five cases, the employee had made the retirement decision him- or herself. An ample tenth of those retiring on old-age pension made the decision to retire together with the employer. In only a small share of the cases was the decision made by the employer alone. Based on the employees' responses, this was the case slightly more often than based on the employers' responses.

² The question on retirement was presented to workplaces where someone had retired during the previous three years. Retirement decisions were made in approximately one fourth of all workplaces. More than on average, employees had retired on old-age pension from public sector and large workplaces.

Table 4.2

Employers' and retired employees' views on how the decision to retire or to continue at work was made, employer and employee surveys in 2011, %.

	Decision made by				
	The employee	The employer and the employee	The employer	Do not know	Total
	%	%	%	%	%
	Decision to retire on old-age pension				
Employers	83	12	2	3	100
Employees	78	15	7	0	100
	Decision to continue at work when employee is willing to continue after age 63				
Employers	26	67	3	4	100

Employers were separately asked how the decision to continue at work was made if the employee was willing to continue working after age 63 (Table 4.2). The question was put to all workplaces. The responses showed that employers are more interested in participating in the retirement decision when employees want to continue at work past age 63. Continuing at work is thus most often discussed together with the employer. From the employer's point of view, the discussion is related to an evaluation of the labour needs of the workplace. The results revealed that employers were more prone to find that the decision should be made in cooperation between the employer and the employee in workplaces with a need to increase the number of employees within the next year. However, if the workplace is about to reduce its workforce, the employer is less prone to support a joint decision.

One fourth of all workplaces find that employees alone should make the decision to continue at work. These workplaces are relatively more numerous in the public sector. The larger the workplace, the higher the share of workplaces in which the employee alone makes the decision to continue at work. Of the largest workplaces, approximately every second employer finds that the employee should make the decision on his or her own.

4.2 Possibility to continue at work exists – continued working often prevented by factors relating to work and working conditions

A fifth of all persons retiring from paid work in 2010 would have wished to continue working (Table 4.3). Of this group, slightly less than every second could have continued at work, while continuing at work was not possible for slightly less than every second. In other words, not all had the option to make a choice. Approximately every tenth employee who retired on old-age pension had to retire earlier than desired.

This group comprised more men than women and a greater number of people retiring from the private than the public sector. The share of 'those having to retire' varies according to the retirement age: the majority, 59 percent, retired at age 63, while 27 per cent retired at a higher age and 14 per cent prior to turning 63 years.

Table 4.3.

*Retired employees' views on their willingness and possibilities to continue at work *)*, employee survey in 2011, %.

Would your employer have accepted that you continued working?	Would you have liked to continue at work?	
	Yes	No
Yes	8	71
No	11	10

*) The table includes persons who have replied to the questions concerning their willingness and possibilities to continue at work, i.e. 84 per cent of the respondents.

Another noteworthy figure in Table 4.3 is the share of those employees who did not want to continue at work although it would have been possible on behalf of the employer. The majority of persons retiring from paid work on old-age pension belonged to this group. Numerically, this concerns a large number of new retirees. From the point of view of prolonging working careers, it is important to establish the reasons lying behind the incapacity or unwillingness to continue at work offered by the flexible retirement age. This question is addressed in more detail in section 4.4.

The employers' responses also show that there are more opportunities for continuing to work after age 63 than there are employees who are willing to continue at work. Table 4.4 shows that in more than half of all workplaces, the majority of employees could well continue at work until age 65. In approximately every fourth workplace, it would be possible for employees to continue at work until age 68. Workplaces assess the possibilities to continue at work to have improved slightly compared to the situation in 2004.

In light of these results, how to make working life more attractive to elderly employees is a considerable challenge. The flexible retirement age offers employees aged 63–68 years the opportunity to decide whether to retire or to continue at work. This freedom of choice seems to have existed for the majority. A considerable share of employees retiring on old-age pension would have found a postponed retirement possible on behalf of the workplace.

Table 4.4.

Employers' assessments of employees' possibilities to continue at work until age 65 and 68, employer surveys in 2004 and 2011, %.

Employer surveys:	Agree	Disagree	Do not know	Total
	%	%	%	%
Employees can continue working until age 65 in most of the jobs at our workplace				
2004	50	48	2	100
2011	58	40	2	100
Employees can continue working until age 68 in most of the jobs at our workplace				
2004	21	77	2	100
2011	26	72	2	100

Working life pushing and leisure time pulling towards earlier retirement

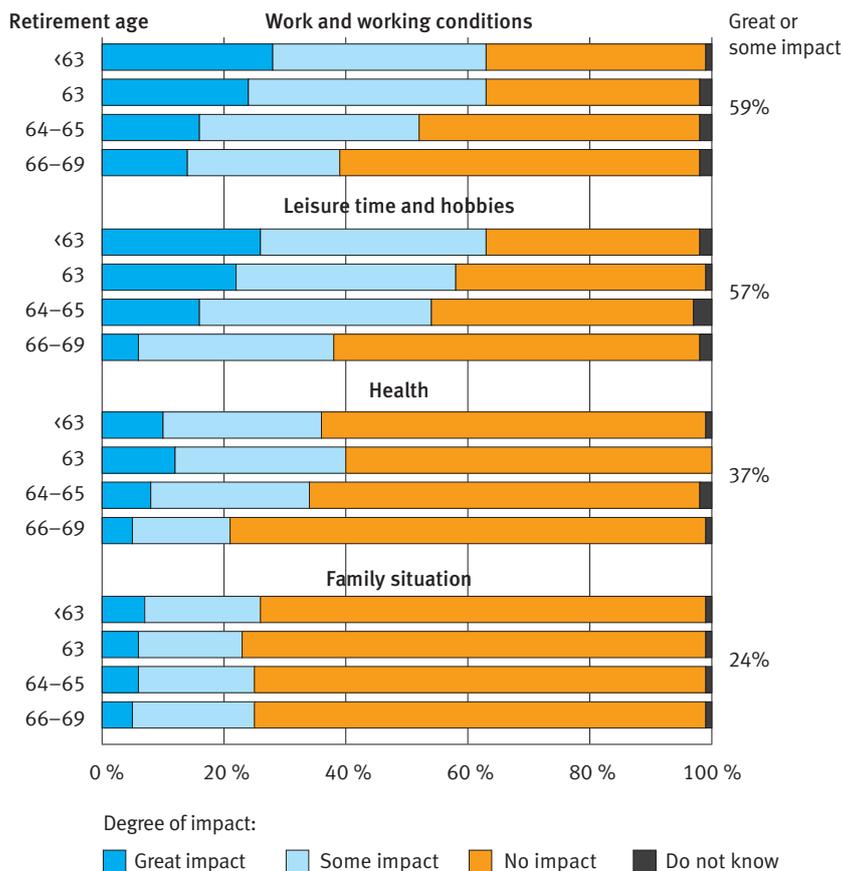
The significance of working conditions on the retirement decision became evident by analysing the responses to the different questions using different methods. *Firstly, individuals who had retired on old-age pension were asked to assess how much factors relating to health, family situation, leisure time and work affected their own decision to retire.* According to the results, factors relating to work and working conditions affected the retirement decision the most (Figure 4.1).

Factors relating to conditions at work have had a greater impact on the retirement decision among those who have retired at age 63 or earlier. The impact of working conditions on the retirement decision was greater among individuals with a lower educational level.

Nearly as important a factor was the impact of increasing leisure time and hobbies (Figure 4.1). The significance of leisure time and hobbies decreases systematically as the age of retirement increases. A greater share of well-educated employees has been pulled into retirement by leisure time rather than by working conditions.

Figure 4.1.

Employees' assessment of impact of various factors on decision to retire, by retirement age, employee survey in 2011, %.



Health has had a smaller impact on retirement than the aforementioned factors (Figure 4.1). Nevertheless, the retirement decision of employees with a lower education has been more affected by health factors. This is evident also in the fact that health issues have had a somewhat larger effect on the decision of those retiring at age 63. The educational level of this group is lower than average. All in all, the health of those retiring on old-age pension is better than that of the general population of the same age. For its own part, this explains the lesser significance of health factors on the retirement decision.

According to the opinions of retired employees, the least impact has been held by factors relating to family, even though the majority of the respondents have been responsible for taking care of family members and other close people. Factors relating to family issues have had a somewhat greater impact on the retirement decision of the well-educated and of women in comparison to men.

Secondly, wage earners who had retired on old-age pension were asked for freely formulated responses to the question of which factors would have convinced them to continue working. A total of 61 per cent of the respondents provided freely formulated responses. The significance of work and working conditions was emphasised also in these responses.

Respondents mainly described factors that advanced the decision to retire: time pressure at work, changes in work tasks, inflexible working hours, as well as poor administration and atmosphere at work. Lacking the feeling of doing meaningful work and uncertainty regarding the future of work were also often mentioned as reasons for not continuing at work. The freely formulated responses further suggest that employees did not receive sufficient support to continue at work. Had they been asked to continue at work, they would have done so. Approximately half of the open answers dealt with work-related questions. Less than ten percent related to issues of one's own health. In only a few per cent of the responses did the reason relate to family issues.

One of the most common replies to the open question was that no factors could have convinced the employee to continue at work. This was stated in a fifth of all responses to the open question. Such responses were given to a greater degree by those with a lower education and more frequently by individuals who had retired at the age of 63 or earlier. Reaching the upper retirement age or the retirement age of civil service was also mentioned as a hindrance to continuing at work. Five percent of all open answers were related to age limits. Hence, the age limits set by current regulations prevented part of the employees to continue at work.

Thirdly, a multivariate model was used to study the impact of various factors on retirement. The impact of several factors on retirement was analysed simultaneously. The most important factors relating to work and the workplace turned out to be the employer sector, the support for continued working provided by the employer, as well as certain factors relating to working conditions (Table 4.5).

Retirement ages based on old pension legislation still exercise a great impact on public-sector retirement. It is more likely for public-sector employees to retire prior to age 63 due to the lower retirement ages of the public sector. Retirement after age 63 is also more common in the public sector due to the individual retirement ages (63–65 yrs).

Continuing at work at least until the lower retirement age limit and beyond is more likely among employees whose employers support continued working. Previous research shows

that employers' support for continued working increases employees' desire to postpone retirement (Tuominen et al. 2010). This study showed that employers' support for continued working actually prolongs working careers.

Table 4.5.

Results of the logistic regression analysis of impact of workplace, work and working conditions on retirement, employee survey in 2011.

- The employer sector plays a great impact on the retirement age
 - public-sector retirement ages below age 63 and individual retirement ages (63–65 yrs)
- Employer's support to continue work prolongs working careers
- Retirement decision related to continuing at work: making the retirement decision together with the employer prolongs working career
- Factors relating to work and working conditions affect retirement:
 - Employees retire earlier if
 - the pace at work is too hectic
 - the work is mentally strenuous
 - the future of work is uncertain
 - the working hours are inflexible
 - Employees continue at work if
 - the work is perceived as meaningful
 - they can influence their own work

The most significant individual working conditions that affect the retirement decision include time pressure, mental strain of work, uncertainty regarding the future of the work and inflexible working hours. These factors have advanced the decision of employees to retire on old-age pension. Careers could be extended towards the end by introducing more flexible working hours, decreasing the mental strain of work and by increasing employer support for continued work.

The analysis also showed that employees are more likely to prolong their careers if the work is perceived as meaningful and the employee can influence his or her work. Practices at the workplace also make a difference. An employee is more likely to continue at work if the retirement decision is made in cooperation with the employer. Working cooperation between the employer and the employee thus promotes prolonged careers.

Significance of financial incentive grows along with the retirement age

Employees continuing at work after the age of 63 were asked how the accelerated accrual rate (4.5% from age of 63) had affected their decision to continue working. Some of them retired while aged 63, but the majority retired at a later age.

For most employees retiring on old-age pension, the decision to continue at work has been motivated by this financial incentive. For one fifth of those continuing at work, the accelerated accrual rate played a significant role. For two fifths, its role was somewhat

significant. However, this financial incentive is not important to everyone. For one third of those continuing at work, receiving a higher pension was not of any significance.

The later the individual retired, the more significant the higher pension was. A higher pension was an almost equally strong motivator for both genders, but women replied more frequently than men that it played a very significant role. The financial incentive was of equal significance across educational levels, but differences occur between sectors. Local government employees were slightly more motivated by a higher pension to continue working. State employees were less motivated by higher pensions than employees of the other sectors.

Employers were also asked whether the accelerated accrual rate affects employees' willingness to continue at work at their own workplace. One third of all employers replied that the accelerated accrual rate has affected employees' desire to continue to work. The favourable views of this financial incentive have increased only slightly since 2004.

4.3 Desire to employ older people and to support continued working of the elderly unchanged

Above, we discussed the central role of the employer's support when deciding to continue at work. Both employers and employees were asked whether the workplace supports employees to continue working until the retirement age. The question was posed to employees and employers already in the 2003 and 2004 surveys (Table 4.6). It is noteworthy that, according to the results of both surveys, employers feel slightly more than employees that workplaces support continued working.

Based on the responses by wage earners and employers, we can conclude that employers' support for continued working of employees who are nearing the retirement age has remained the same throughout the country in more than half a decade.

Table 4.6.

Employers' and employees' views on support for continued working in 2003, 2004 and 2011 employer and employee surveys, %.

	Employers' support for continued working until retirement age					Total
	Strong support	Some support	Slight support	No support	Do not know	
	%	%	%	%	%	
Employers						
2004	14	46	26	9	5	100
2011	16	46	24	10	4	100
Employees						
2003*)	9	31	33	16	11	100
2011	9	33	32	18	8	100

*) The 2003 Flexible Retirement Age study concerned private-sector employees who were approaching their retirement age. The 2011 study concerned employees who had retired on old-age pension directly from work in 2010, including all employer sectors.

A closer analysis of the employer responses showed sector- and industry-specific changes in the support of continued working. A clear growth was visible in the private sector, in which the support for continued working was clearly lesser than in the public sector in 2004. Despite the decreasing difference, there are still divergence compared to the public sector. In particular in government workplaces, continued working is supported more often than in private-sector workplaces.

The employer's support for continued working has increased the most in large workplaces with at least 250 employees. Strong support is offered in more than one fourth of the large workplaces, while the equivalent figure was one fifth in 2004. The share of responses stating that the employer offered "some support" has also grown in the largest workplaces.

In the private sector, support for continued working has become more common in the manufacturing, financial and insurance fields, as well as in business service activities (real estate and rental activities and research services). Correspondingly, the support has decreased in certain public- and private-sector fields. These fields include education, public administration, national defence and social insurance. The support for elderly employees who wish to continue at work has decreased also in the hotel and restaurant field as well as in farming, forestry and fishing industries.

More than one fourth of employers believe in prolonged careers

More than half of all employers in Finland considered the extension of careers to be an important goal. Slightly less than one third also believed that this goal will be implemented in their own workplace. Almost half of all employers found the extension of careers to be both unimportant and unlikely in their own workplace (Table 4.7). A small portion believed that careers will be prolonged in the own workplace although the goal as such was not considered important. The personnel in these workplaces were well-educated.

Table 4.7.

Employers' views on the importance of the goal to extend careers and its implementation at their own workplace, employer survey in 2011, %.

How likely is it that working careers will be prolonged at your workplace?	How important is it to prolong working careers?	
	Very or somewhat important	Almost or completely unimportant
Very or somewhat likely	29 %	4 %
Somewhat or very unlikely	25 %	42 %

The size of the workplace plays a role in the sense that the larger the workplace, the more likely the goal is perceived important and believed to be implemented in the own workplace. This is the case in clearly more than half of workplaces with at least 250 employees. The equivalent figure in smaller workplaces was approximately one fourth.

A quarter of all workplaces would like to employ elderly to a higher degree than currently

The estimates of prolonged careers made by the workplaces do not support the view that the goal to prolong careers is achieved quickly. The same assessment is reached when viewing employers' desire to employ people aged 55 and above (Table 4.8).

A fourth of all workplaces would be willing to employ and retain, to a greater degree than today, those over 55 years of age. However, employers are more favourable to employing elderly employees (55+) than employees who have reached the retirement age (63+). Only 13 per cent of all workplaces would be willing to employ people who have turned 63 to a larger degree than they do currently. No significant change in the desire to employ elderly can thus be found compared to the 2004 study (Tuominen et al. 2004).

Table 4.8.

Employers' willingness to employ and retain elderly employees (55+) and those who have reached retirement age (63+) more than currently, and employers' willingness to offer permanent work to retired employees, %.

Employer survey 2011	Yes	Possibly	No	Do not know	Total
	%	%	%	%	%
Would you be willing to employ or retain more than currently employees who					
are aged 55 and above	25	33	40	2	100
have reached retirement age (63–68 yrs)	13	27	57	3	100
Would you be willing to offer permanent work for persons retired on old-age pension?	8	17	72	3	100

The public sector was more willing to employ the ageing and those having reached the retirement age than was the private sector. The size of the workplace plays a role in that the larger the workplace, the more likely employers are willing to employ the ageing workforce under different terms.

There are also differences between fields of business in the desire to employ ageing (55+) people. The financial and insurance industries held the most favourable attitude. Healthcare and social services also held a positive attitude towards this, as 66 per cent of the workplaces in those fields thought employment of elderly was possible at the very least. The real estate and rental activities and the research services held nearly as favourable an attitude

(65%). The most negative attitude was adopted in fields of physical work: farming, forestry, fishing and construction.

The least interest was shown in permanent employment of those who had retired on old-age pension. These individuals are offered mainly part-time or temporary work. The employers and the employees are of the same opinion in this issue. A fifth of all employees who had retired on old-age pension would have been interested in working while drawing a pension. The desire to do work of a permanent nature alongside drawing a pension is particularly small. Mainly, retired employees are interested in part-time or temporary work, for example, deputyships.

In light of these results and when examined from the point of view of labour demand, the growth of employment of the elderly is slow. It is the slowest among the cohorts who have reached the retirement age.

4.4 Conclusions

Retirement has been postponed in the last decade and old-age pension has become the primary route to retirement. In 2000–2011, the share of persons retiring on old-age pension of all new retirees has grown from one third to two thirds. The number of persons retiring on old-age pension has nearly tripled since the beginning of the 2000s. A change in the age structure of the population lies behind the growth in old-age pension incidences, as does the coming into effect of the flexible retirement age. The number of new retirees on old-age pension has grown partly also because the baby boomers have stayed at work longer than cohorts before them.

In general, people tend to retire at age 63. The share of these persons has grown so that currently, every second person retiring on old-age pension retires at age 63. Simultaneously, the share of persons retiring before age 63 has decreased considerably, and continues to do so. Firstly, *the gradual phasing out of public-sector lower pension ages* postpones retirement on old-age pension. The phasing out of public-sector so-called individual retirement ages also affects retirement on old-age pension, but it is more difficult to assess in which direction. The individual retirement age functions as an economic sanction to continue at work, since retiring earlier reduces the pension to some degree. Those continuing at work in the public sector are well-educated, more often women than men, and they belong to the higher income groups, i.e. they are typical continuers. The phasing out of individual retirement ages does not necessarily advance retirement in the public sector.

Secondly, *there are other factors relating to legislative amendments which will postpone retirement*. The decision has been made to abolish the early old-age pension, which will postpone retirement. The impact of this change is small as the use of the early old-age pension has been relatively modest. This option has offered people the chance to retire only one year early. Also the long-term unemployed will retire on old-age pension at a later age. A long-term unemployed has been able to retire on an unreduced old-age pension at age 62. This age will now increase to 63 years. However, an unemployed person can choose to continue on an unemployment allowance until the age of 65.

Thirdly, *the change in the age structure of the population has an impact on continued work and retirement.* The labour market has had to adjust to an ageing workforce as an increasingly large share of the workforce is aged 55 and above. The retirement of the large baby-boom cohorts has turned the volume of the working age population down at the turn of the decade. The ageing and decreasing numbers of the workforce has increased, for its part, the demand for the older workforce. However, the economic situation has a crucial impact on the workforce demand.

Fourthly, *the research results do not support the view that continuing at work would increase rapidly while retirement would be postponed correspondingly.* The results of the employer and employee surveys support the view that continuing at work is becoming more common and retirement is postponed, but the change takes place slowly. Employers' willingness to employ elderly employees remains at the same level as in 2004. Nor has the employer's support for continuing at work increased when reviewed at a national level.

The view of a slow change is also supported by the fact that the retired employees have little desire to continue at work. A fifth of all retired employees would have wanted to continue working, but these respondents were often among those who had worked the longest. According to the assessments of both the employers and the employees, workplaces offer more opportunities for continuing at work than what have been used. Obstacles to continue working are more often related to working life than to the individual's state of health or family situation.

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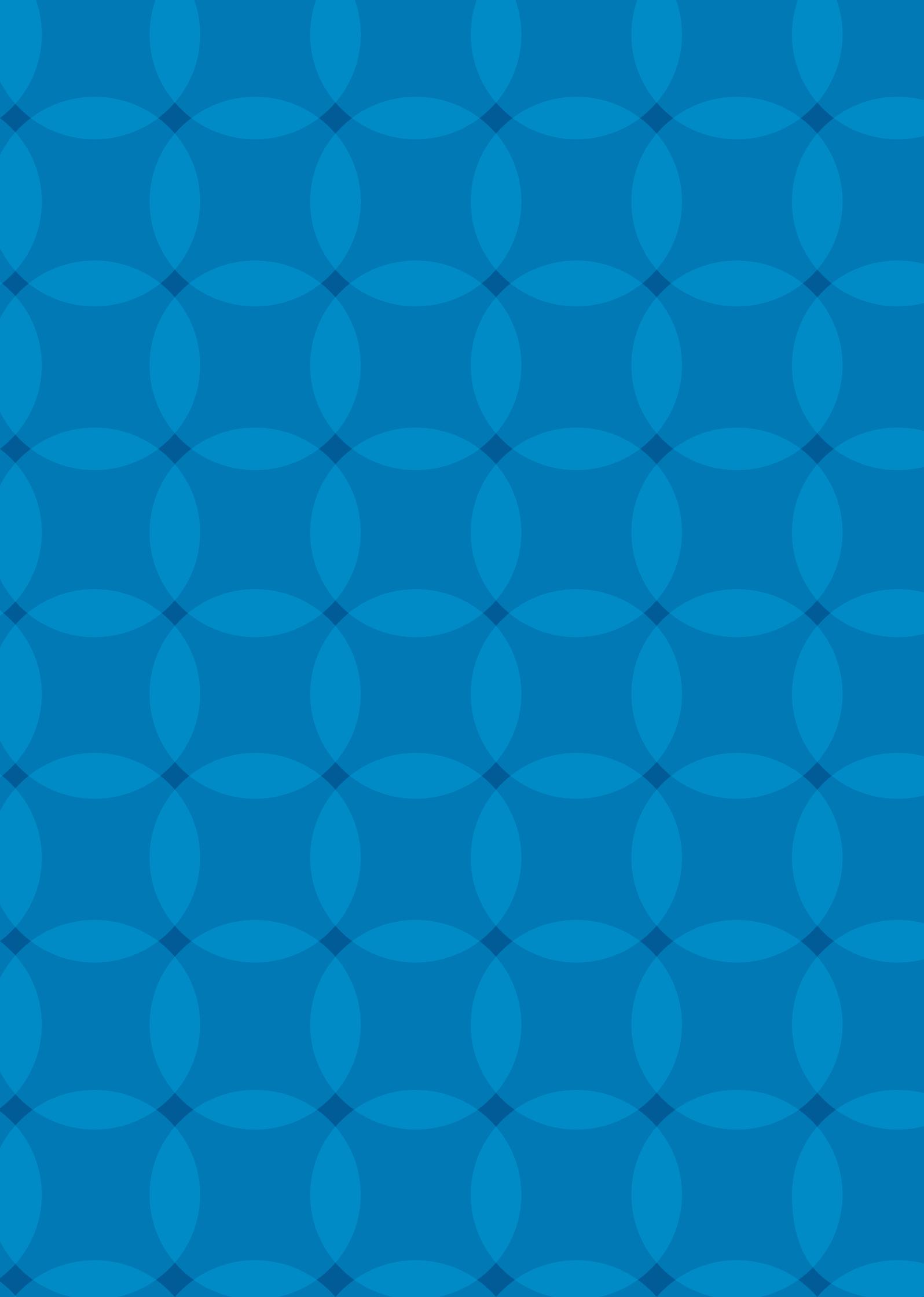
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