

# Economic well-being of pensioners in Finland

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Pension Adequacy in Europe Today and  
Tomorrow, Helsinki, 17 September 2019

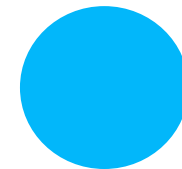


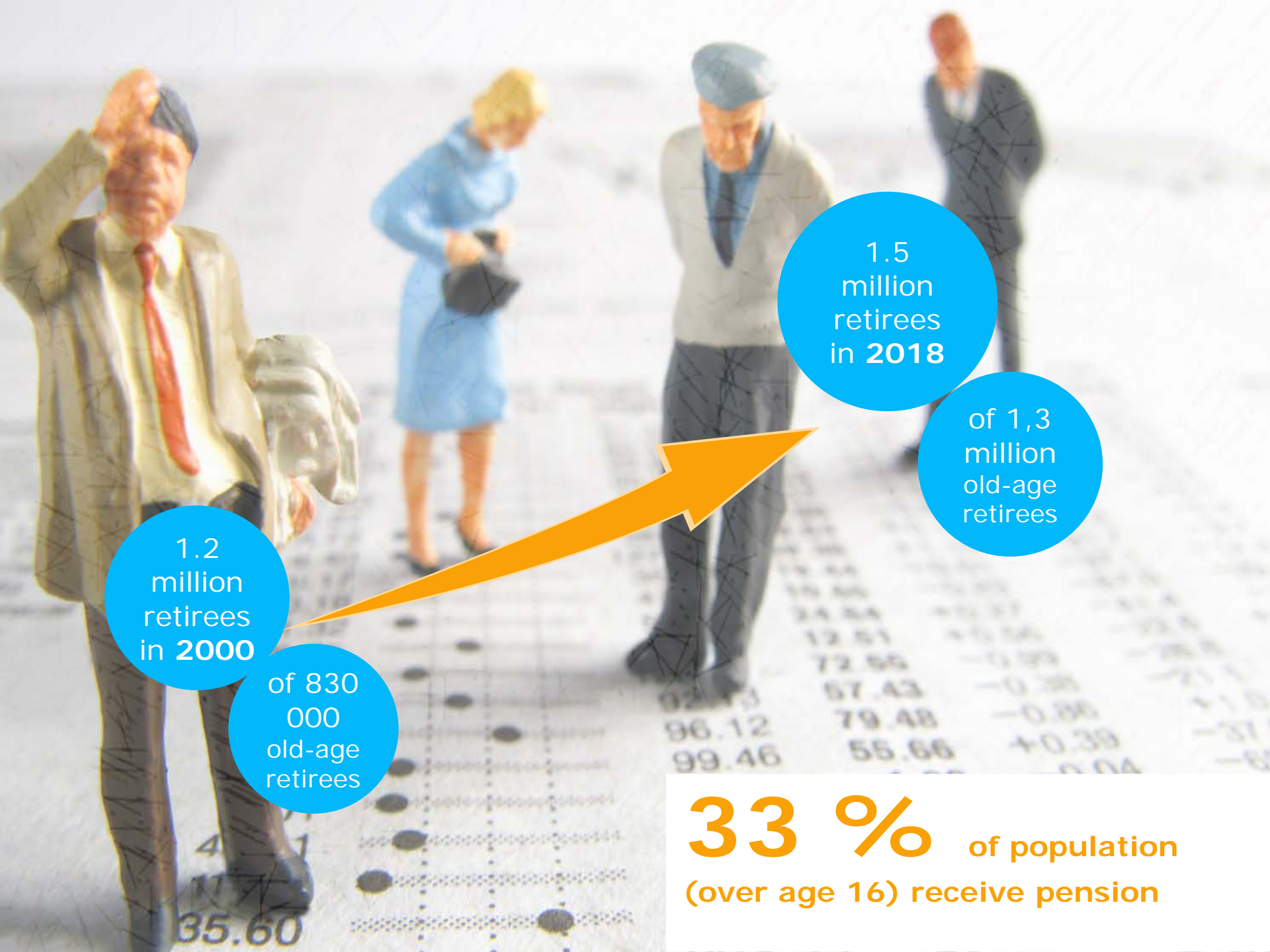
Finnish Centre for Pensions  
ELÄKETURVAKESKUS

# Research on the adequacy of pension provision is one of key tasks in our pension research

## Versatile, regular and up-to-date information on pensioners' livelihood and its development

- The livelihood of pensioners and its development is assessed based on pensions, household's disposable income, subjective experiences, consumption and savings.
- The livelihood of pensioners is compared to the livelihood of the entire population and the working age population and to the pre-retirement income and analysed between different pensioners' groups





1.2 million retirees in 2000

of 830 000 old-age retirees

1.5 million retirees in 2018

of 1,3 million old-age retirees



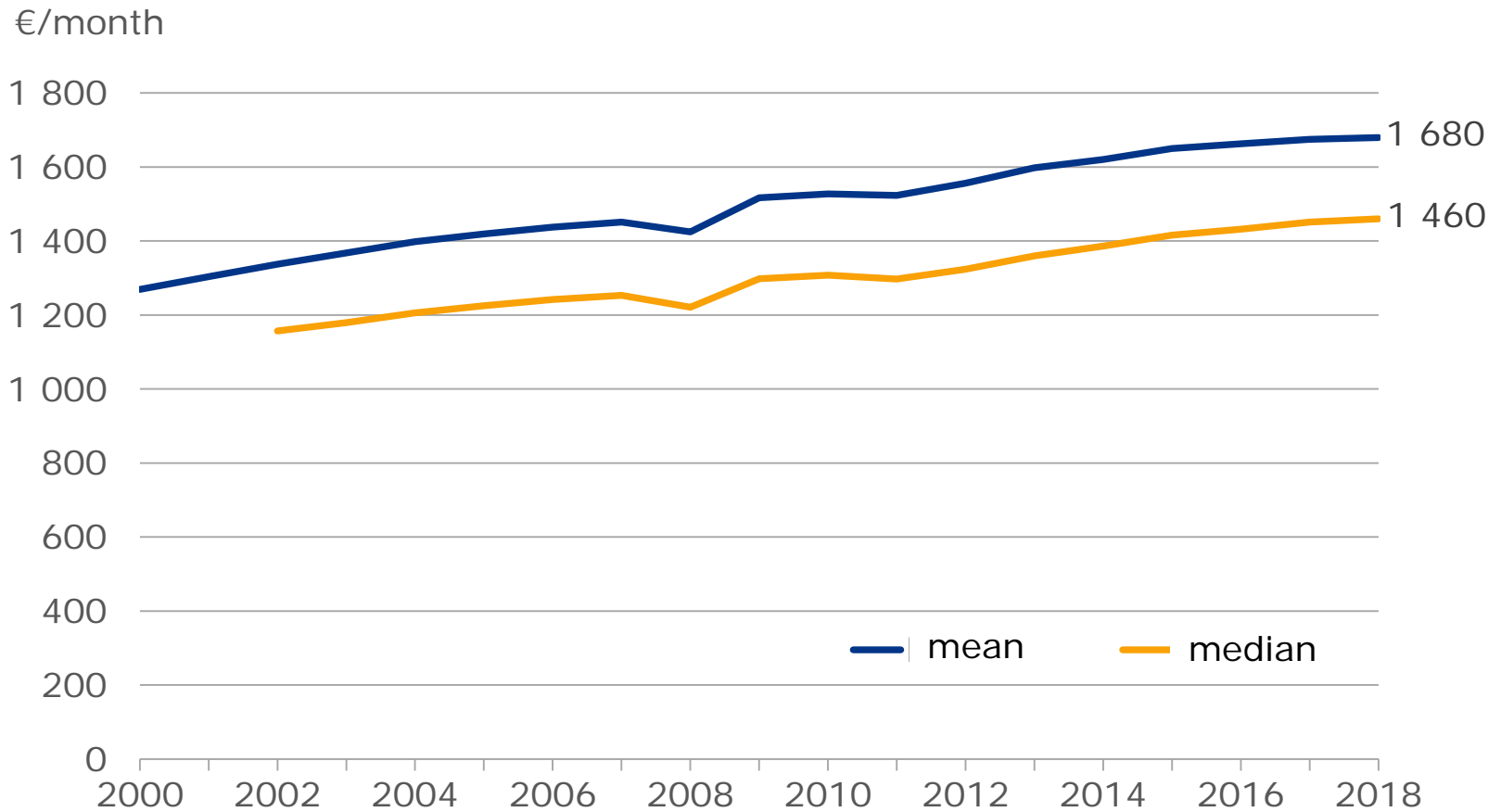
**33 %** of population (over age 16) receive pension

- ✓ Overall average picture of pensioners' economic well-being and welfare and its development is positive.
- ✓ Pensioners' relative position has remained unchanged vis-à-vis working age population, and in some parts even improved.



# Average overall pension up 32% in real terms

Average overall pension in 2000–2018, €/month at 2018 value

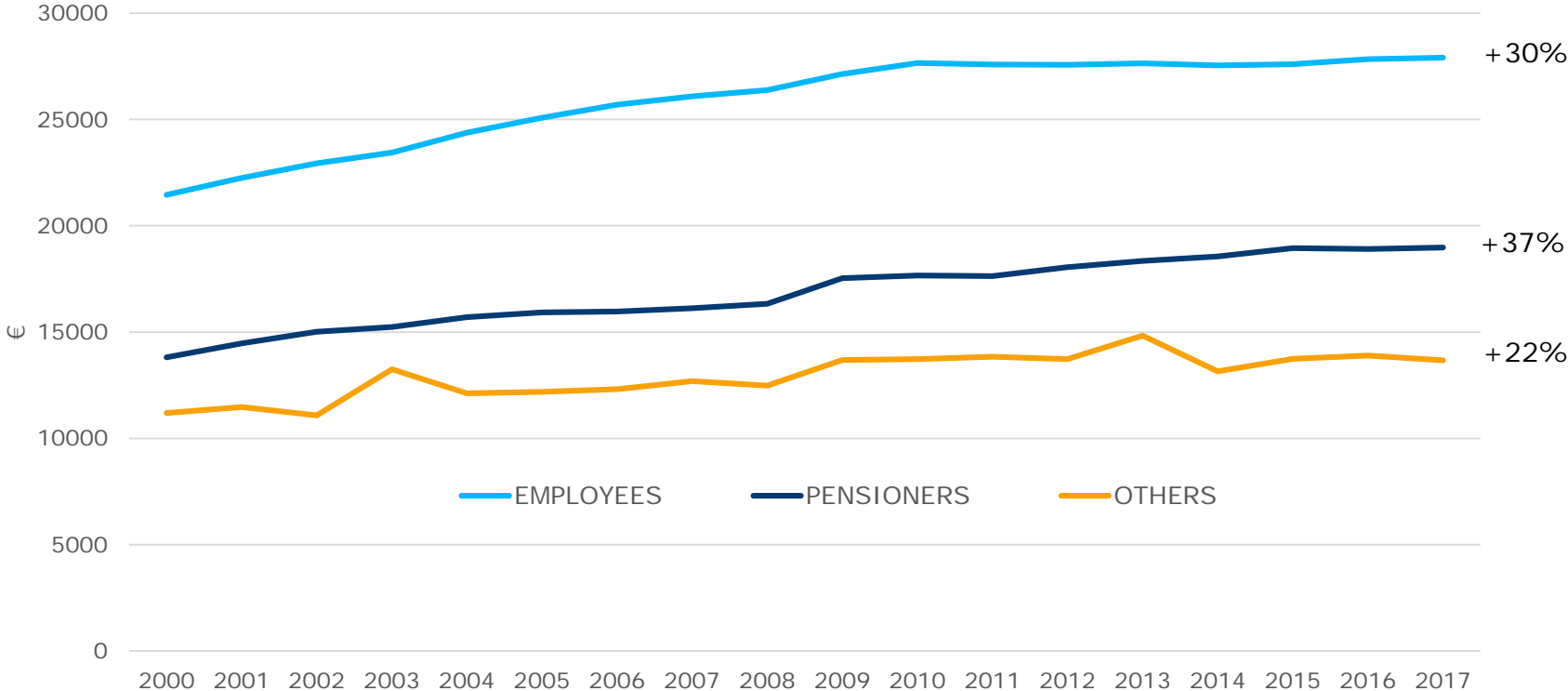


# Average pension remained at around 50 % of average earned income



# Pensioners' disposable income increased most in real terms

Median equivalent disposable cash income in 2000-2017, € per year at 2017 value

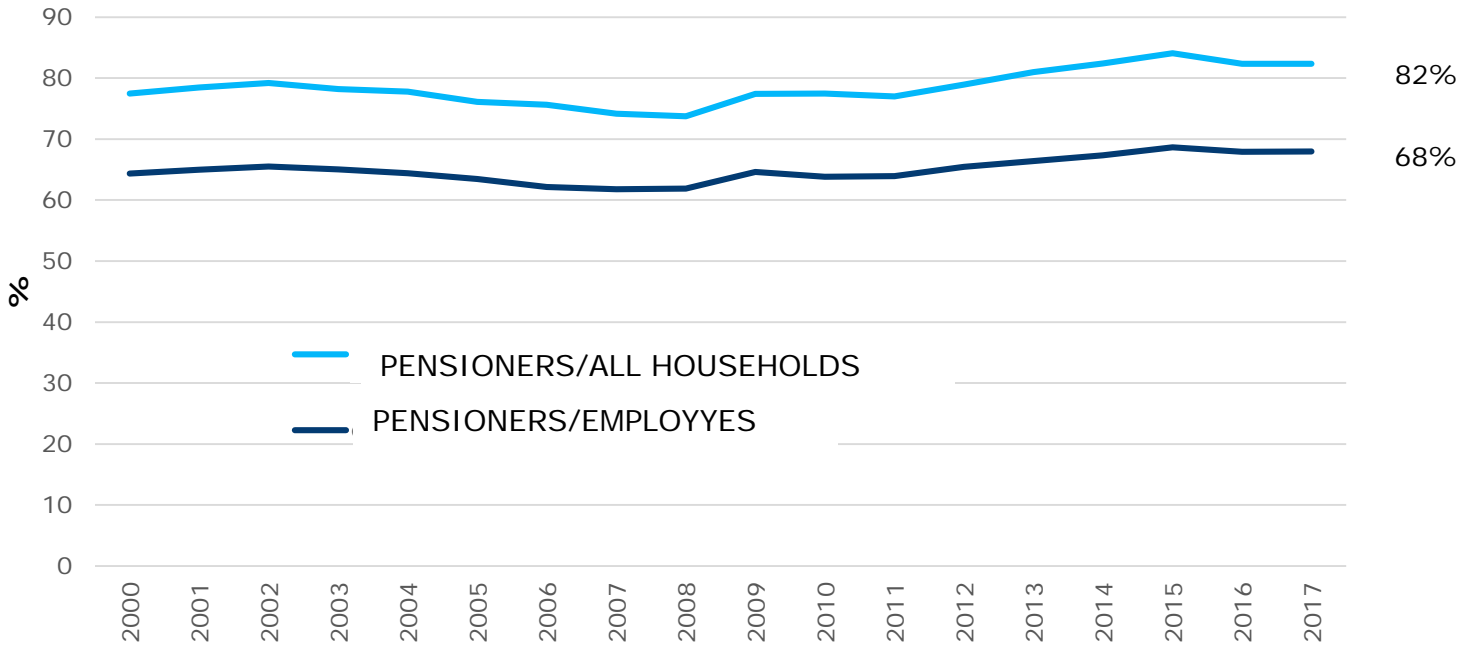


Source: Statistics Finland income distribution statistics.



# Pensioners' disposable income unchanged compared with employees and total population, and slightly improved in recent years

*Pensioners' median disposable cash income compared with employees and total population in 2000-2017, %*



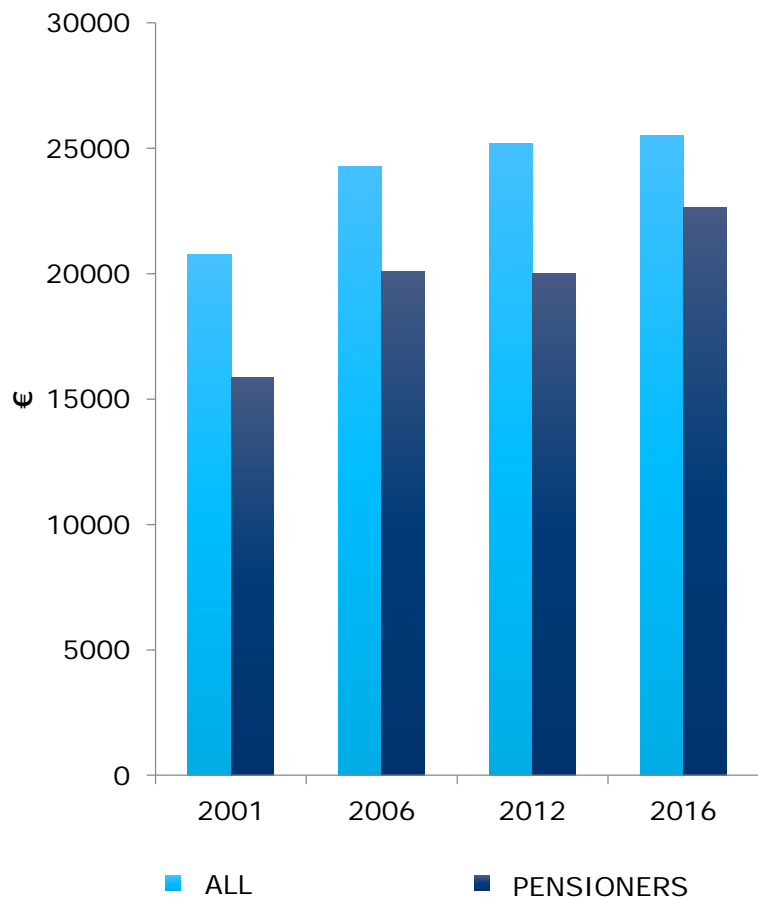
Source: Statistics Finland income distribution statistics.



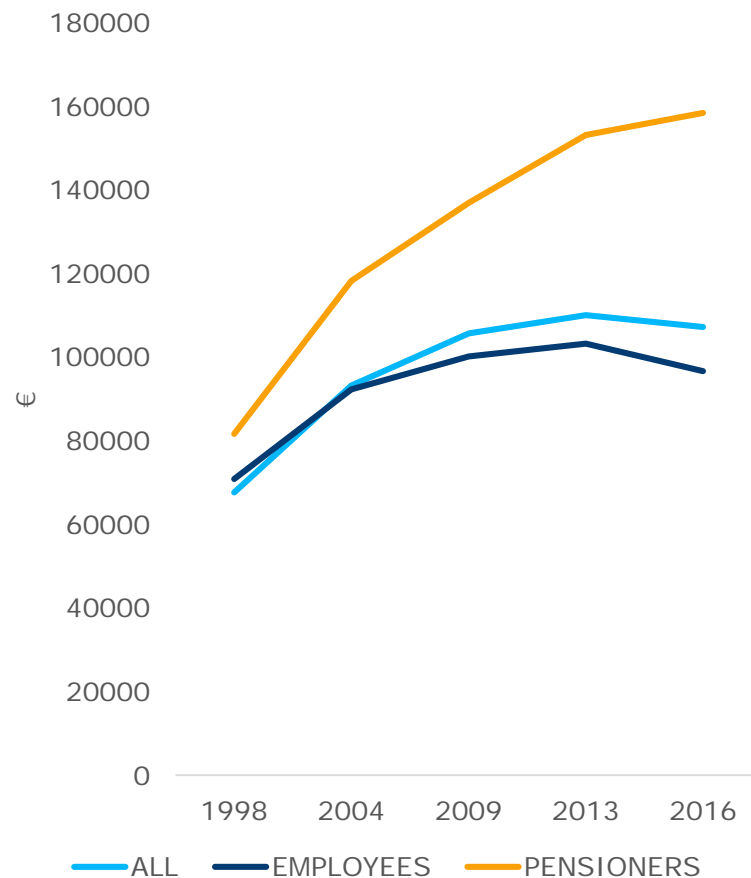


# Pensioner households' consumption and net wealth developed positively

Households' consumption spending per capita in 2001–2016, € at 2016 value



Households' median net wealth in 2000–2016, € at 2016 value

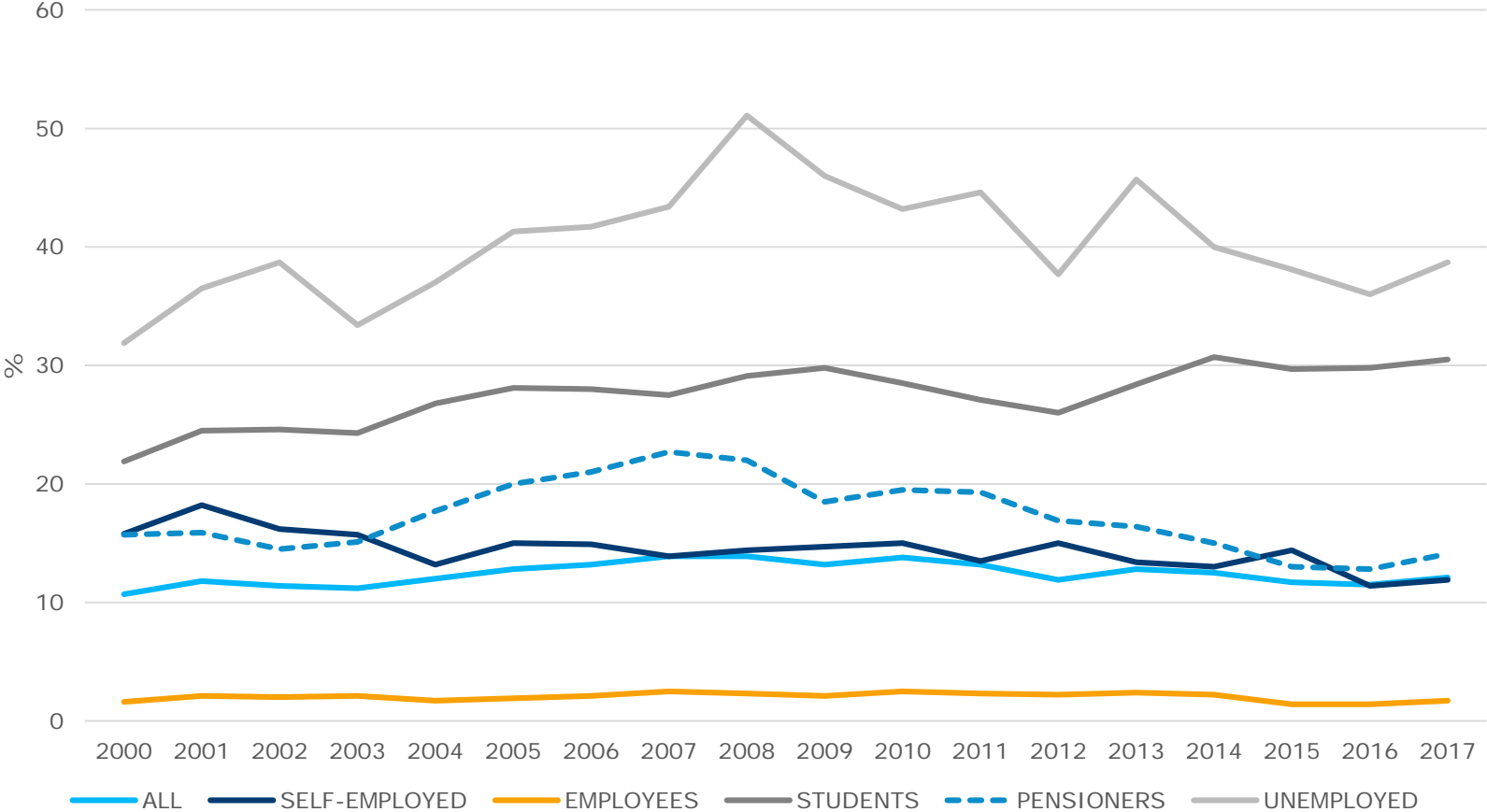


Source: Statistics Finland Consumer Survey and Wealth Survey.



# Pensioners' risk of poverty rate at same level as in total population and has declined during the past ten years except 2017

At-risk-of-poverty rate (%) 2000–2017, poverty threshold 60 % of



Source: Statistics Finland income distribution statistics.



- ✓ A-risk-of-poverty among pensioners doesn't differ from the rest of the population
- ✓ With more severe measures of poverty (e.g. severe material deprivation, reference budget, long-term social assistance reciprocity) pensioners' poverty is lower than the rest of the population



## HOWEVER,

Pensioners are not a homogenous, coherent group with respect to income or income development.

### **Risk of poverty is more common:**

- ✓ in the age group under 55
- ✓ in the age group over 75, especially women, but nowadays more often also men
  - ✓ prolonged risk of poverty increases with age, and is twice as high for women than for men
- ✓ single-person households
- ✓ those receiving basic national pension and guaranteed minimum income pension



# Recent study extends the focus on retirees' subjective well-being

- reviews retirees' subjective economic well-being in a multifaceted manner
- examine perceptions and well-being from the perspectives of retirement route, regional differences, home-ownership, income comparisons, working while drawing an old-age pension and inter-household economic and practical help given and received by retirees
- based on a postal survey, 73 % response rate, supplemented with register data
- represents the entire 55–85-year-old Finnish population on an old-age or disability pension

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## Studies on retirees' perceived and overall economic well-being

Kati Ahonen, Susan Kuivalainen,  
Jyri Liukko, Satu Nivalainen,  
Liisa-Maria Palomäki and  
Anu Polvinen (eds.)

 VERTAISARVIOITU  
KOLLEGIALT GRANSKAD  
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## Recent study points to significance of perceived health

- The results show consistently that income and perceived health are central factors in retirees' perceptions of their economic well-being.
- Those with a lower income and poorer health more often perceive difficulties in making a living and are less satisfied with their financial situation, and vice versa.
- It is not only low income that matters but also health.
- The essentials where the respondents most typically reported difficulty were health care and medicines: 12% of pensioners had had to cut back on spending on these for financial reasons.



## Conclusion and remarks for future research

- Overall average picture of pensioners' economic well-being and welfare and its development is positive and pensioners' relative position has not weakened.
- However, there is a lot of discussion about pensioners' poverty and the government is to raise the level of national and guaranteed pensions in 2020.
- The pension level relative to the average earnings is expected to decrease in the early 2020's, research on pensioners' economic well-being is even more in need.
- Recent study indicated that future research should focus also on over-indebtedness, role of living together and pension duration.



# Thank you!

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## More information

- [Ahonen et al \(2019\) Studies on retirees' perceived and overall economic well-being \(with English summary + slideshow of key findings\)](#)
- [Ahonen et al \(2018\) Pensioners' perceived economic welfare in 2017 \(with English summary\)](#)
- [Vaalavuo \(2018\) The Impact of Social and Health Care Services on Retirees' Income \(with English summary\)](#)
- [Rantala et al. \(2017\) The economic welfare of disability pensioners' in the 2000s \(with English summary\)](#)
- [Kuivalainen et al. \(2017\) Pensions and pensioners' economic welfare 1995–2015 \(with English summary and slideshow of key findings\)](#)
- [Ahonen & Liukko \(2016\) Private saving for retirement: opportunity or necessity? \(with English summary\)](#)
- [Rantala & Riihelä \(2016\) Income differences between retired women and men in 1995–2013 \(with English summary\)](#)
- [Ahonen & Vaittinen \(2015\) Retirees' consumption in Finland from 1985 to 2012 \(with English abstract\)](#)



- [Palomäki \(2018\) Pensioners' subjective economic well-being in European countries: comparisons behind the income satisfaction paradox](#)
- [Rantala & Gould \(2015\) Poverty dynamics in the disability retirement process \(with English abstract\)](#)
- [Polvinen et al. \(2018\) Working while on a disability pension in Finland: Association of diagnosis and financial factors to employment](#)
- [Kuivalainen et al \(2018\) Length of working life and pension income : empirical evidence on gender and socioeconomic differences from Finland](#)
- [Rantala et al \(2019\) Is the poverty gender gap shrinking? Perspectives on poverty rates among older men and women aged 75–84 \(with English abstract\)](#)
- [Rantala & Suoniemi \(2011\): Retirement and change in economic well-being – analysing Finnish replacement ratios based on equivalised household income \(with English abstract\)](#)
- [Rantala \(2014\): Pensioners' income during the first years of retirement. An analysis of equivalent money income in 1997–2008 among persons retiring in 1999 \(with English abstract\)](#)
- [Statistical database](#)

