

Effective Retirement Age in the Earnings-related Pension System in 2020

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Effective Retirement Age



Eläketurvakeskus
PENSIONSSKYDDSCENTRALEN

Content

- Number of new retirees on an earnings-related pension
- Development of effective retirement age
- Employment
- Expected length of working life



Drive to defer retirement monitored by means of

- Expected effective retirement age:
 - corresponds in principle to life expectancy,
 - describes average effective retirement age if retirement and mortality rates remain unchanged at the level of the statistical year, and
 - is unaffected by demographic age structure.
- Employment rate of older people
- Expected length of working life:
 - depicts the number of years that a person at a certain age can be expected to be in an employment relationship or work as a self-employed person during their remaining life span, and
 - based on a method that uses cross-sectional data on mortality risk rates, labour force participation rates and employment rates.



Effective retirement age in 2020

(1/2)

- Expected effective retirement age
 - 61.9 years (for 25-year-olds)
 - 63.8 years (for 50-year-olds)
- Clear rise in effective retirement age
 - 25-year-old's expected effective retirement age was up 0.4 years from the year before
 - 50-year-old's expected effective retirement age was up 0.4 years from the year before



Effective retirement age in 2020

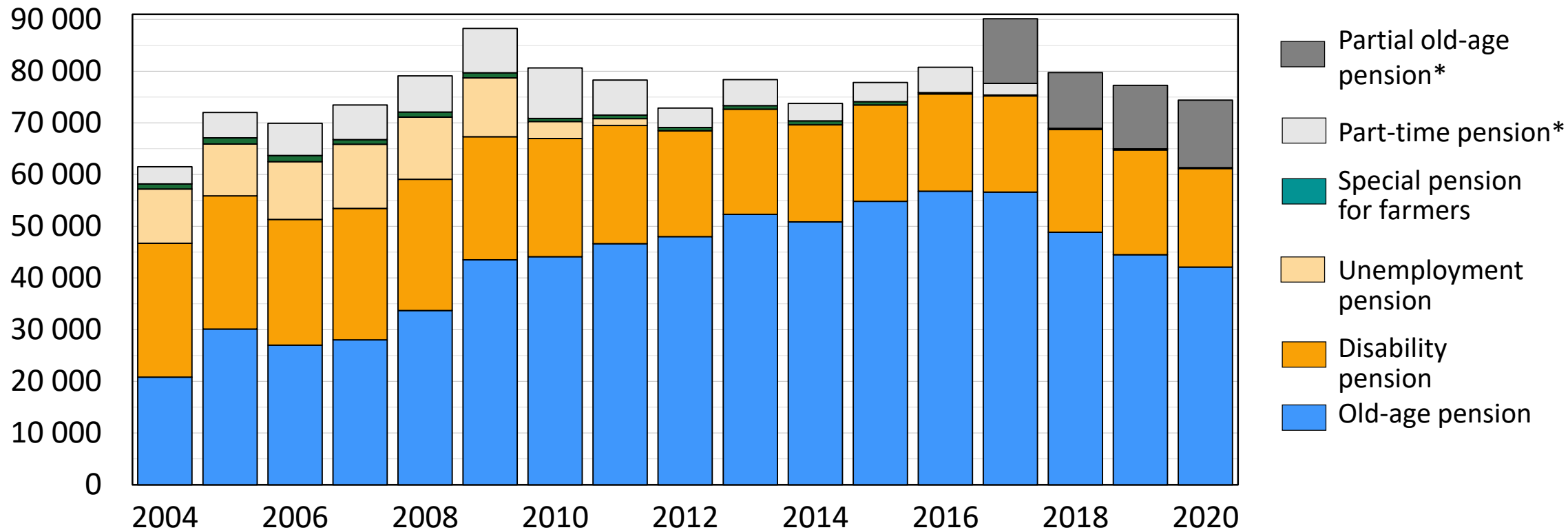
(2/2)

- Retirement rate declined especially among 63-year-olds
 - Persons who reached their earliest eligibility age for the old-age pension in two age groups
 - Those born in 1956 (retirement age 63 years and 6 months)
 - Those born in 1957 (retirement age 63 years and 9 months)
- Number of new retirees on an old-age pension declined by 5.6%
 - Number of new retirees on an old-age pension and a disability pension decreased



New retirees on an earnings-related pension 2004–2020, by pension benefit

Persons



61,312 persons retired on an earnings-related pension in 2020

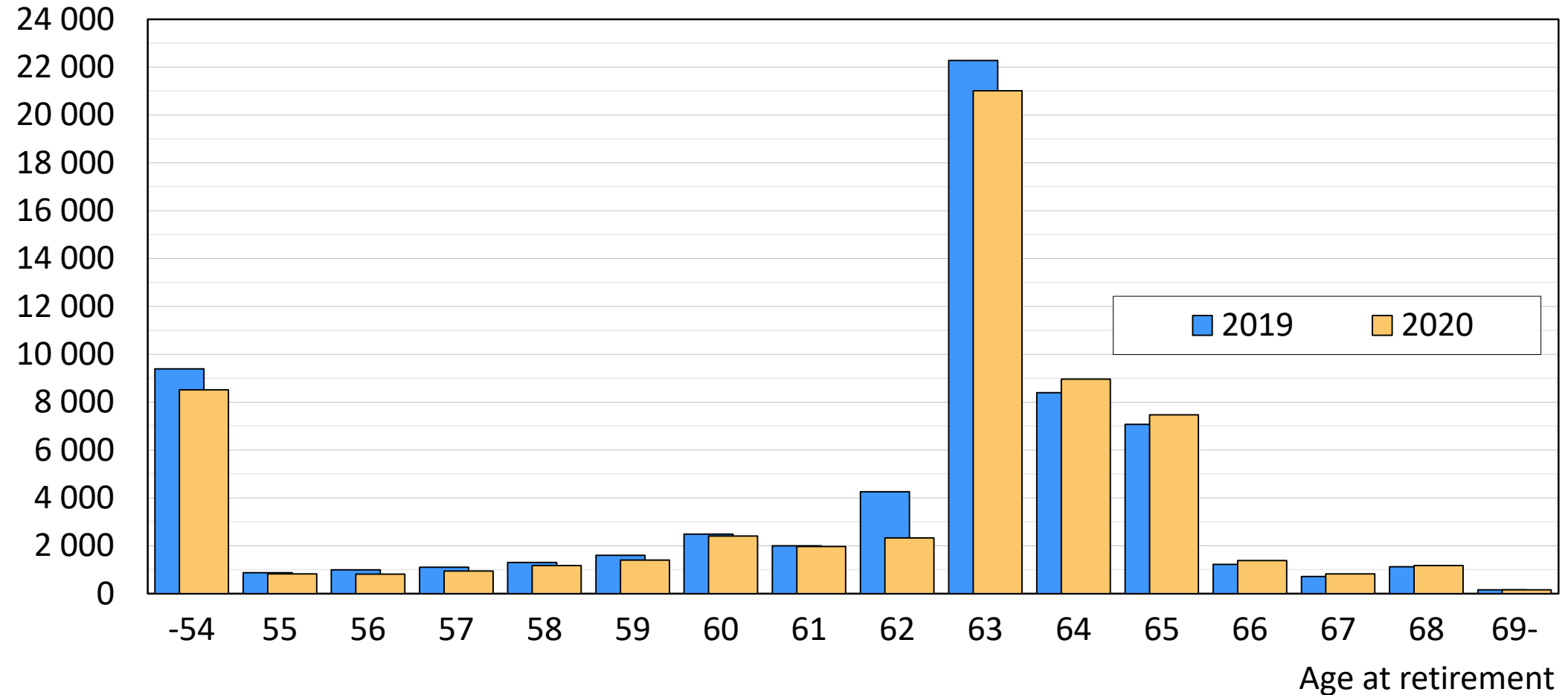
64,940 persons retired on an earnings-related pension in 2019

* The number of new retirees does not include people who retired on a part-time pension or a partial old-age pension.



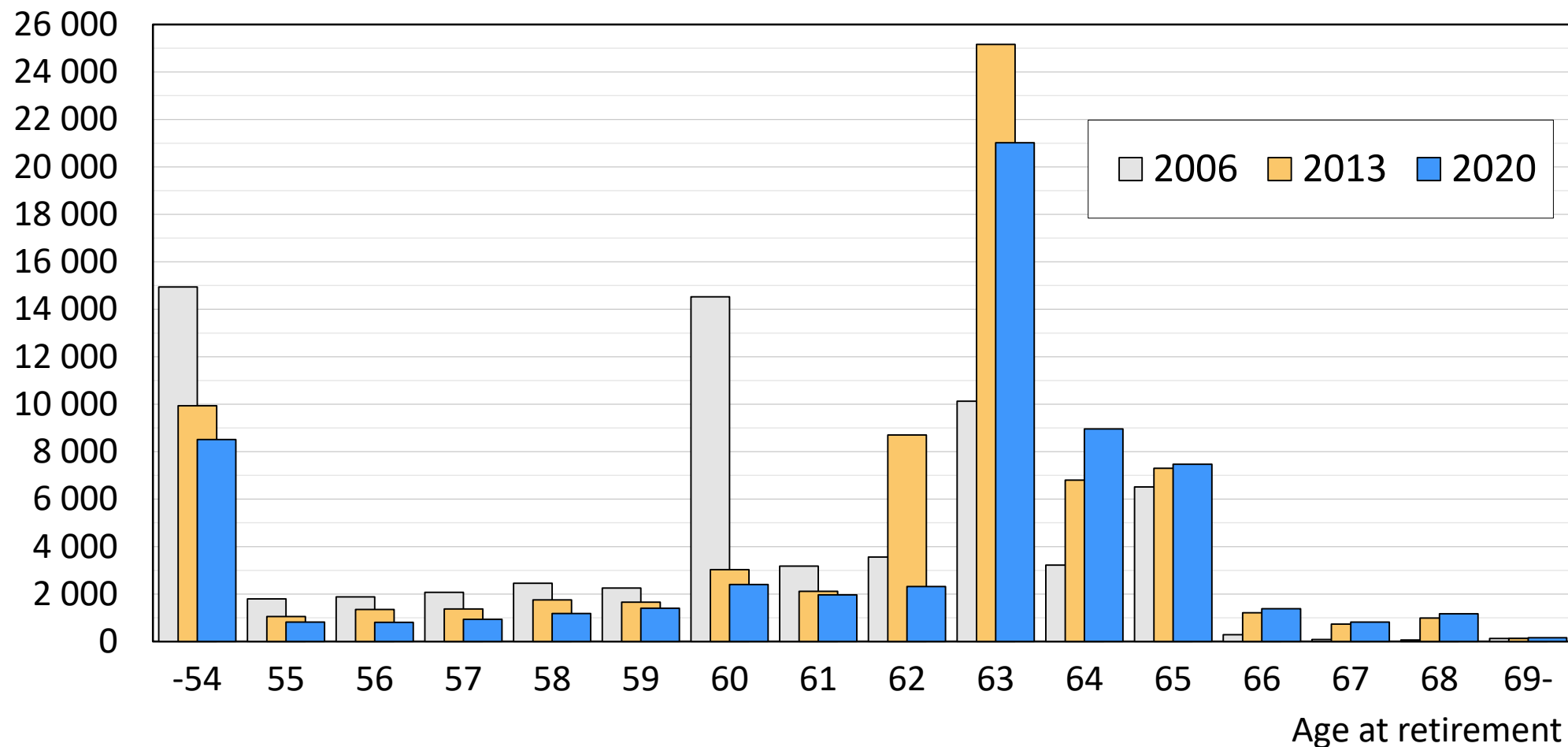
New retirees on an earnings-related pension, by age

Persons

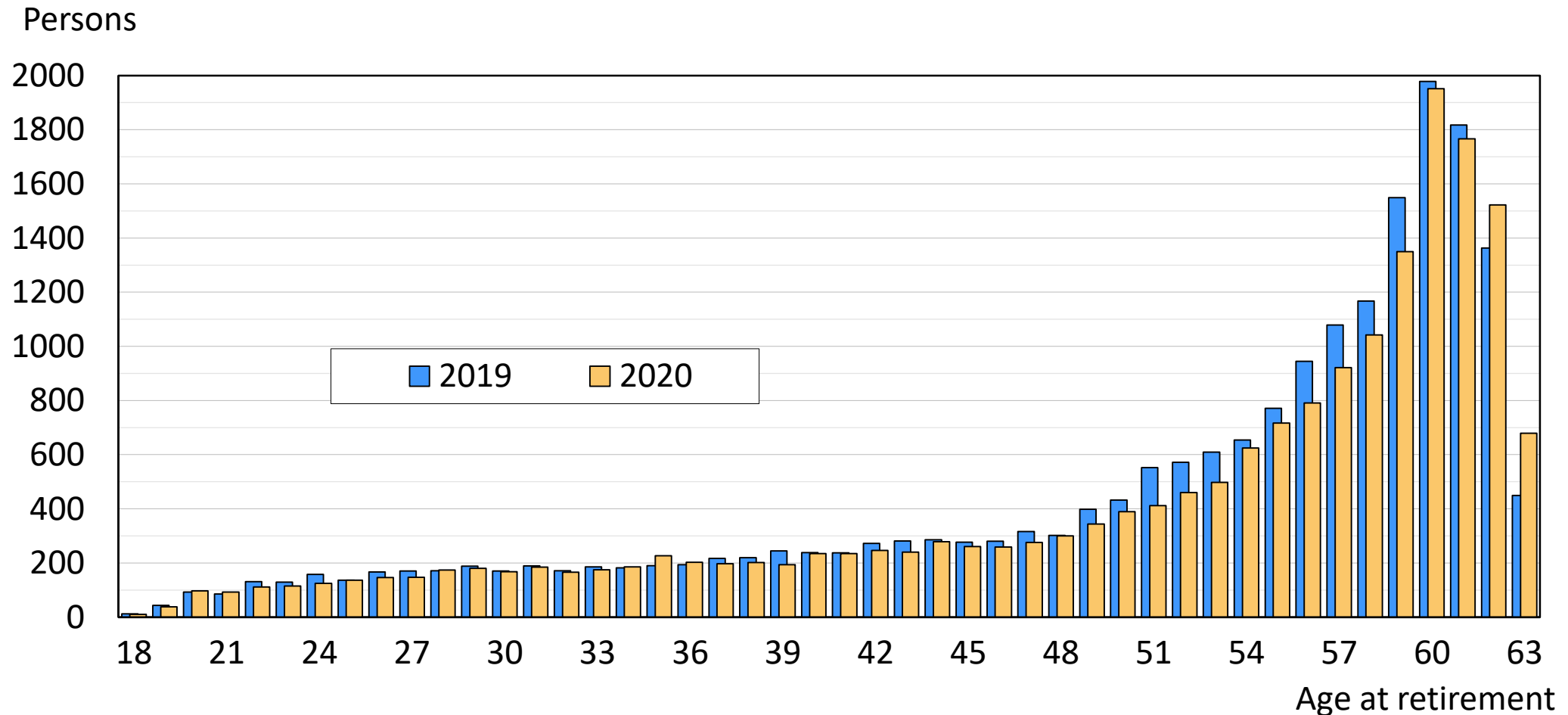


New retirees on an earnings-related pension, by age

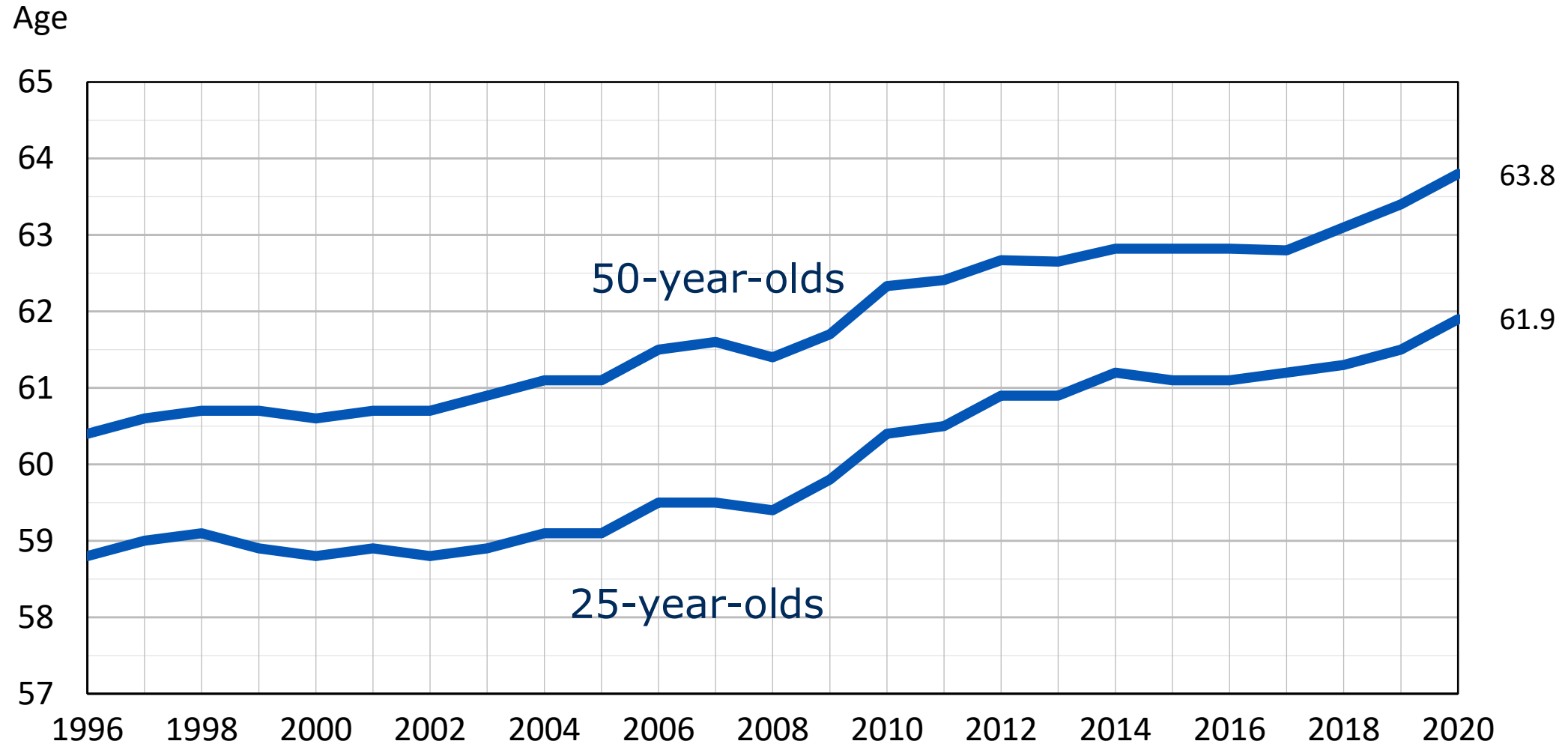
Persons



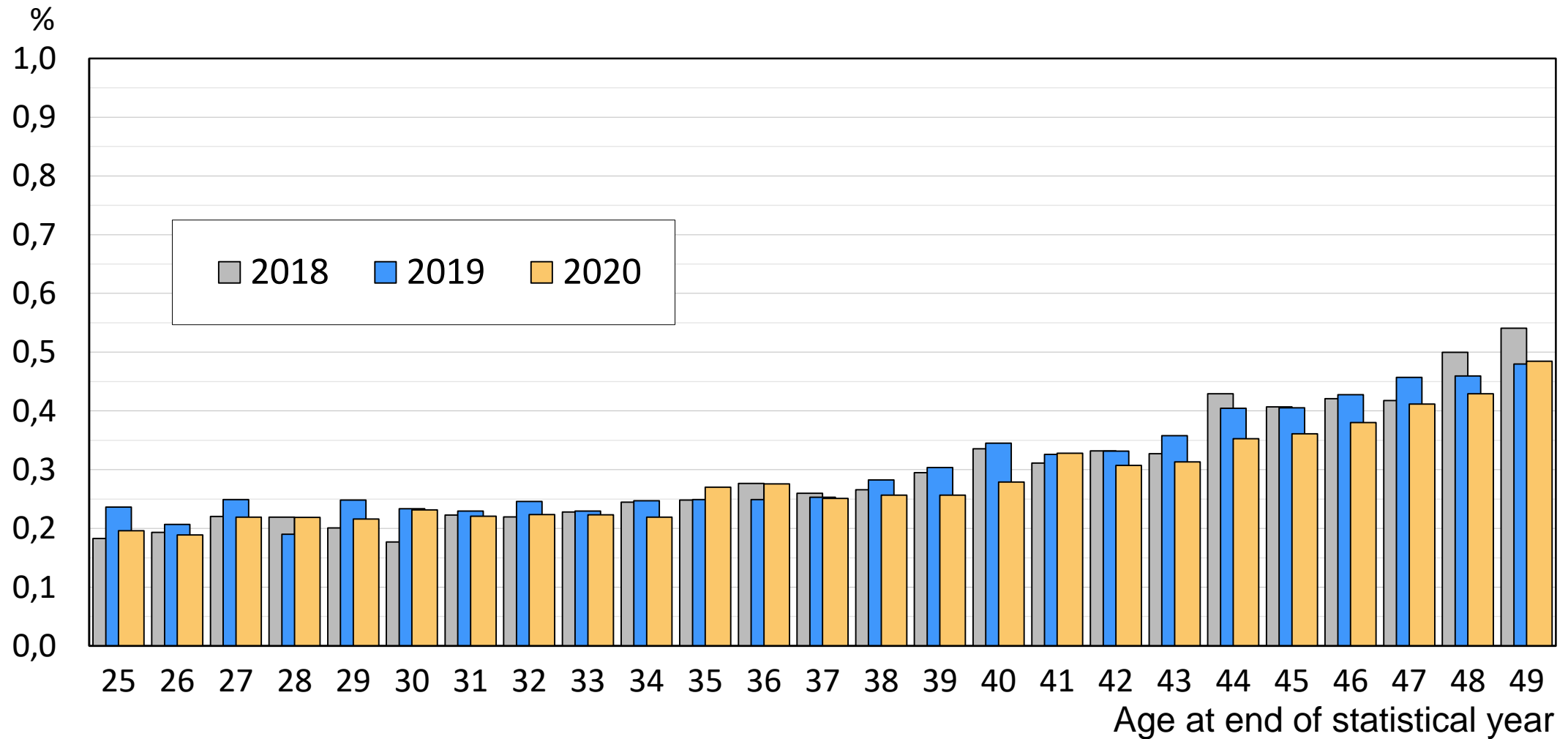
New retirees on an earnings-related disability pension in 2019 and 2020



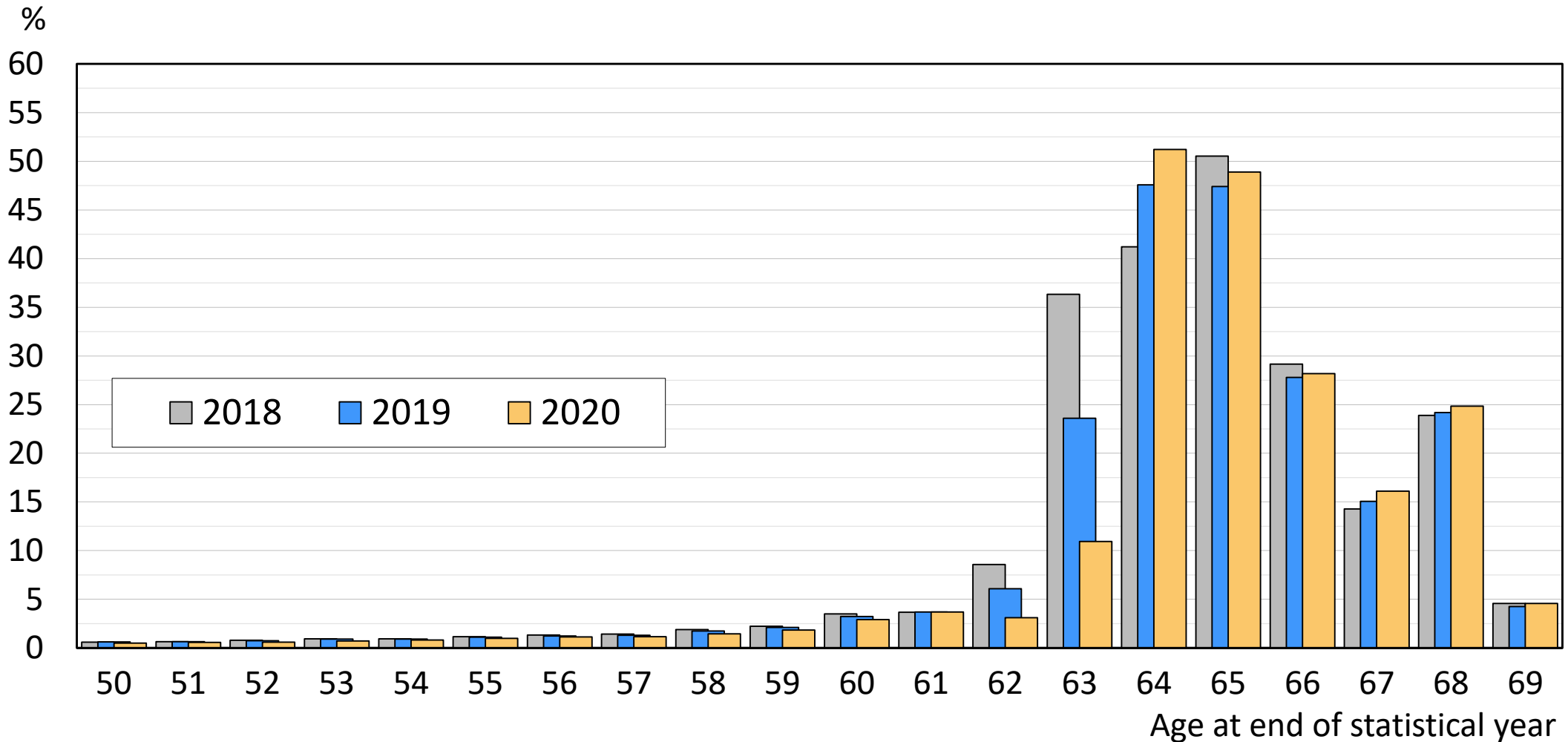
Expected effective retirement age, all new retirees on an earnings-related pension



New retirees on an earnings-related pension as a proportion of all insured persons, 25–49-year-olds



New retirees on an earnings-related pension as a proportion of all insured persons, 50–69-year-olds



Rising Retirement Age and Changes to Retirement

(1/2)

- In 2020, a total of 61,300 persons retired on an earnings-related pension
 - Down by 3,600 (5.6%) from 2019
 - Down by more than 14,000 persons from level before the 2017 pension reform
- 42,100 new retirees on an old-age pension
 - Down by 2,400 (5%) from 2019
 - Oldest of the 1957 cohort reached their old-age retirement age (63 years and 9 months)



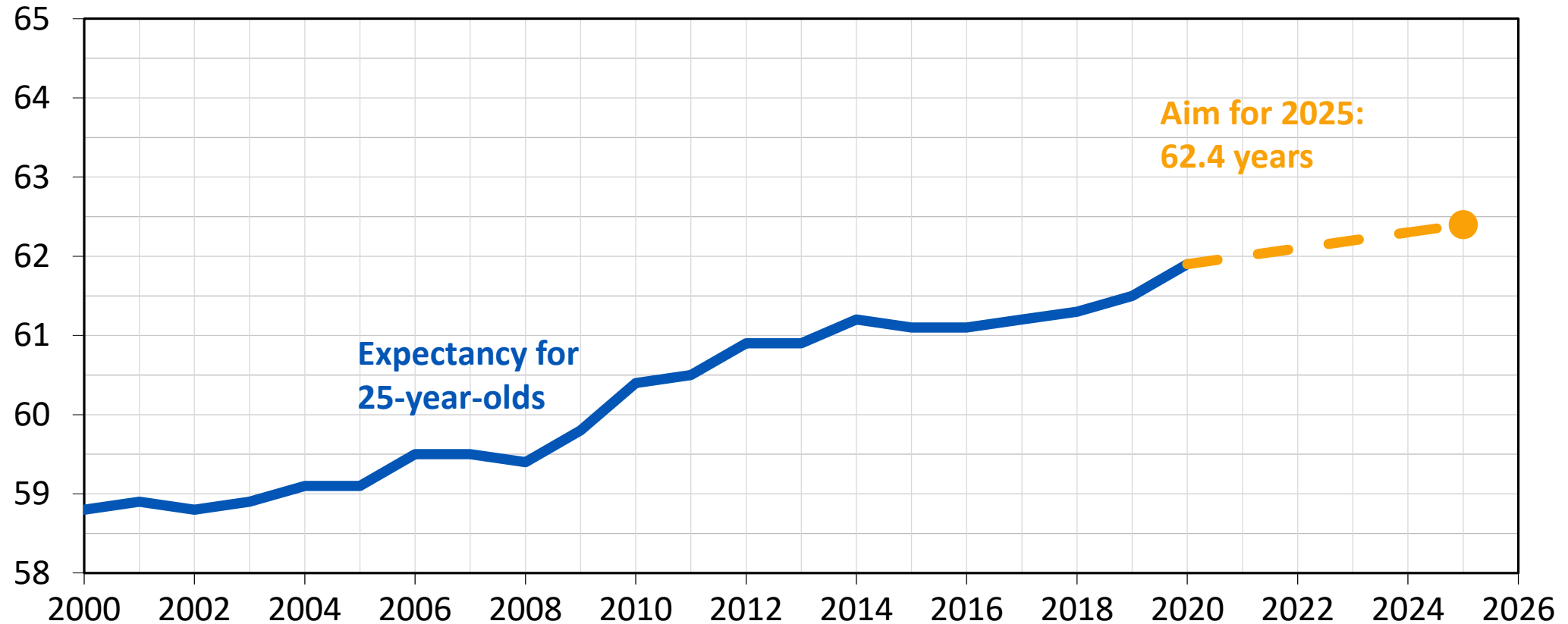
Rising Retirement Age and Changes to Retirement (2/2)

- In 2020, a total of 19,100 persons retired on a disability pension
 - Down by 1,200 (6%) from 2019
 - 30% began as partial disability pensions
- Pension contingency reduced in particular among the 63-year-olds
- Partial old-age pension taken out by 13,000 persons in 2020 (up by 700 from 2019)



Expected effective retirement age: Aim and realisation

Expectancy



Reaching the goal requires that the effective retirement age rises steadily by 0.1 years per year.



Outlook

(1/2)

- The 2005 pension reform clearly increased the effective retirement age
- The 2017 pension reform further raises the effective retirement age
 - In recent years, raising the old-age retirement age has deferred retirement and reduced the number of new retirees on an old-age pension.
 - The number of new retirees declined also in 2020.
 - The total number of new retirees has declined significantly.



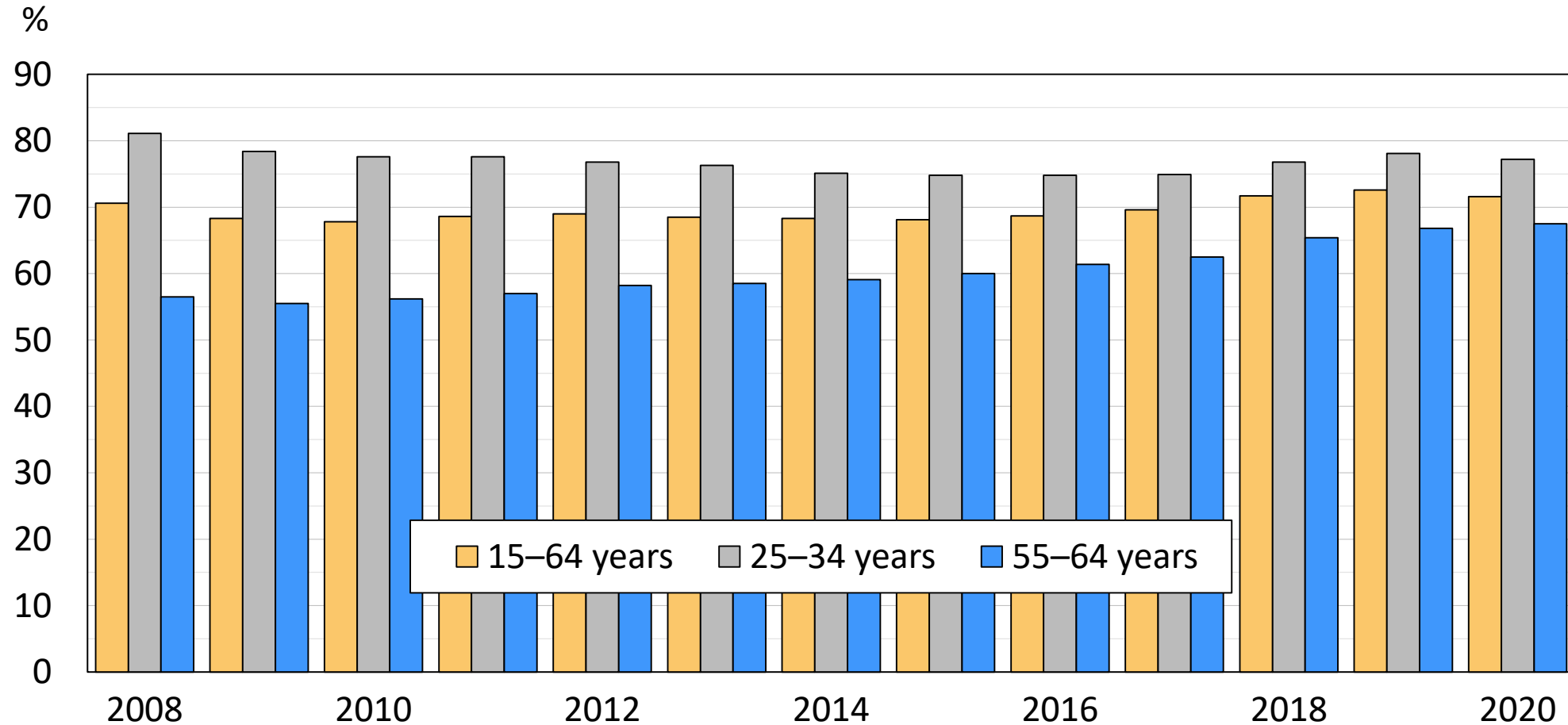
Outlook

(1/2)

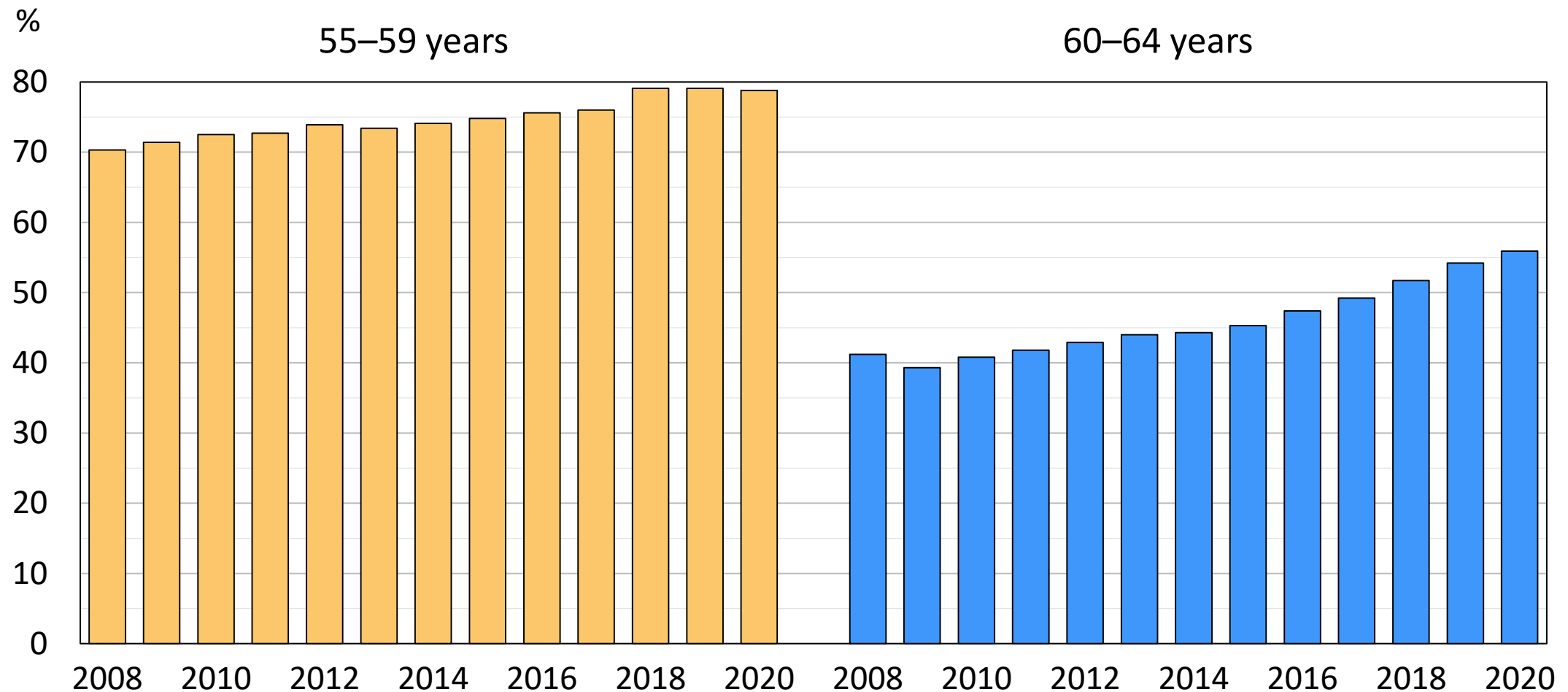
- Future trends will depend on changes in behaviour
 - Intended retirement ages have risen.
 - Retirement decisions influenced by multiple factors
- Future trends will depend on economic outlook and changes in working life
- In 2021, the number of new retirees is expected to be on the 2020 level



Employment rates for the working-age population (15–64 years), younger people (25-34 years) and older people (55-64 years)



Employment rates for persons aged 55–64



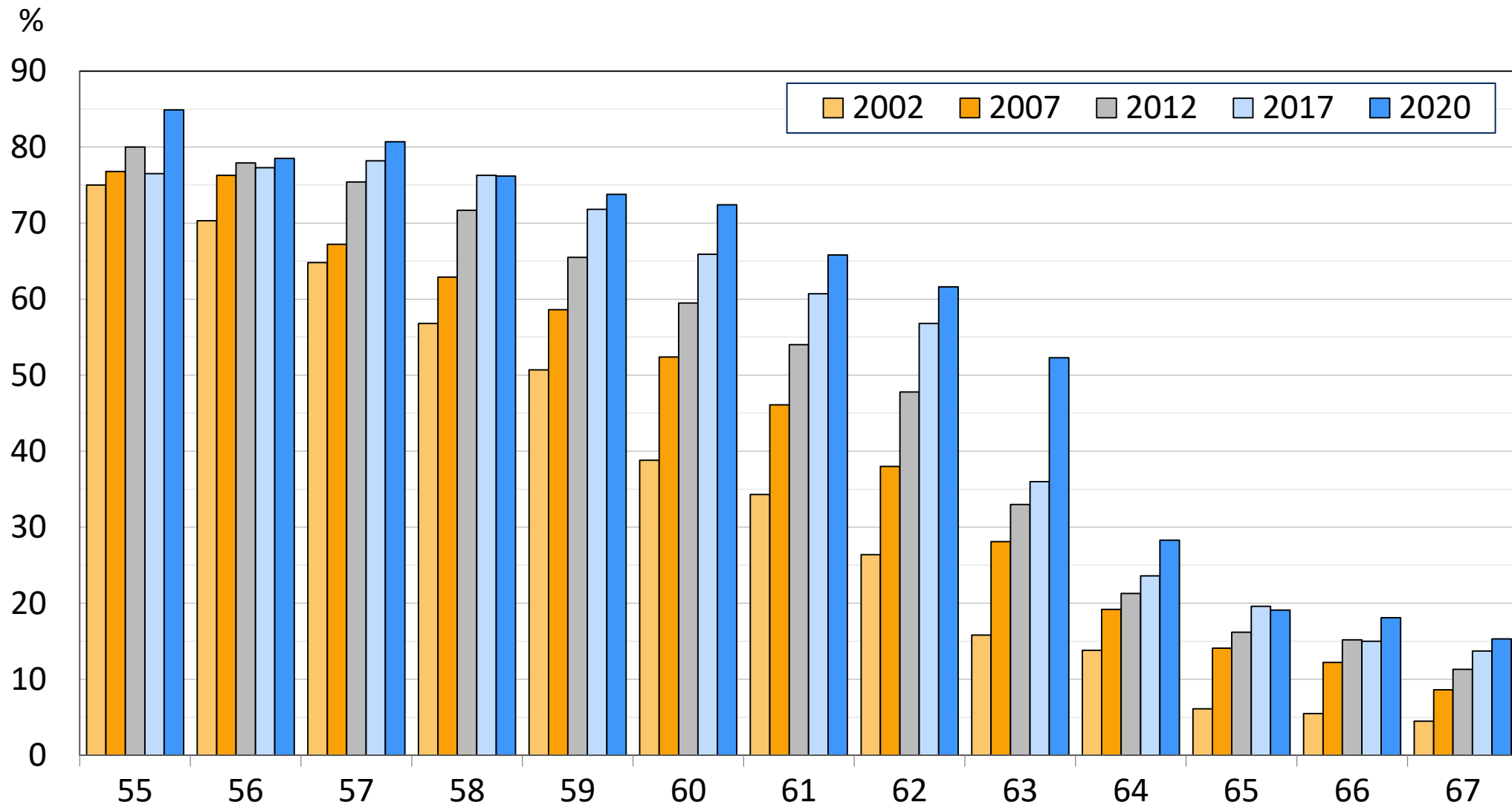
Employment rates in 2020: 55–59-year-olds 78.8% and 60–64-year-olds 55.9%

Employment rates in 2019: 55–59-year-olds 79.1% and 60–64-year-olds 54.2%

Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



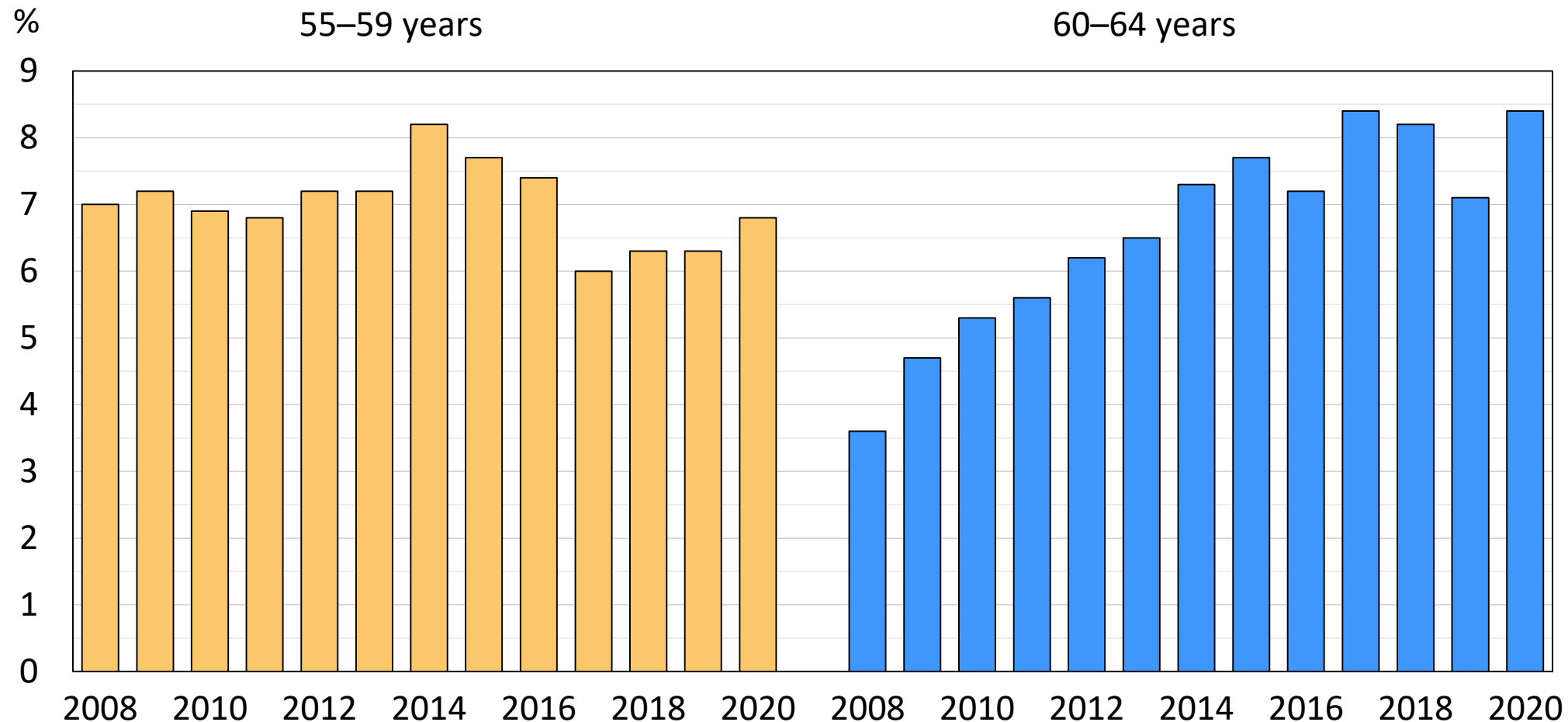
Employment rates for persons aged 55–67



Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



Unemployment rates for persons aged 55–64



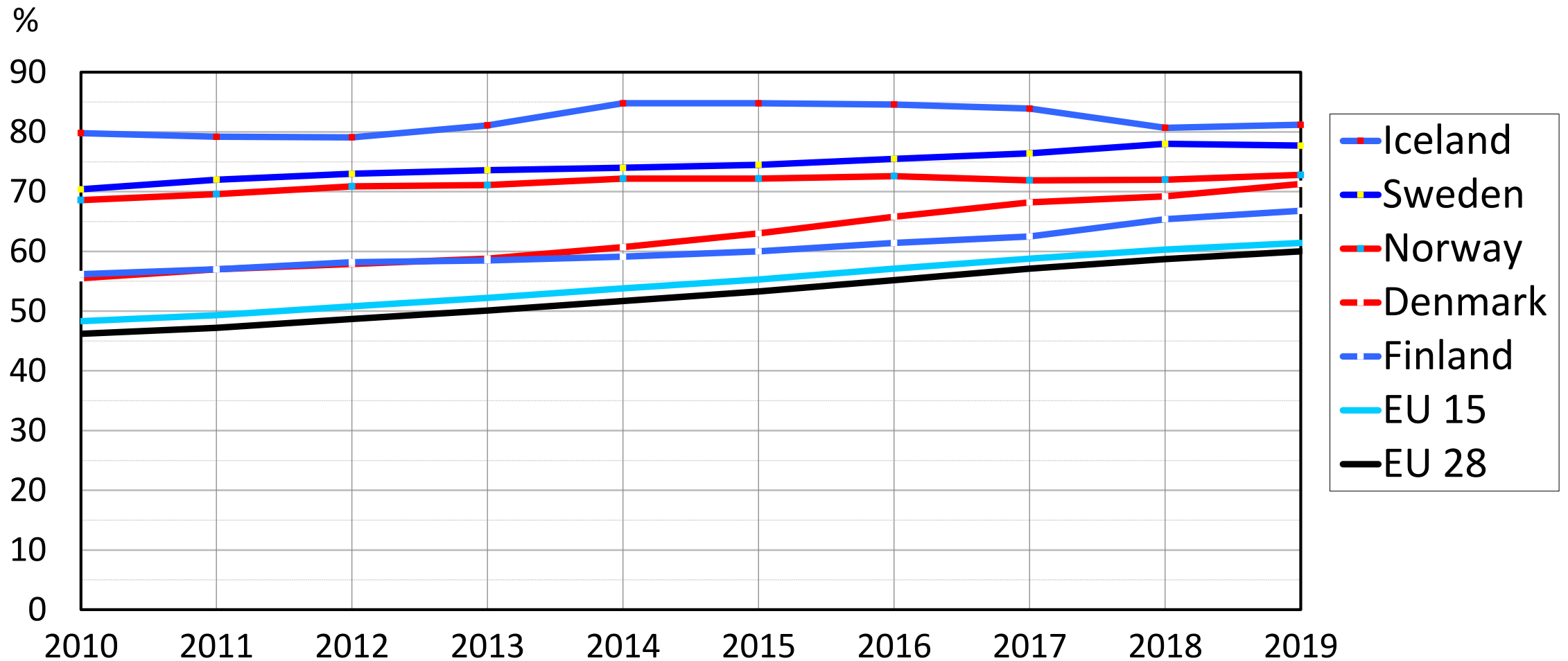
Unemployment rates in 2020: 55–59-year-olds 6.8% and 60–64-year-olds 8.4%

Unemployment rates in 2019: 55–59-year-olds 6.3% and 60–64-year-olds 7.1%

Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



Average employment rates of 55–64-year-olds in Nordic and EU countries in 2010–2019



Source: Eurostat, Employment, Labour force survey



Strong employment trends among older people (55–64-year-olds)

(1/2)

- Employment rate declined in 2020
 - Employment rate of working-age population in 2020 was 71.6% (down by 1.0 percentage points from 2019)
 - older people's employment has developed favourably in the 2000s
 - employment rate in age group 55–59 was 78.8%, down by 0.3 percentage points from 2019 (when it reached a statistical record-high)
 - employment rate in age group 60–64 continued to rise in 2020 and reached a statistical record-high level of 55.9% (up by 1.7 percentage points since 2019)



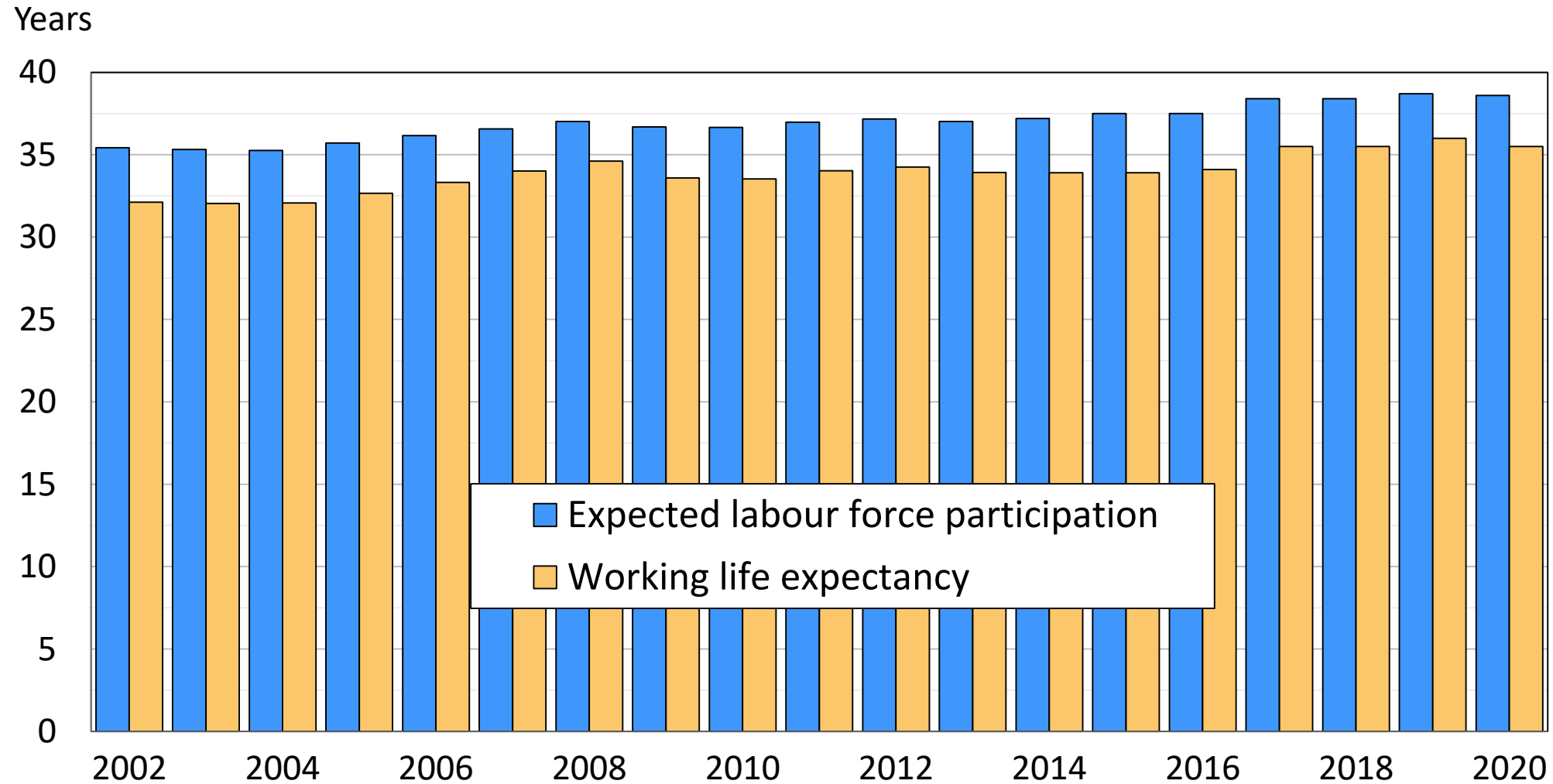
Strong employment trends among older people (55–64-year-olds)

(2/2)

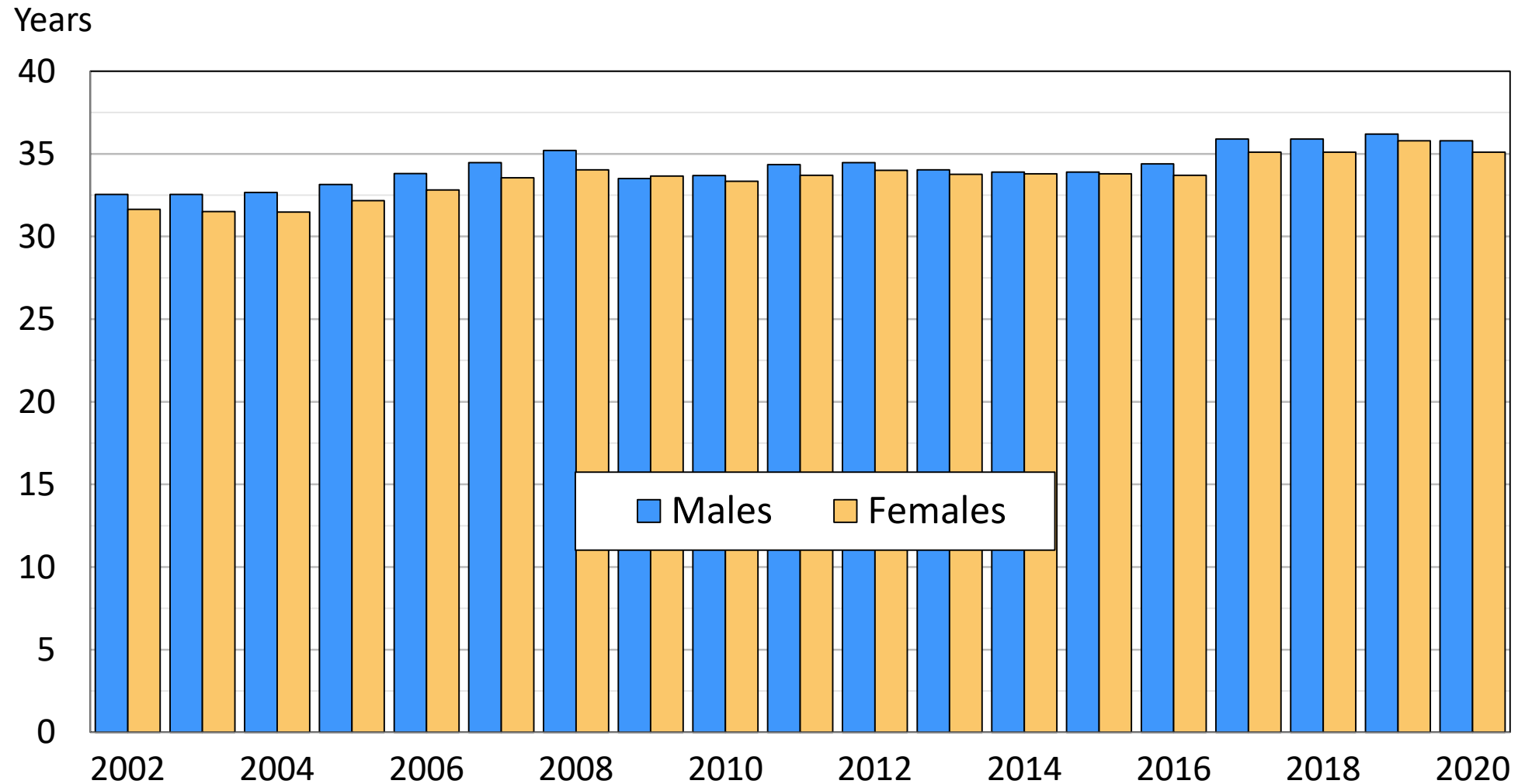
- Employment rates for older people in Finland lower than in other Nordic countries in 2019
 - Of the Nordic countries, Denmark is closest to Finland (Denmark 4.5 percentage points ahead)
 - EU15 countries lagging behind Finland by 5.4 percentage points
- Employment rates may change quickly as a result of the corona pandemic



Expected length of working life for a 15-year-old



Working life expectancy for a 15-year-old



Length of working life in 2020

- Expected labour force participation in 2020 was 38.6 years
 - decline of 0.1 years from 2019
 - increase of 3.6 years in the 2000s
 - increase for men 3.3 years in the 2000s
 - increase for women 3.8 years in the 2000s
- Working life expectancy in 2020 was 35.5 years
 - decline of 0.5 years from 2019
 - increase of 4.0 years in the 2000s
 - 35.8 years for men (up by 3.4 years in 2000s)
 - 35.1 years for women (up by 4.5 years in 2000s)

