

Effective retirement age in the earnings-related pension system in 2021

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Effective Retirement Age



Finnish Centre for Pensions
ELÄKETURVAKESKUS

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
 - 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
 - based on a method that uses cross-sectional data on mortality risk rates, labour force participation rates and employment rates

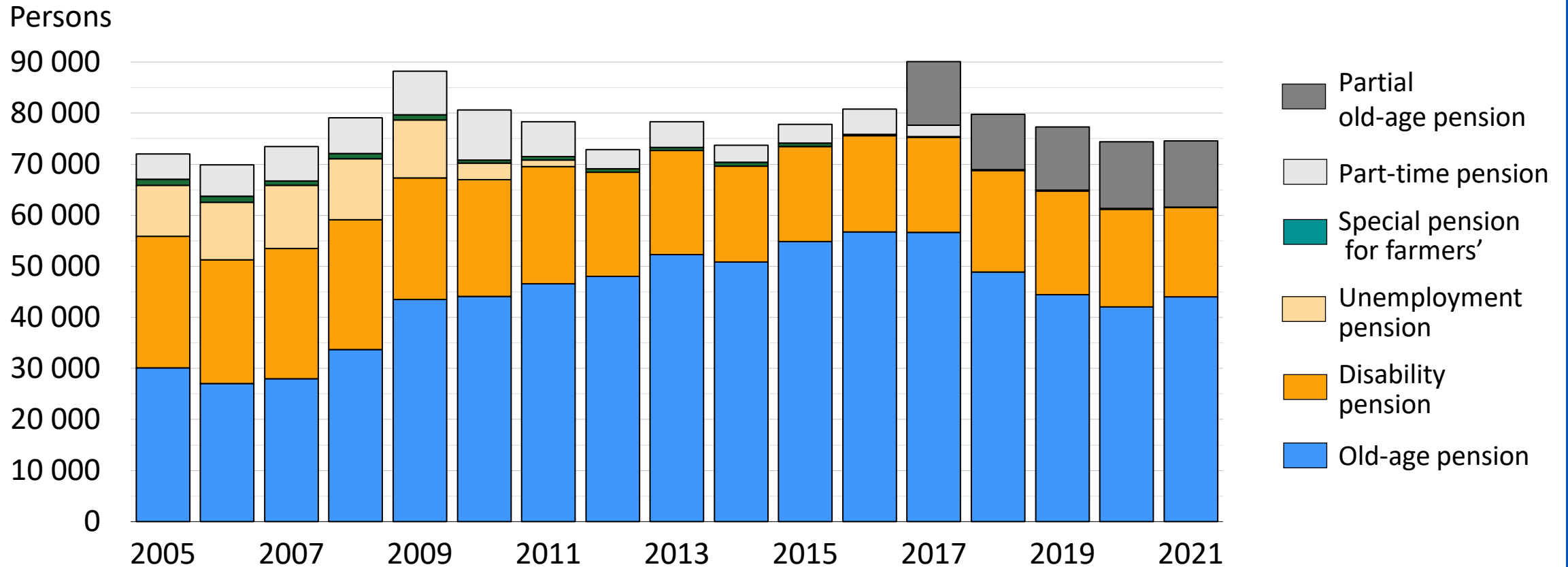


Effective retirement age in 2021

- Expected effective retirement age
 - 62.4 years (for 25-year-olds)
 - 64.0 years (for 50-year-olds)
- Clear rise in effective retirement age
 - 25-year-old's expected effective retirement age was up by 0.5 years from 2020,
 - 50-year-old's expected effective retirement age was up by 0.2 years.
- New retirees numbered 61,500 - around the same number as in 2020, but considerably below the level before the 2017 pension reform
 - those born between 1 April and 31 December 1957 reached their retirement age (63 years and 9 months)



New retirees on an earnings-related pension 2005–2021, by pension benefit



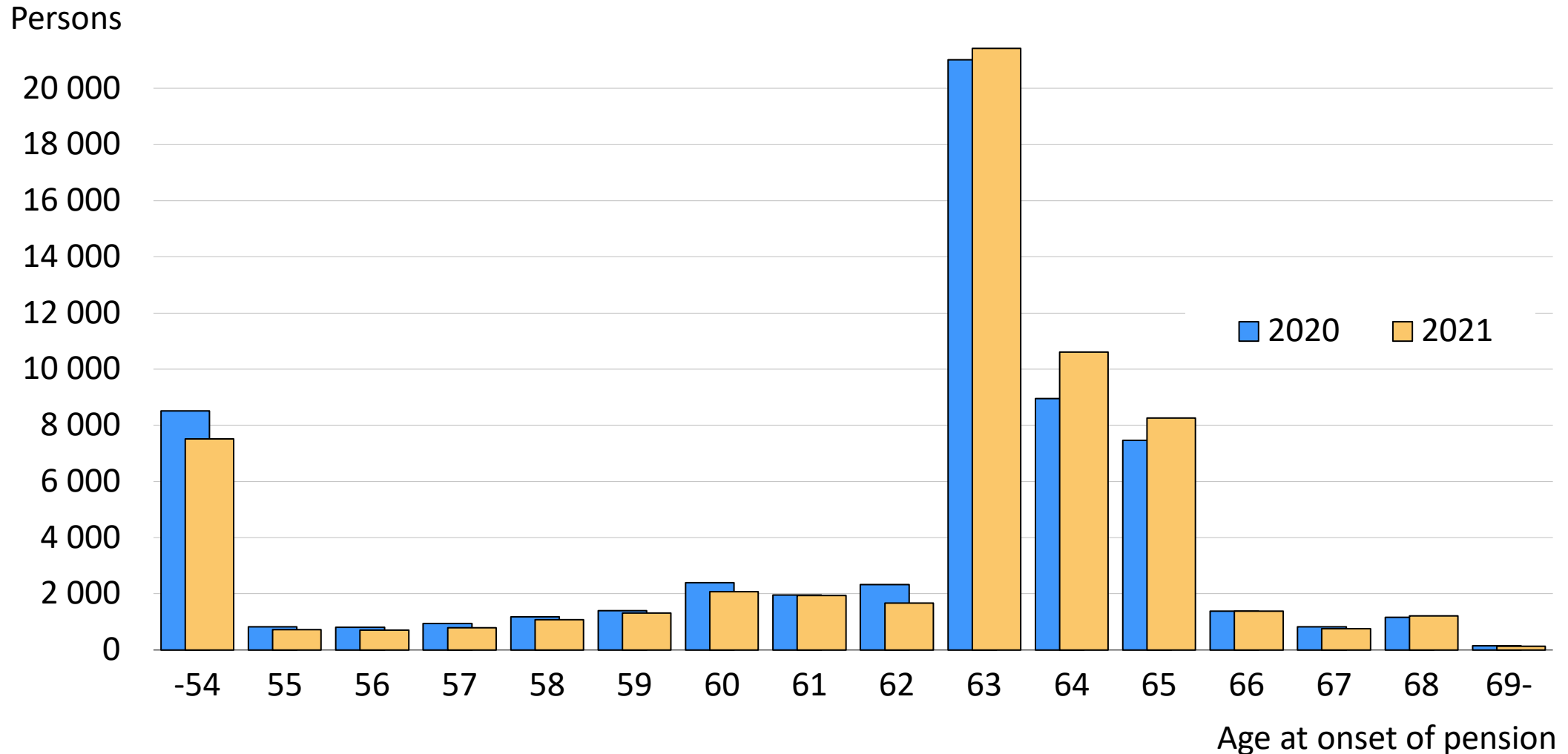
61,540 persons retired on an earnings-related pension in 2021 (excl. the partial old-age pension)

61,312 persons retired on an earnings-related pension in 2020 (excl. the partial old-age pension)

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

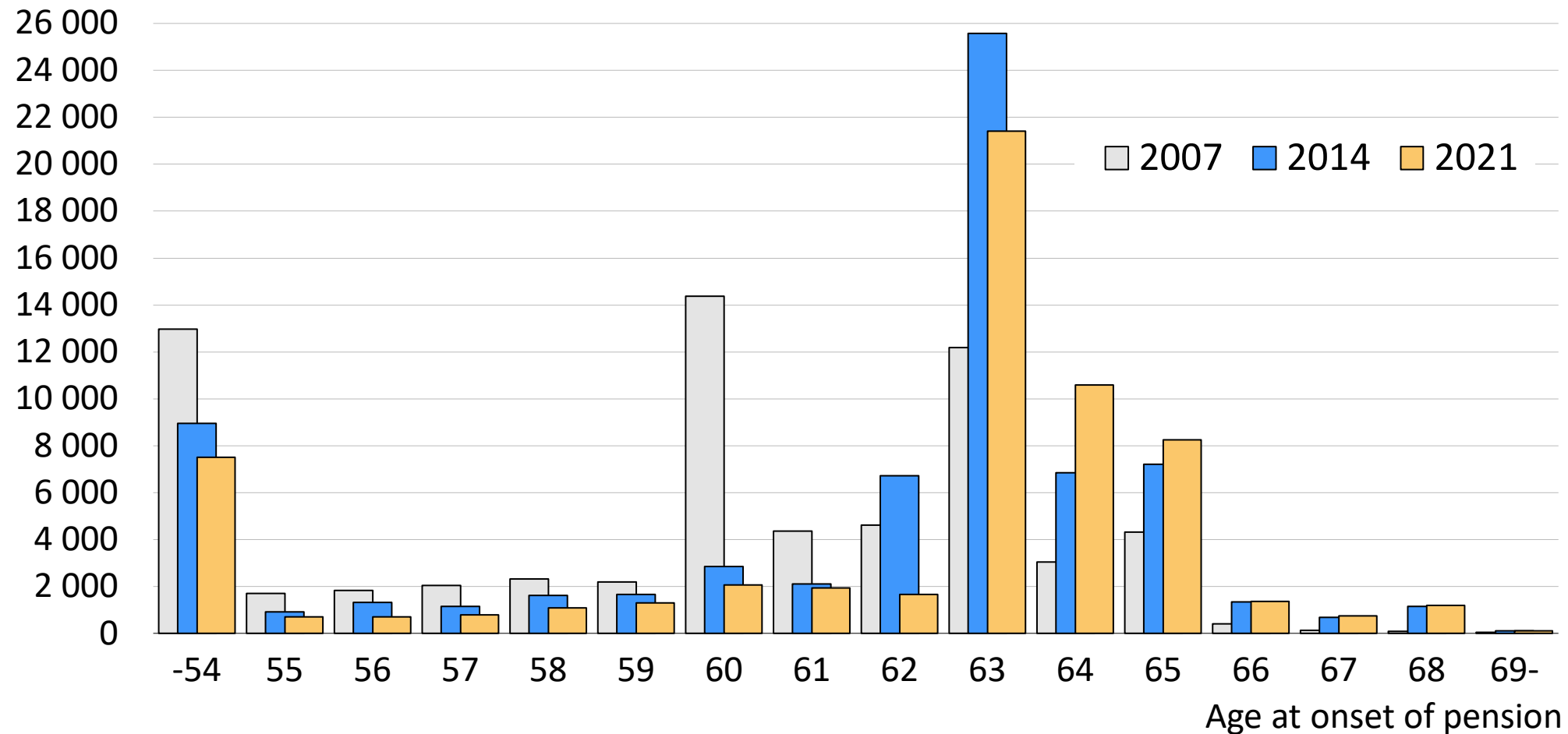


New retirees on an earnings-related pension, by age

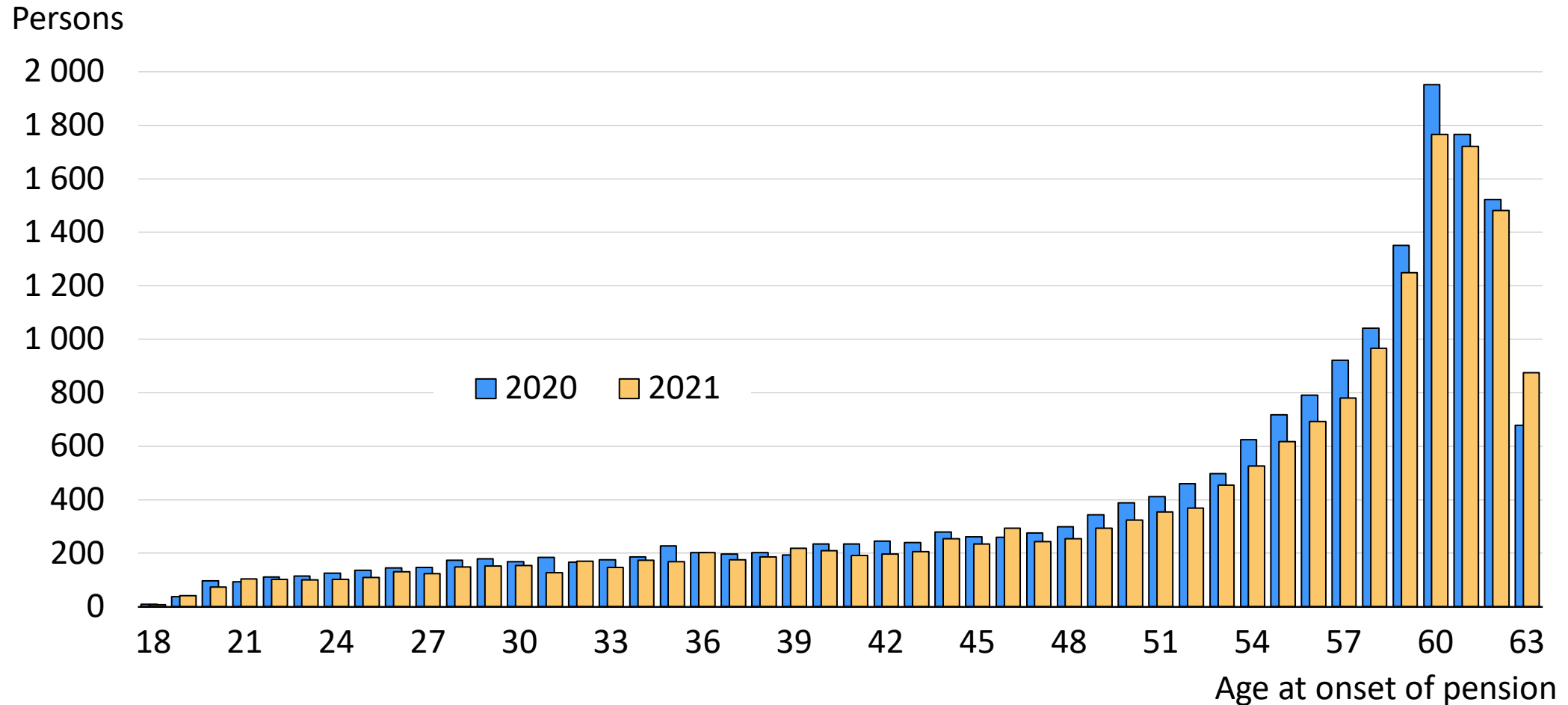


New retirees on an earnings-related pension, by age

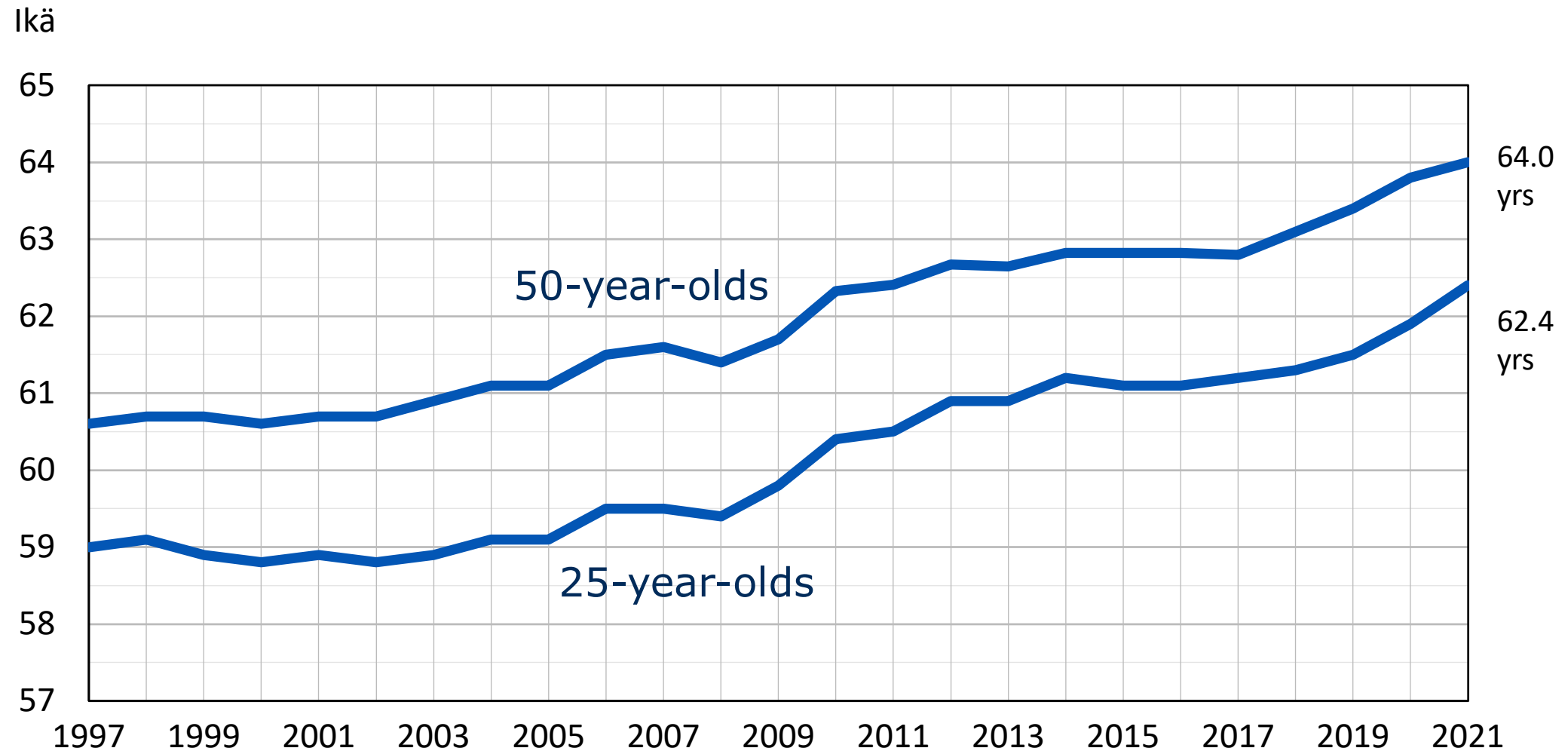
Persons



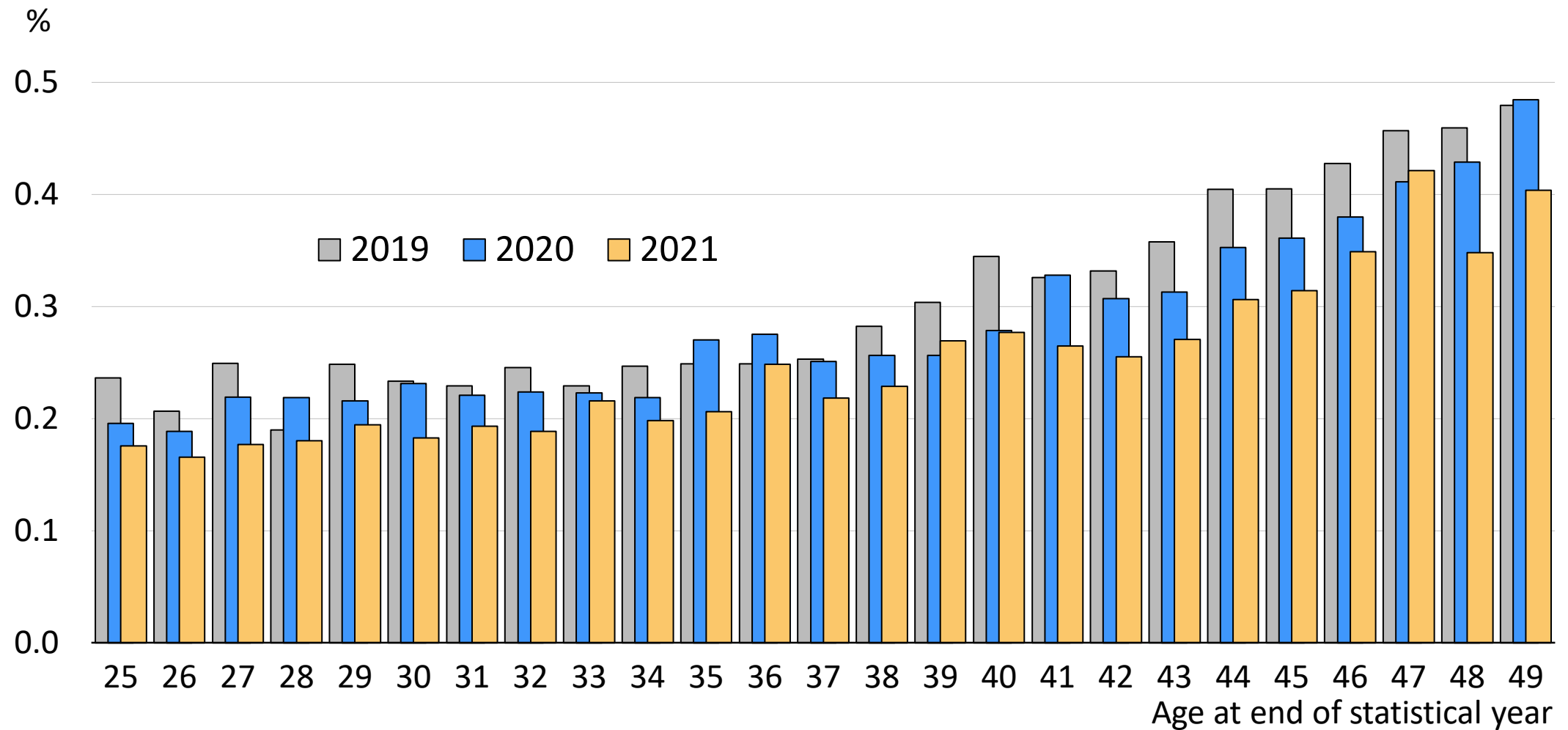
New retirees on an earnings-related disability pension in 2020 and 2021



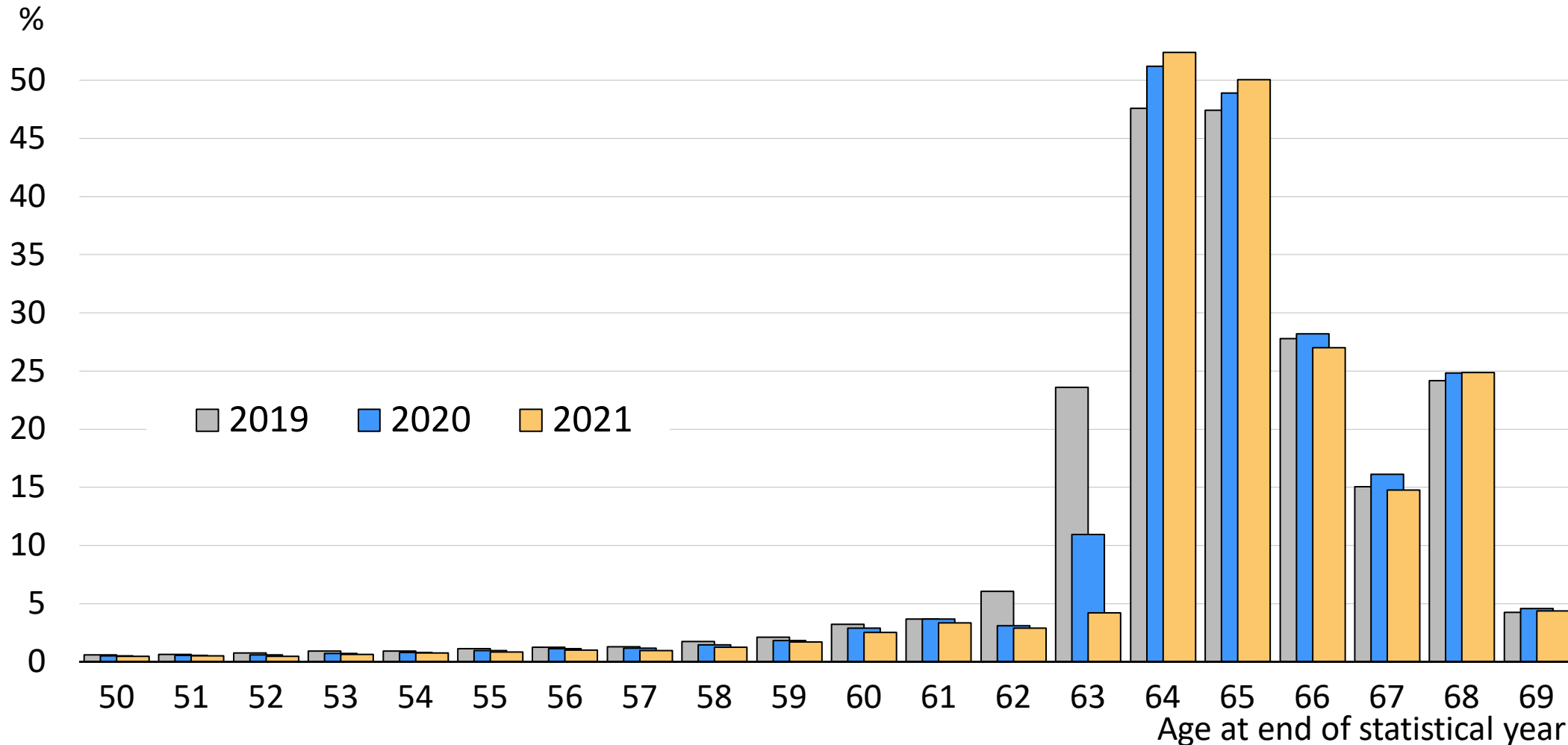
Expected effective retirement age



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



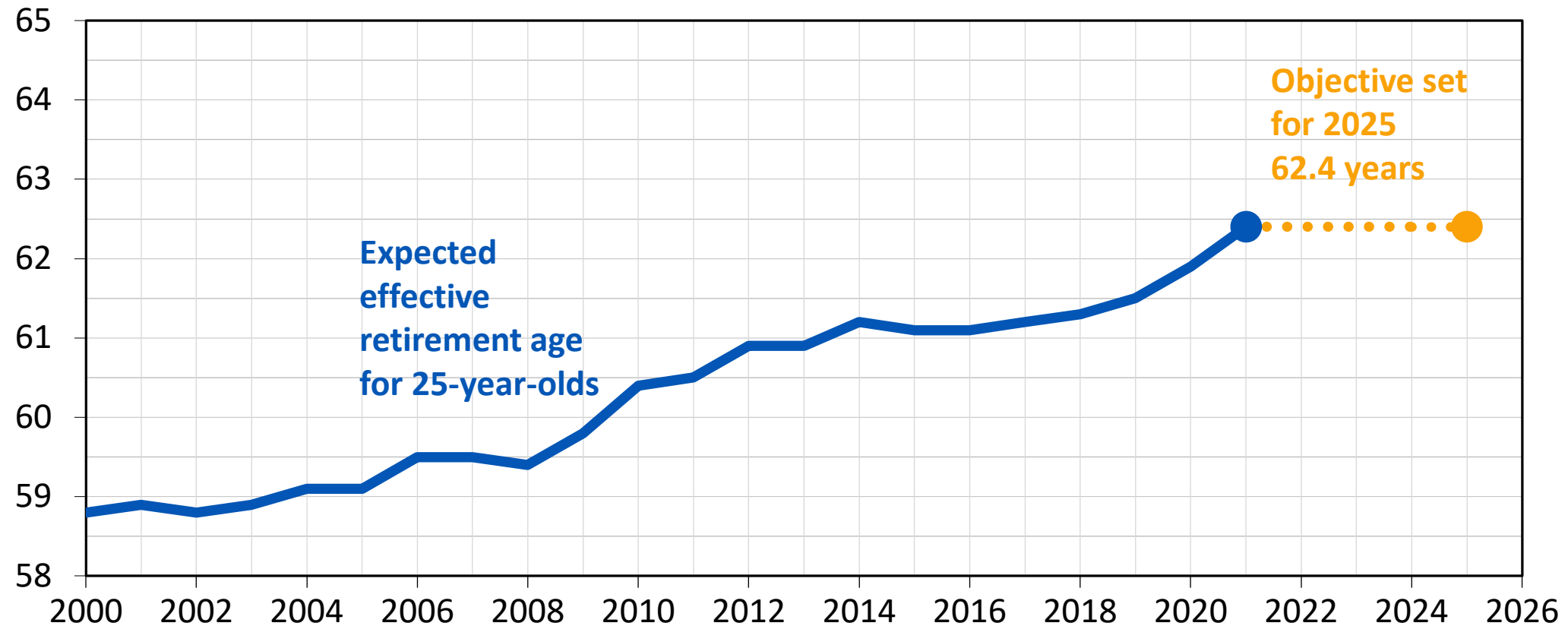
Rising retirement age and changes to retirement

- In 2021, a total of 61,500 persons retired on an earnings-related pension
 - up by 200 from 2020
 - down by more than 14,000 persons compared to pre-reform level
 - down by 3,400 persons from the level before the corona pandemic (2019)
 - pension contingency down in particular among the 63-year-olds and younger
- 44,000 new retirees on an old-age pension
 - up by 1,900 (4.6%) from 2020
 - eligibility age for an old-age pension (63 years and 9 months) reached by those born between 1 April and 31 December 1957
- 17,500 new retirees on an earnings-related disability pension
 - down by 1,600 (8.4% from 2020 and 13.8% from 2019)
 - 30% of the pensions started as partial pensions
- In 2021, around 13,000 persons chose to take out a partial old-age pension
 - same as in 2020



Expected effective retirement age: objective and realisation

Expected



The objective set in 2009 was reached in 2021.

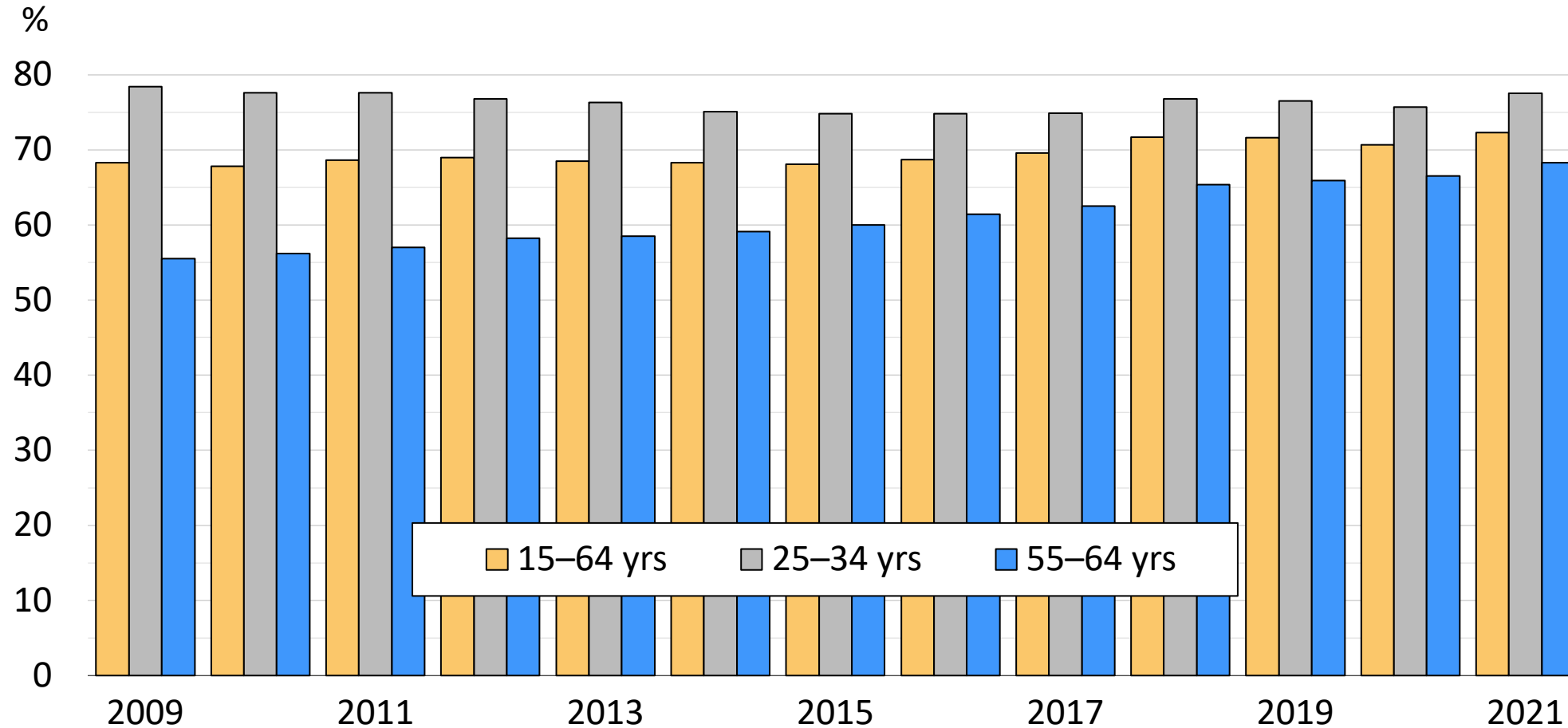


Outlook

- The 2005 and 2017 pension reforms have increased the effective retirement age
 - in recent years, raising the retirement age has deferred retirement and reduced the number of new retirees on an old-age pension
 - the number of new disability pension retirees has declined
 - the total number of new retirees has declined significantly
- Future trends will depend on changes in behaviour
 - intended retirement age has risen
 - retirement decisions influenced by multiple factors
- Future trends will depend on economic outlook and changes in working life
- The exceptional times have probably reduced the number of new retirees.
 - ⇒ The number of new retirees may go up considerably in 2022. It would be no surprise if the numbers of new retirees on old-age pension and disability pension increased clearly from 2021.



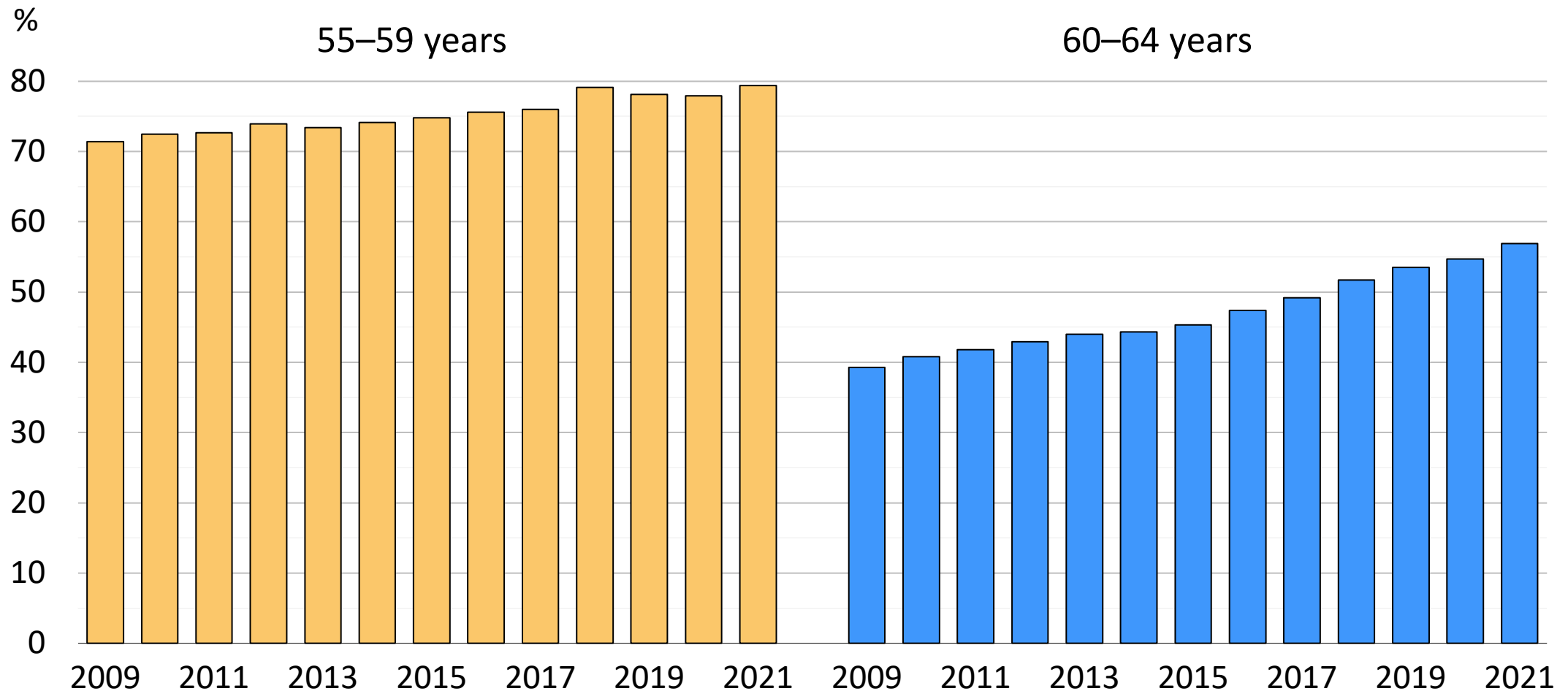
Employment rates for the working-age population (15–64 years), younger people (25–34 years) and older people (55–64 years)



Source: Official Statistics of Finland (OSF): Labour force survey, ISSN=1798-7830. Helsinki, Statistics Finland



Employment rate for persons aged 55–64



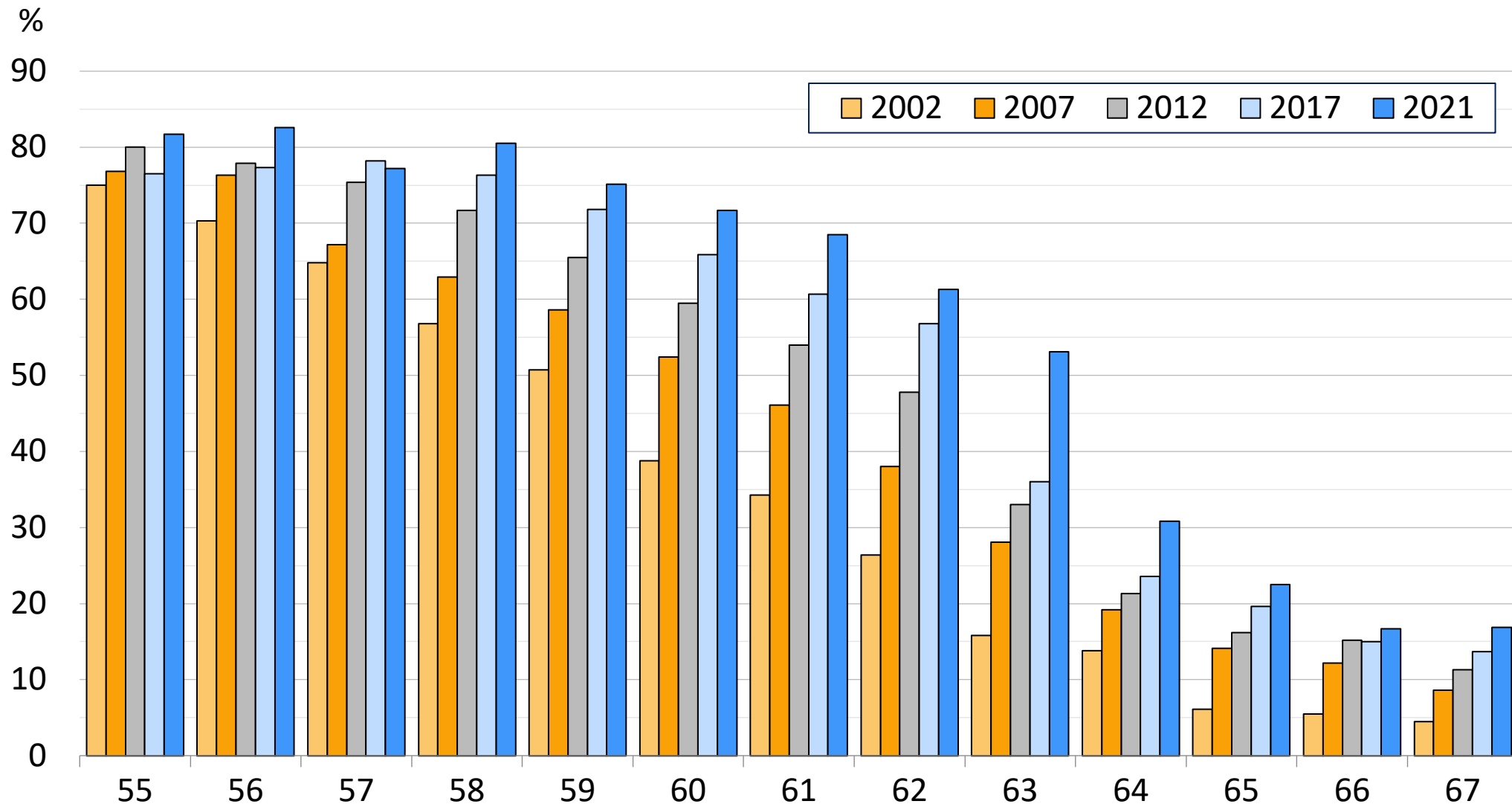
Employment rates in 2021: 55–59-year-olds 79.4% and 60–64-year-olds 56.9%

Employment rates in 2020: 55–59-year-olds 77.9% and 60–64-year-olds 54.7%

Source: Official Statistics of Finland (OSF): Labour force survey, ISSN=1798-7830. Helsinki, Statistics Finland



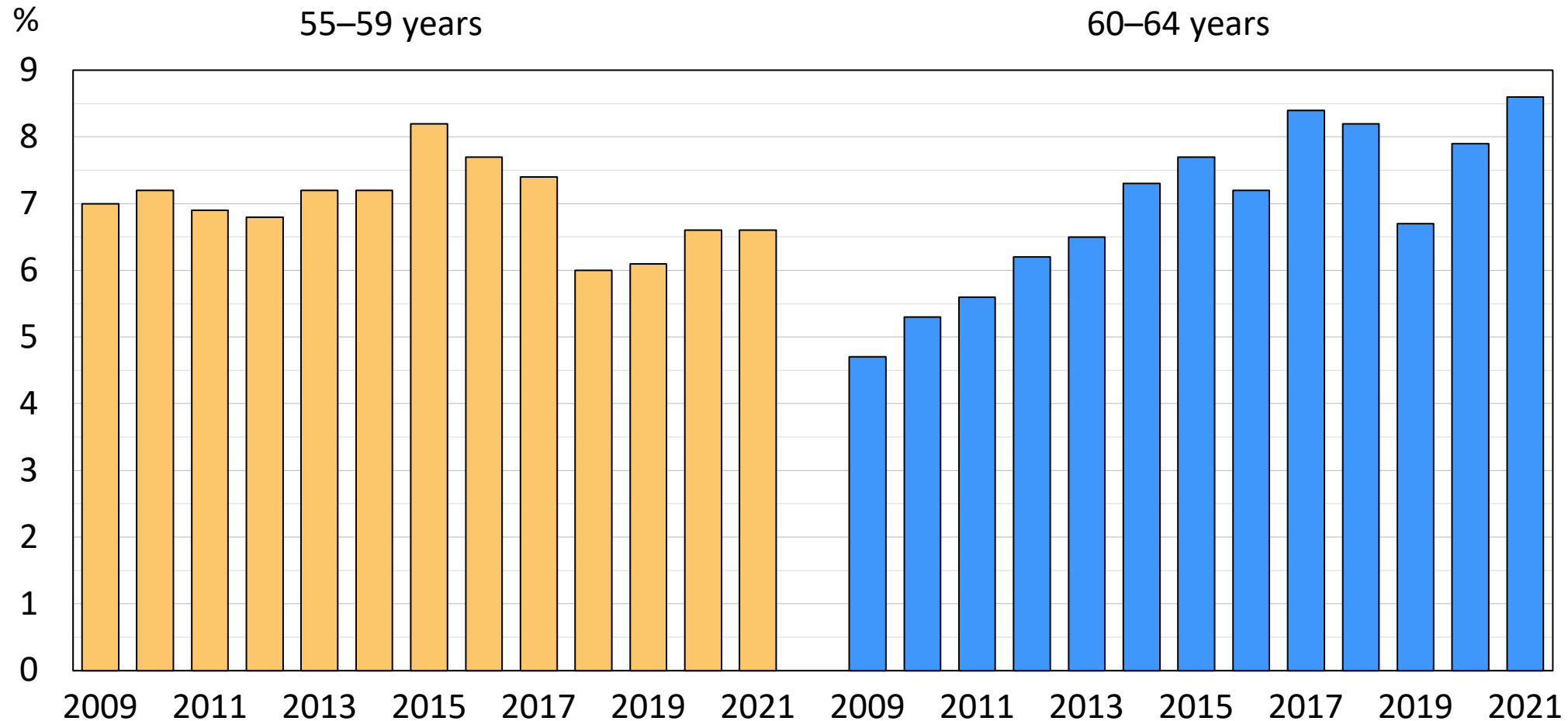
Employment rates for persons aged 55–67



Source: Official Statistics of Finland (OSF): Labour force survey, ISSN=1798-7830. Helsinki, Statistics Finland



Unemployment rates for persons aged 55–64



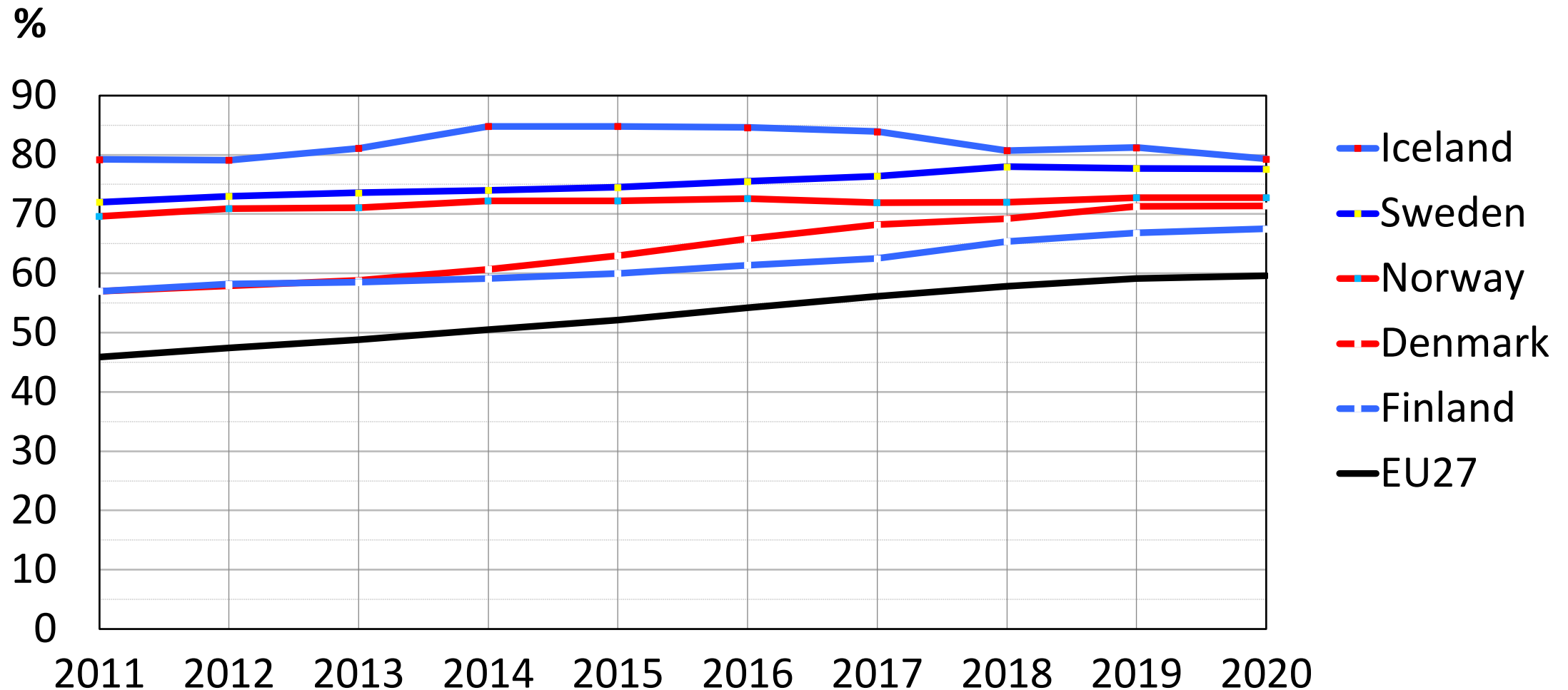
Employment rates in 2021: 55–59-year-olds 6.6% and 60–64-year-olds 8.6%

Employment rates in 2020: 55–59-year-olds 6.6% and 60–64-year-olds 7.9%

Source: Official Statistics of Finland (OSF): Labour force survey, ISSN=1798-7830. Helsinki, Statistics Finland



Average employment rates of 55–64-year-olds in Nordic and EU countries in 2011-2020



Source: Eurostat, Employment, Labour Force Surveys

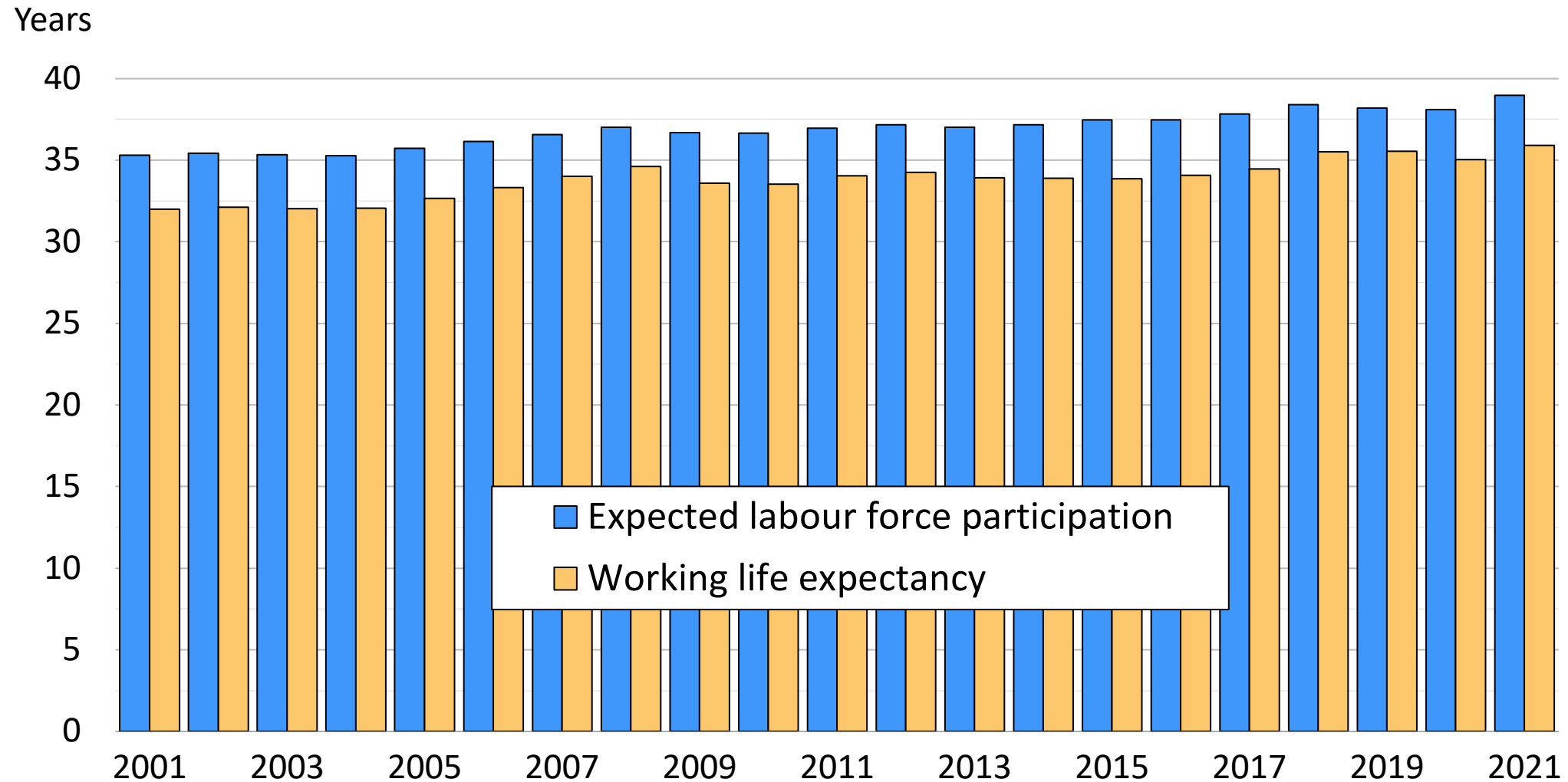


Strong employment trends among older people (55–64-year-olds)

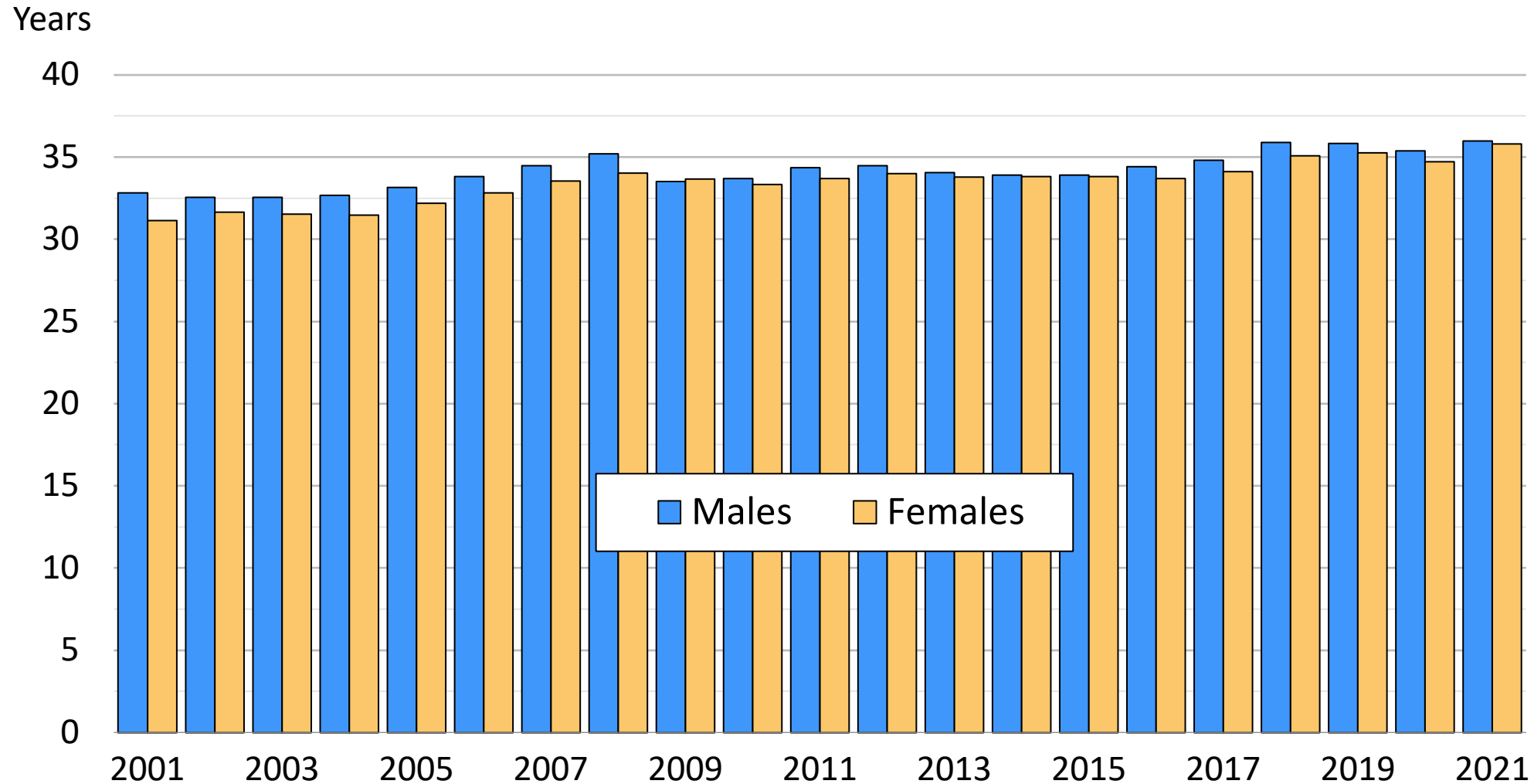
- Employment rate took an upward turn again in 2021
 - employment rate of working-age population in 2021 was 72.3% (up by 1.6 percentage points from 2020)
 - employment rate outlook of the older population has been favourable in the 2000s
 - employment rate in age group 55–59 reached a statistical record-high at 79.4 per cent– up by 1.5 percentage points from 2020
 - employment rate of age group 60–64 was record-high at 56.9% – up by 2.2 percentage points from 2020
- Employment rates for older people remained lower than in other Nordic countries in 2020
 - Denmark closest to Finland, 3.9% ahead
 - EU15 countries lagging behind Finland by 7.9 percentage points
- Dip due to the corona pandemic had no significant impact on the employment or unemployment rates of the older population



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



Working life expectancy for a 15-year-old



Length of working life in 2021

- Expected labour force participation in 2021 was 39.0 years
 - up by 0.9 years from 2020
 - up by 4.0 years in the 2000s
 - for men, up by 3.6 years in the 2000s
 - for women, up by 4.3 years in the 2000s
- Working life expectancy in 2021 was 35.9 years
 - up by 0.9 years from 2020
 - up by 4.4 years in the 2000s
 - 36 years for men (up by 3.6 years in the 2000s)
 - 35.8 years for women (up by 5.2 years in the 2000s)

