

# Pensions and pensioners' economic welfare: Development from 1995 to 2020

Compilation of key results

Finnish Centre for Pensions, Studies 6/2022



**Finnish Centre for Pensions**  
ELÄKETURVAKESKUS

# Key results - Finland

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|--|--|
| ✓ Number of pensioners grown from 1.1 to more than 1.5 million. More and more pensioners receive an earnings-related pension, mainly an old-age pension. | ✓ The income of pensioners relative to the income of the employed population has remained stable.  |
| ✓ Poverty among pensioners is at the same level as among the average population.   | ✓ Poverty is most common among the under-55-year-olds and the over-84-year-olds who live alone.  |
| ✓ The pensioner income is above EU average.  | ✓ Pensioners' economic wellbeing is a multidimensional whole, affected by income and wealth, health, social relations and issues relating to housing and more general attitudes toward economic wellbeing. |

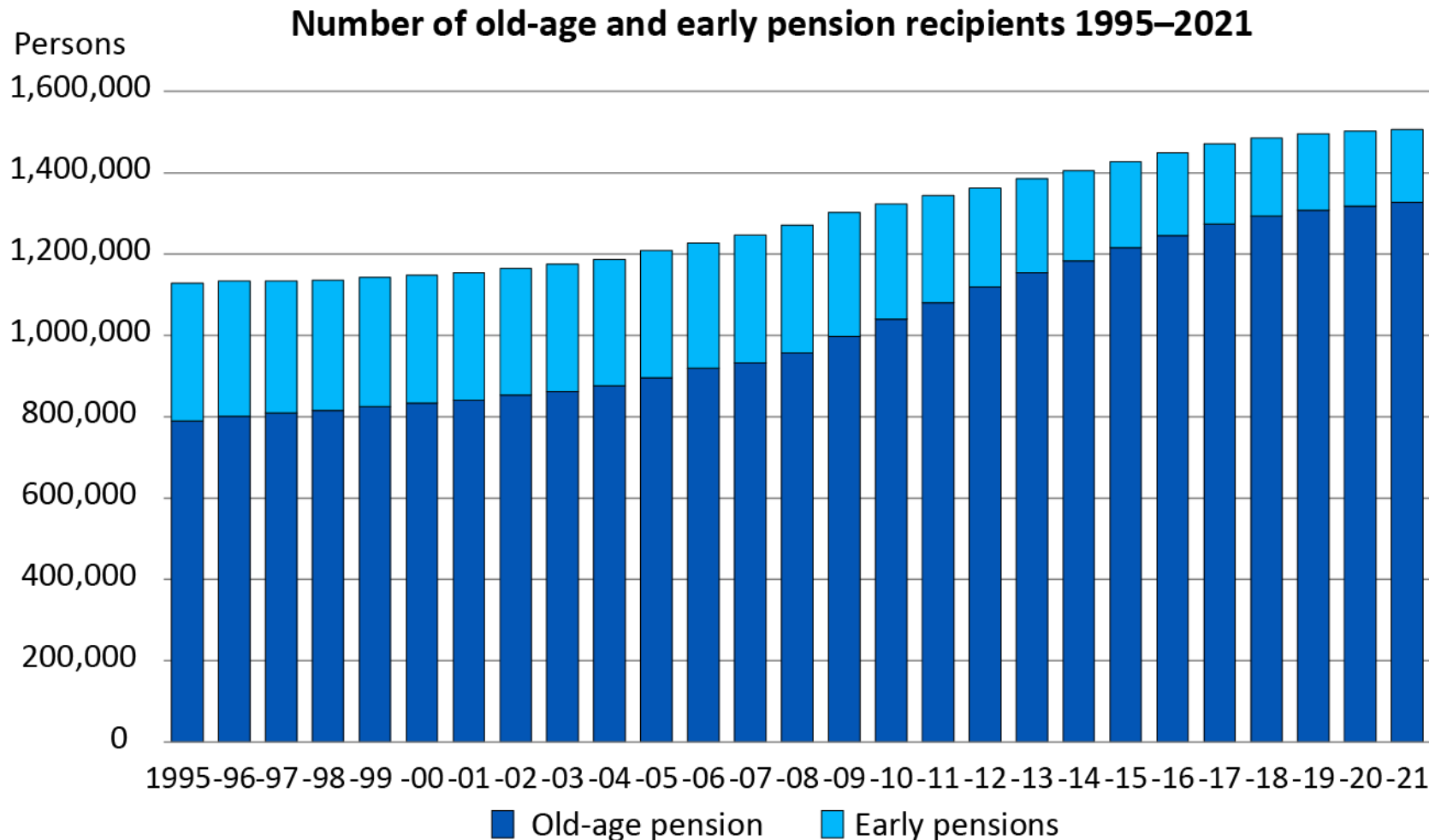
# Number and structure of pensioners

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Source: Joint statistical register of  
Finnish pension recipients



# More than 1.5 million pensioners in 2021

– an increase of one third since 1995



The share of old-age pensioners of all pension recipients has risen from 70% to 88%.

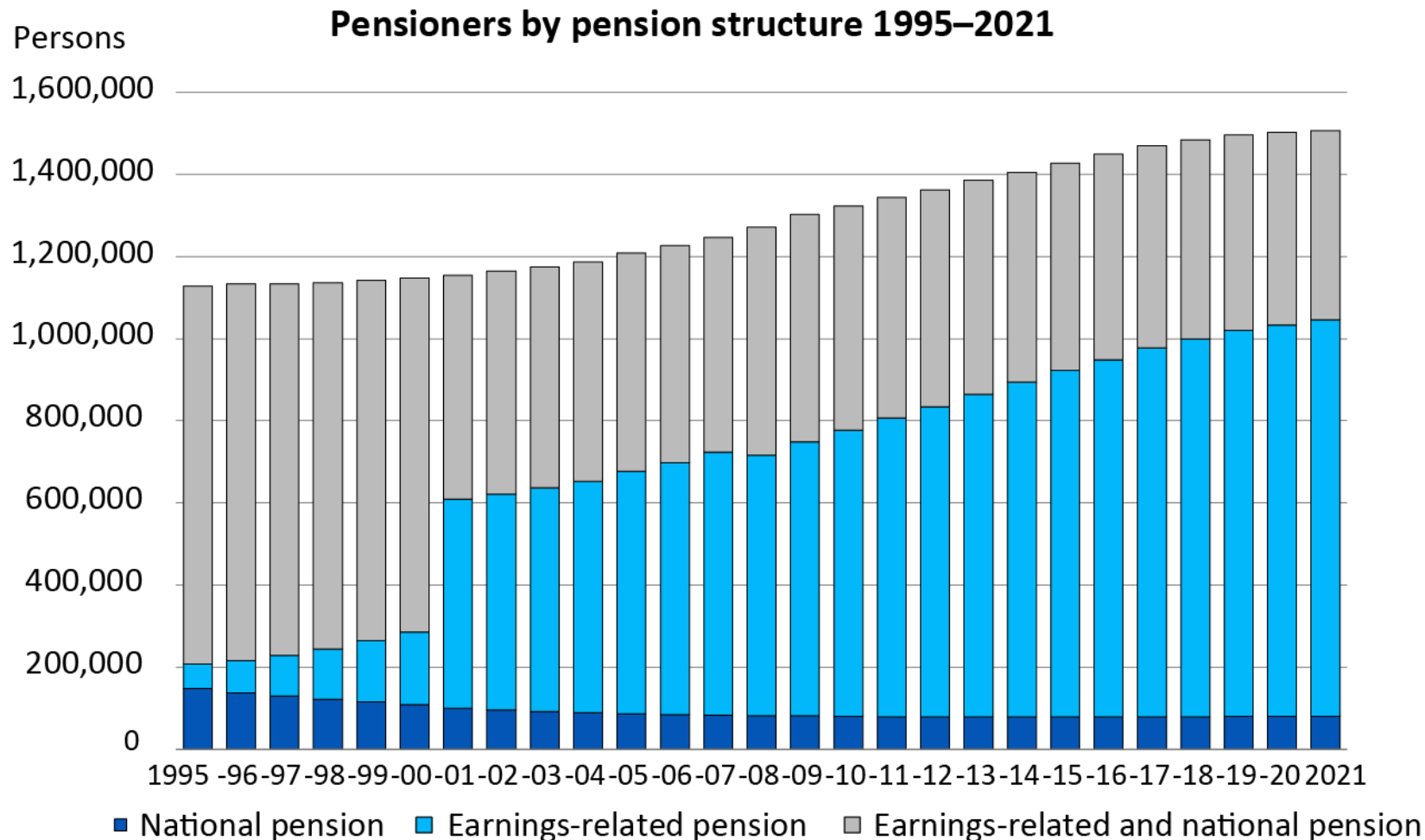
The number of old-age pensioners grew at the turn of the 2010s as baby boomers reached their retirement age.

The share of early pension recipients has decreased. Currently, the only early retirement benefit is the disability pension.

In 2021, there were nearly 40% fewer pensioners on a disability pension than in 1995.

# Majority of pension recipients get an earnings-related pension

– share of national pension recipients declining



The share of pensioners in Finland receiving only an earnings-related pension has increased from 5% to 64%. The share of persons receiving only a national pension has decreased from 13% to 5%.

The role of the earnings-related pension has grown particularly among those receiving an old-age pension.

For those on a disability pension, the national pension has increased in importance. The share of pensioners receiving only a national pension has increased from 18% to 34%.

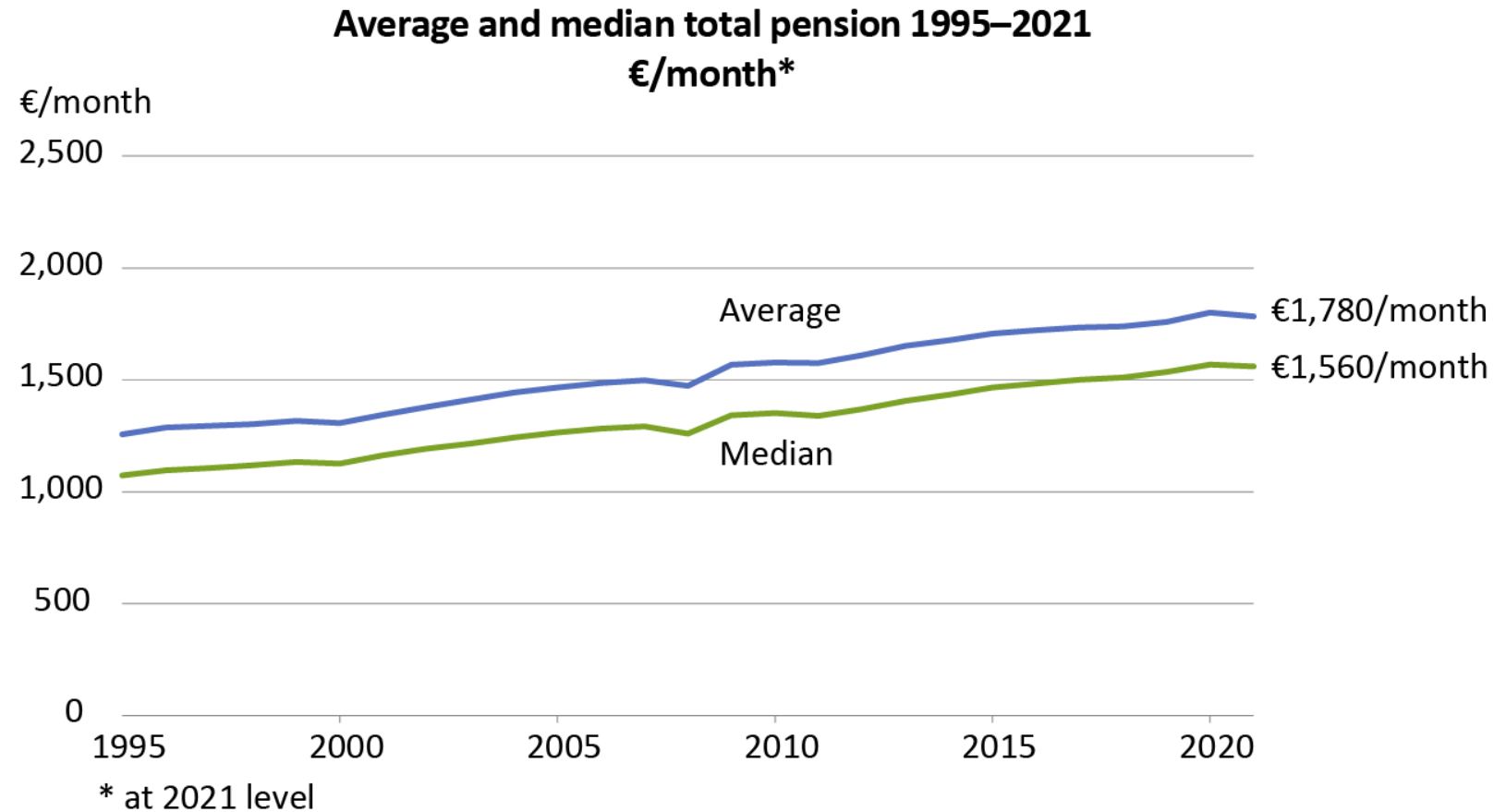


# Monthly pensions

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Source: Statistics on Pensioners in Finland  
(OSF), joint register



# Real total pension increased by more than 40% in 1995–2021



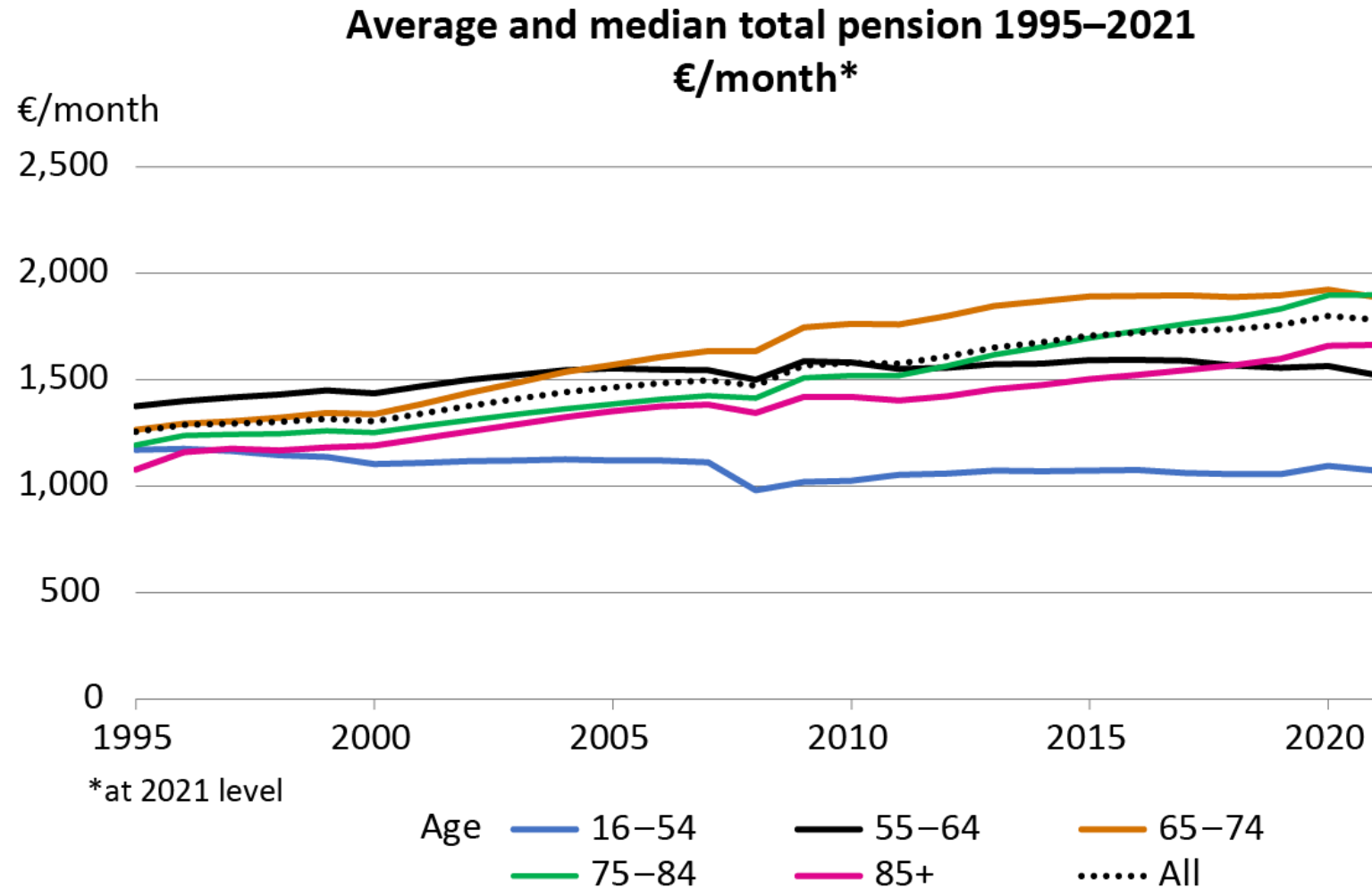
The average total pension is 15–17% higher than the median pension.

During the review period, the real total pension has increased by an ample 40%, that is, by around 1.5% per year.

Underlying the increase of the total pension is a change in the structure of pensioners.

Relative to the average earnings of the employed population, pensions have been at a 50% level.

# Pension gaps of 65–74- and 75–84-year-olds evened out



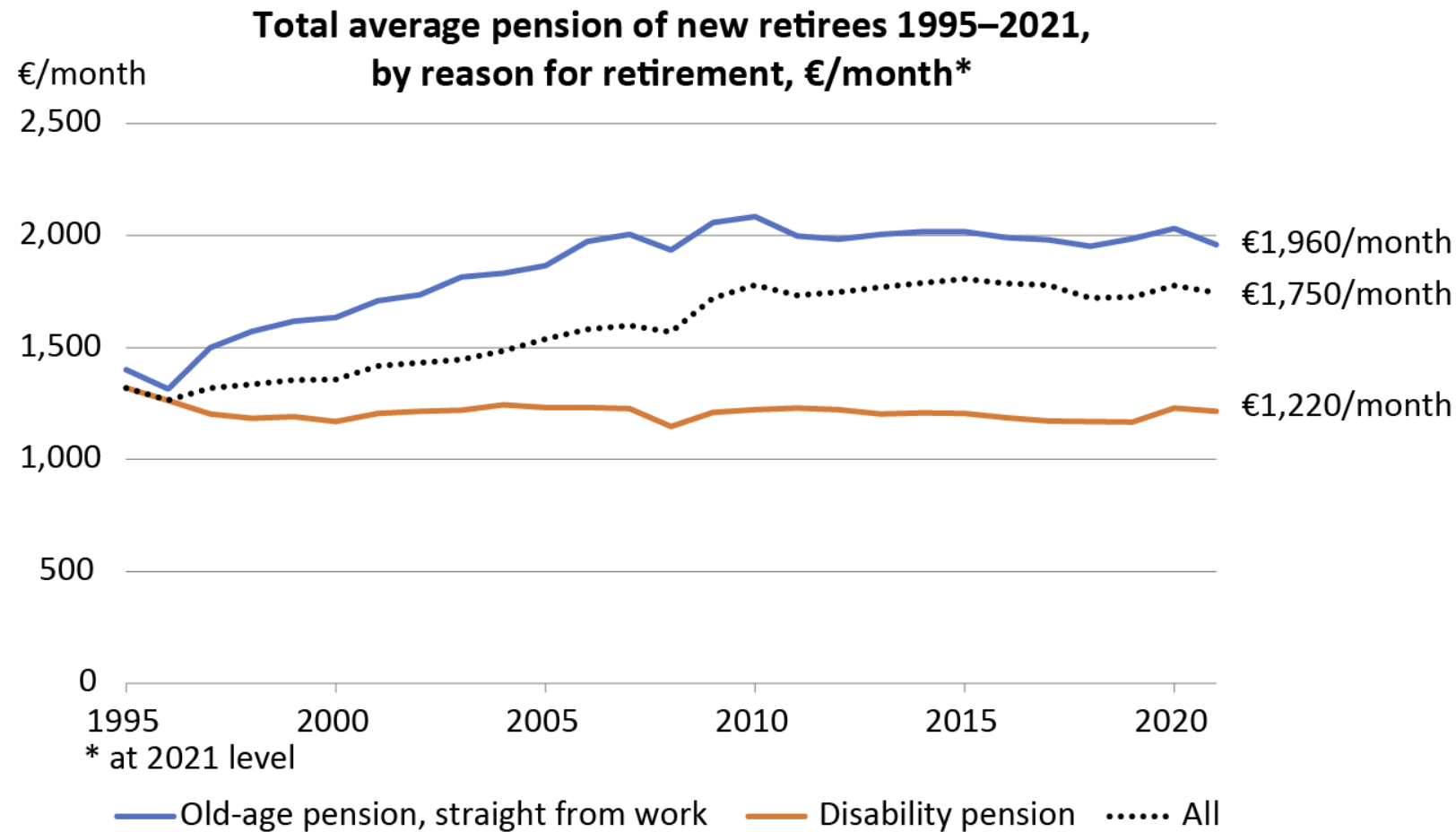
In 2021, the 64–74- and 75–84-year-olds received the highest and the under-55-year-olds the lowest total pension.

The pension of 75–84-year-olds has increased the most (by a total of 60%).

The real pension of the under-55-year-olds has not increased.



# Pension level of new pensioners the same as in the 2010s



In 2021, the total pension of new old-age pensioners (without previous early pension) was 60% higher than that of new disability pensioners.

The total pension of new old-age pensioners increased until the turn of the 2010s, after which it has remained unchanged.

The pension level of new disability pensioners has remained unchanged.

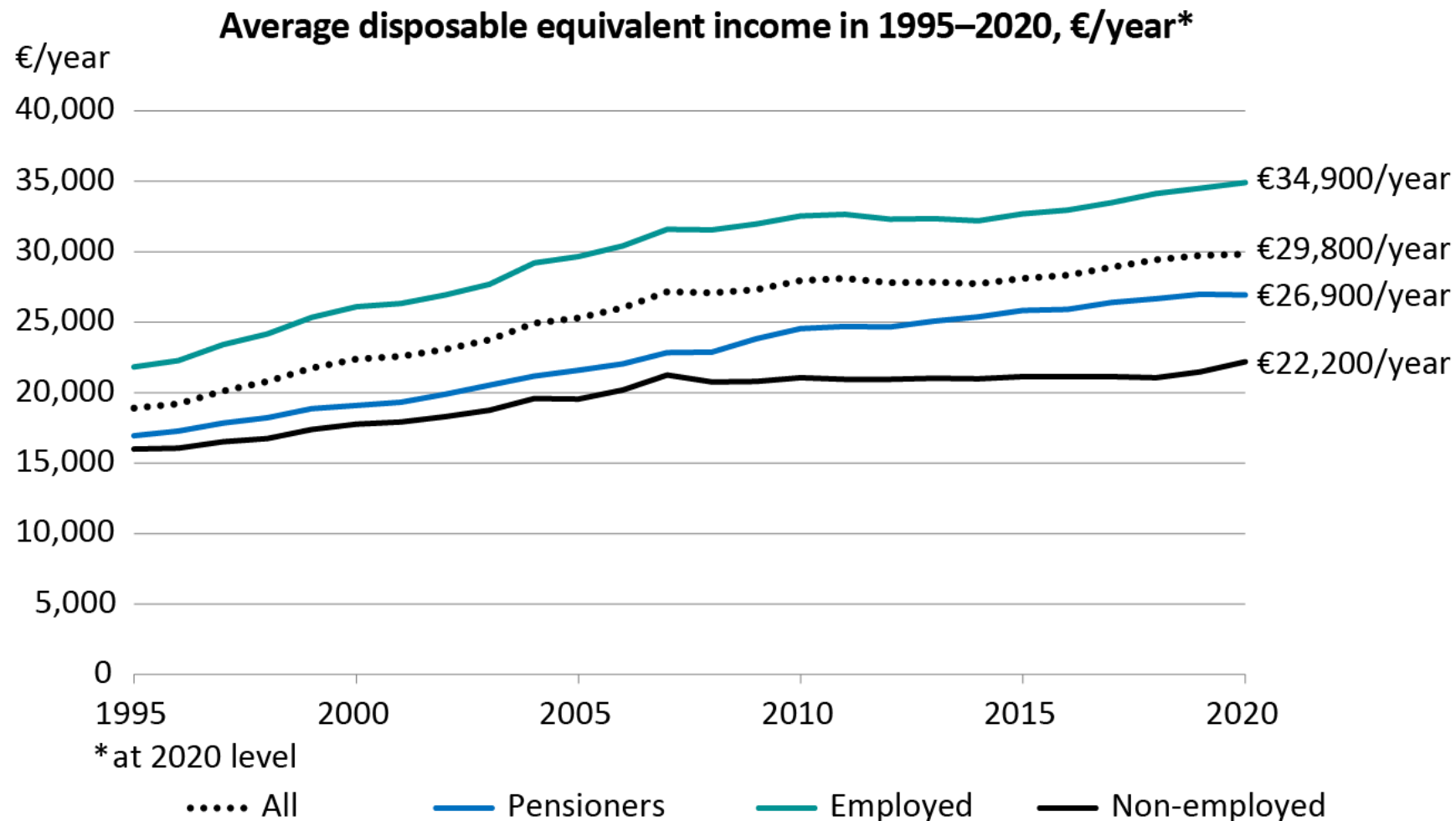
# Disposable income

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Source: Extended income distribution statistics,  
Statistics Finland



# Pensioners' income relative to the employed population's income remained unchanged

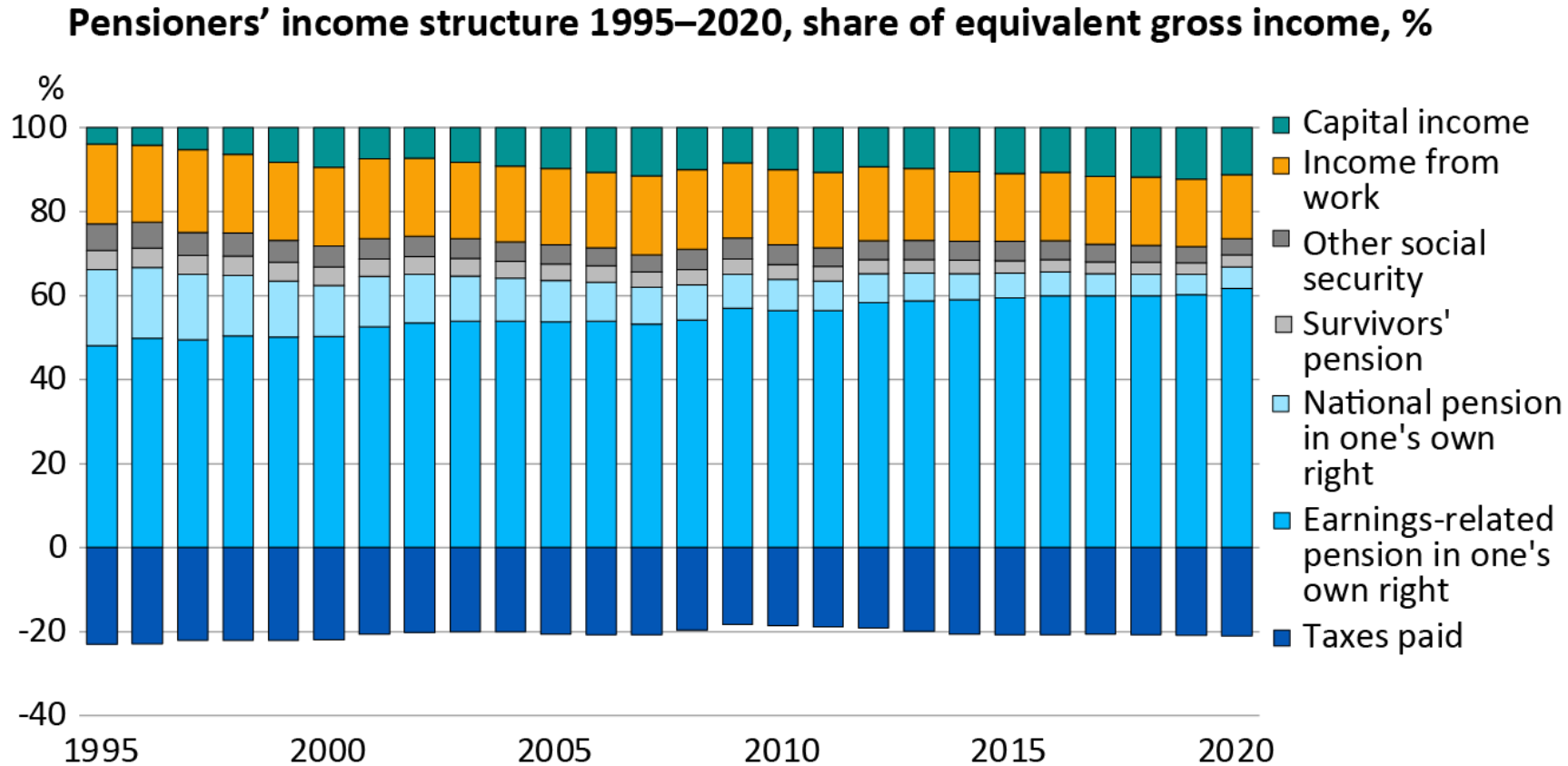


In 2020, pensioners' income (household's disposable equivalent income) was one fifth smaller than that of the employed population's and one-fifth larger than that of the non-employed population's.

The real income has risen by 60% during the period under review. Until the end of the 2000s, the growth rate was faster than in the 2010s.

The income level of pensioners relative to the employed population's has varied between 73% and 80%.

# Pension earned from work most important source of pensioners' income

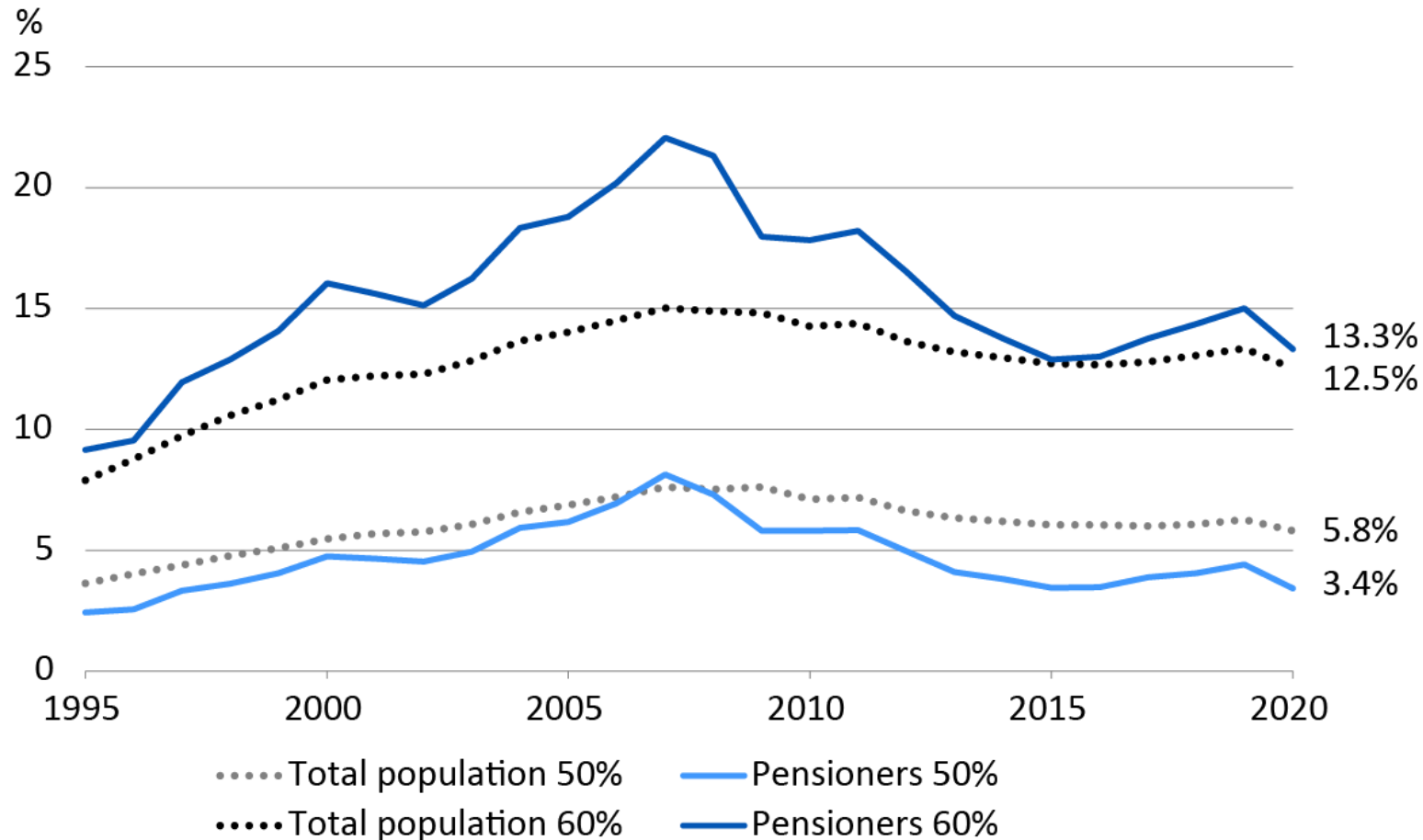


Of gross earnings  
(household's disposable  
equivalent income before  
taxes)

- the share of earnings-related pension received in one's own right increased from 48% to 61%
- the share of national pension or other social security decreased from 24% to 9%.
- the share of earnings and capital income varied between 23% and 28%.
- the share of taxes remained at around 20%

# Pensioners' poverty at the same level as population average

**Pensioners' and total population's poverty rates 1995–2020,  
poverty line at 50% and 60% of median income**



In 2020, pensioners' poverty rate based on the 60% poverty limit was 13.3% and 12.5% of population average.

Based on the 50% poverty limit, the poverty rate of pensioners is three quarters smaller than the poverty rate based on the 60% poverty limit.

Compared to the beginning of the review period, poverty among pensioners has increased, and compared to the middle of the review period, decreased.

The shift in the pensioner poverty rate is greater than in that of the total population.



# Poverty most common among the under-55-year-olds and over-84-year-olds who live alone

**Pensioners' poverty risk 1995–2020 with poverty limit at 60% of median income, by age and family size, %**

	1995	2000	2005	2010	2015	2020
Pensioners	9	16	19	18	13	13
Single household/age						
18–54 yrs	20	34	48	54	45	47
55–64 yrs	15	23	30	35	29	32
65–74 yrs	20	33	32	29	23	26
75–84 yrs	26	38	44	42	29	27
Over 84 yrs	29	42	46	44	36	35
Household with 2 or more persons/age						
18–54 yrs	3	8	13	14	10	10
55–64 yrs	2	4	5	5	4	4
65–74 yrs	2	7	6	4	2	2
75–84 yrs	3	8	12	9	4	3
Over 84 yrs	5	10	11	10	7	6

Poverty is more common among pensioners living alone than among those living in a household with two or more persons.

In 2020, the poverty rate of under-55-year-olds was 47% and 35% for those older than 84 years.

During the review period, the poverty rates of those under 55 have risen the most.

The poverty rates of those over 75 have decreased in the 2010s.

# Wealth and debt

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Source: Survey on pensioner income  
and economic well-being, 2020,  
Finnish Centre for Pensions.





## **Net wealth of old-age pensioner households (aged 64–88) highest among high-income pensioners living in owner-occupied housing**

### **Poorest pensioner households (19%) (net wealth under €15,000)**

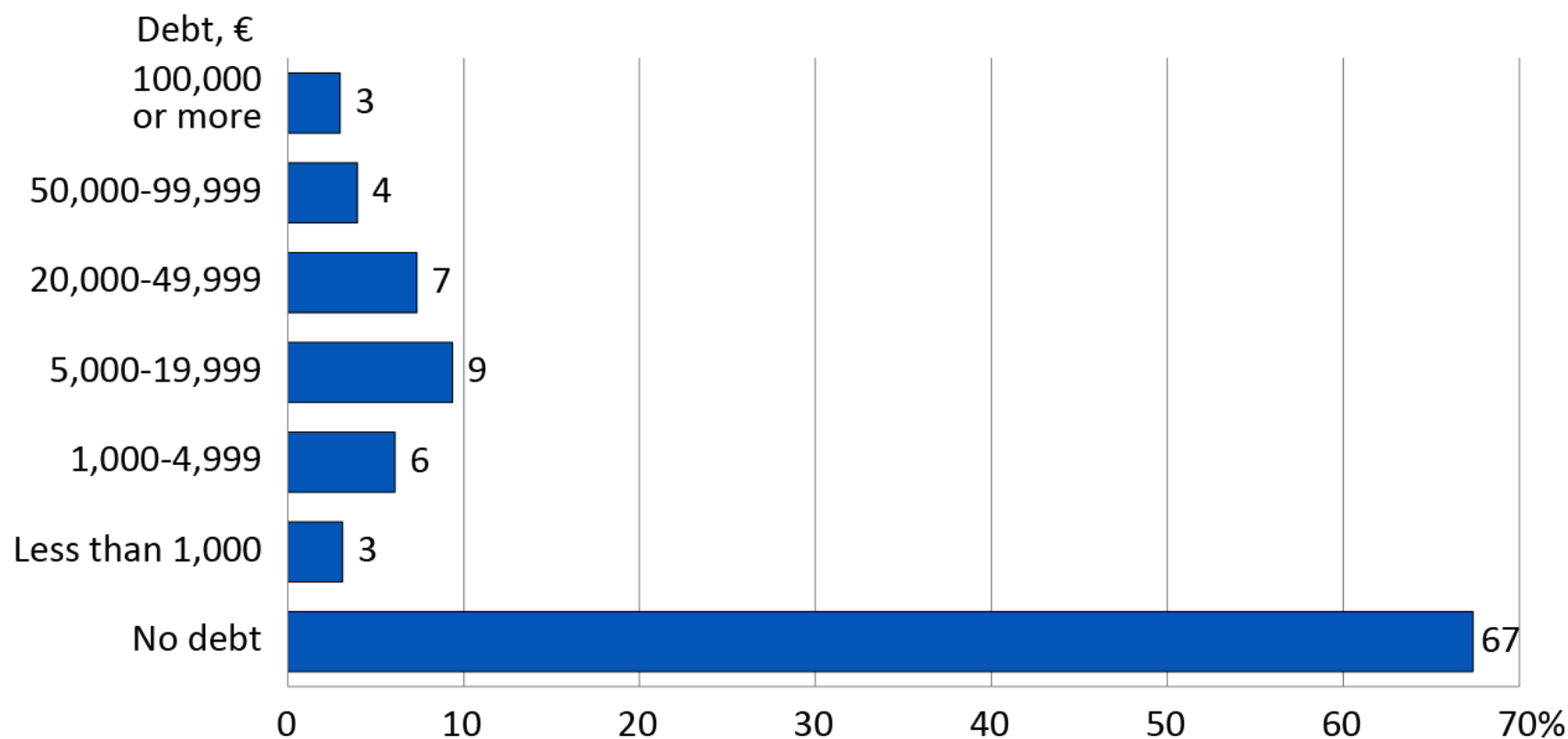
- 47% were in the lowest income quintile.
- 51% lived alone.
- 43% lived in rental housing.
- No significant regional differences.

### **Wealthiest pensioner households (14%) (net wealth €400,000 or more)**

- 58% were in the highest income quintile.
- 86% lived with a spouse.
- 98% lived in owner-occupied housing.
- 45% lived in Uusimaa.

# One third of pensioner households are in debt

Share of old-age pensioner (age 64–88) households in debt and amount of debt



Financial burden to repay debt perceived as

- small 41%
- fair 43%
- large 16%

# Financial status of Finns in EU comparison in 2019

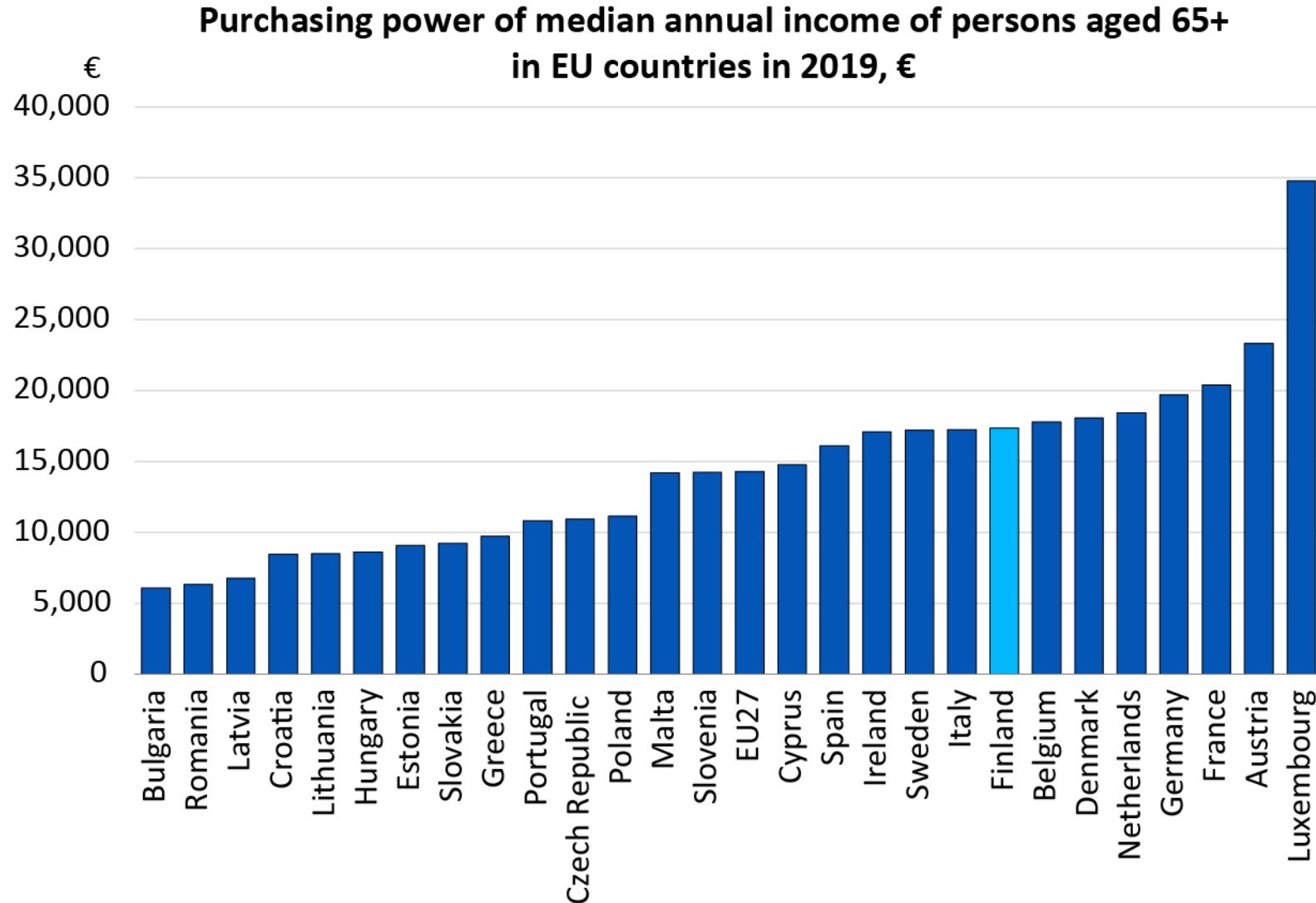
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Source: EU-SILC.



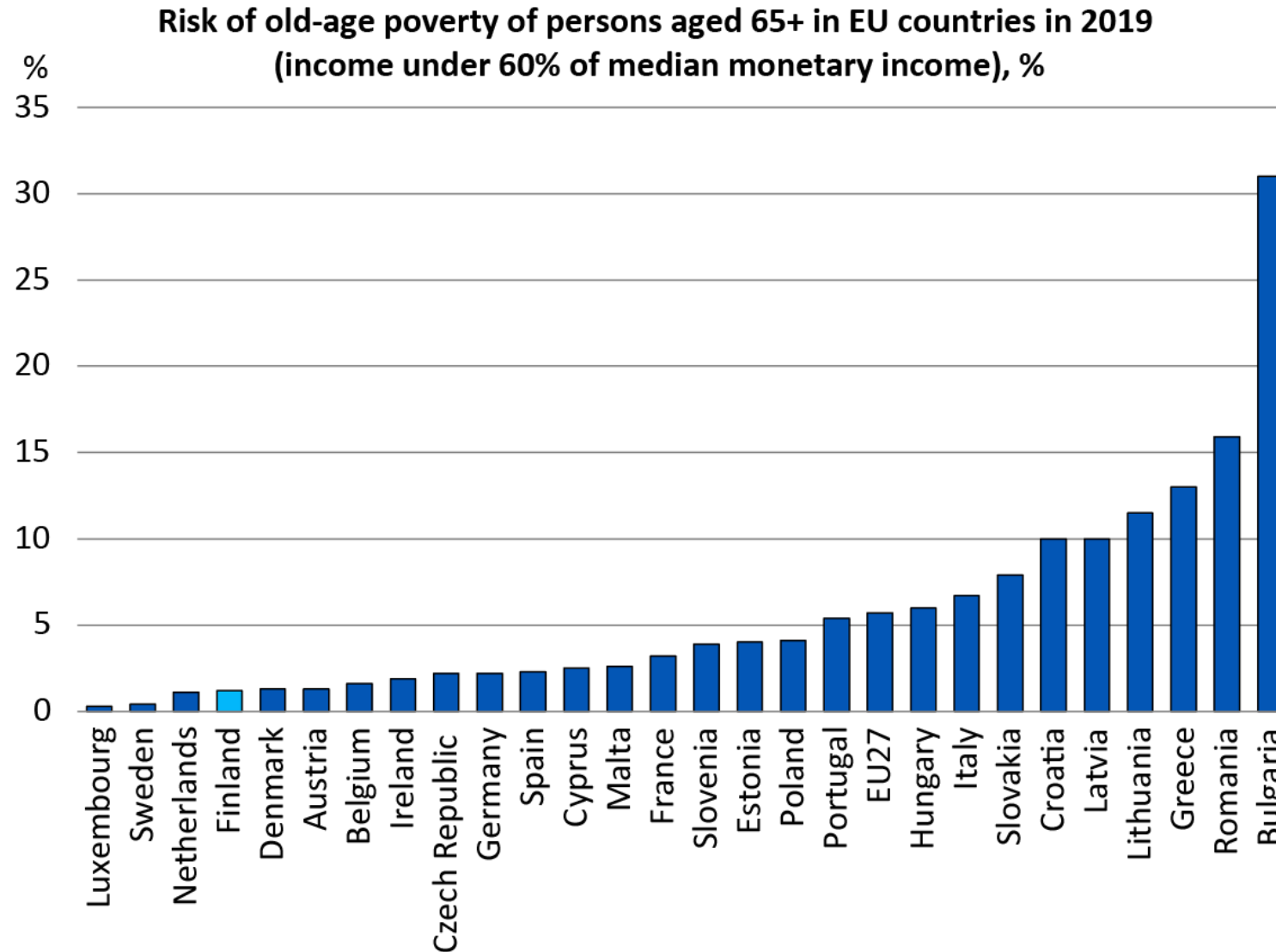


## Purchasing power of income of persons aged 65 and over in Finland slightly higher than EU average



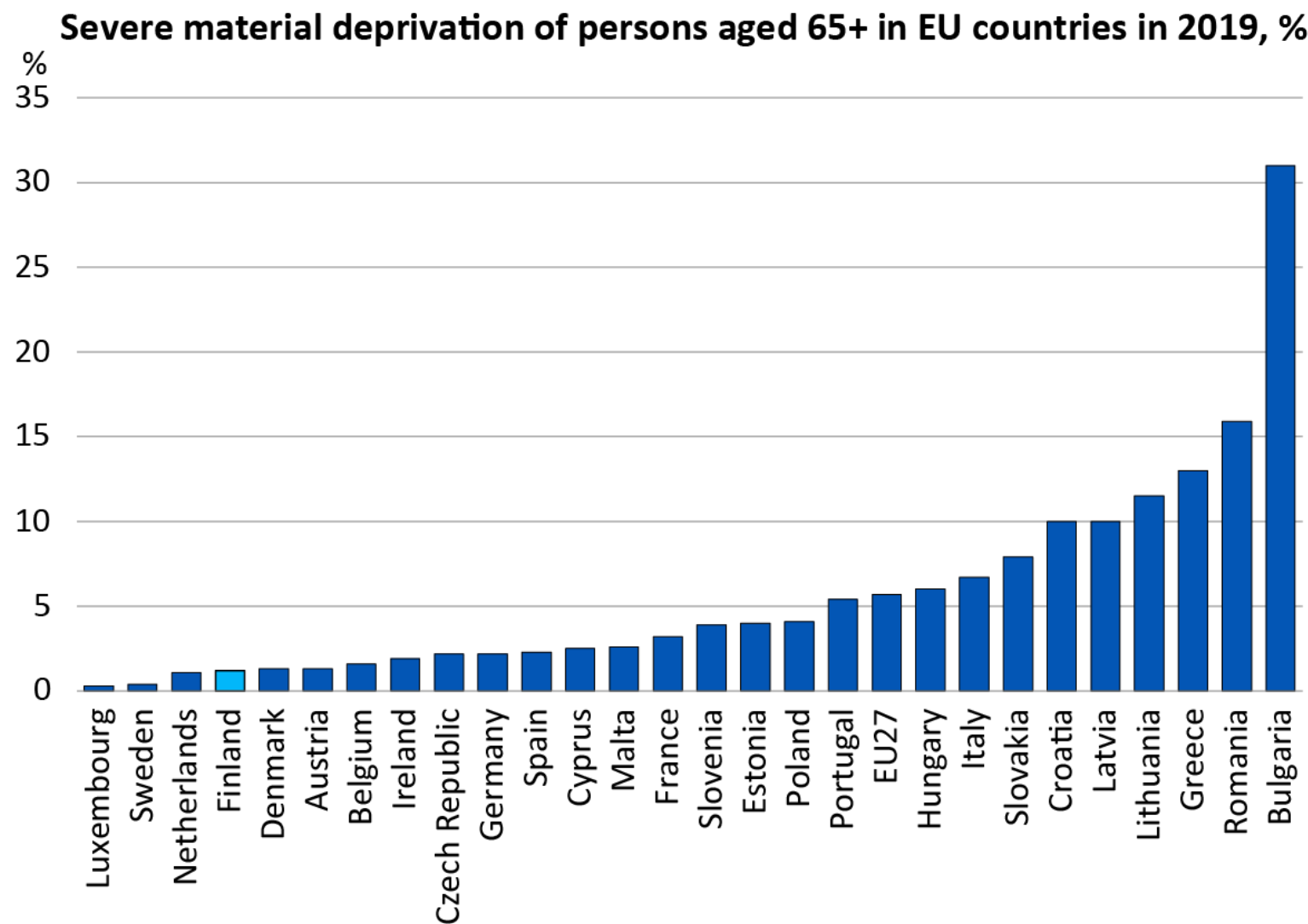
The purchasing power of pension income indicates the income level when the differences in price levels between the countries have been accounted for.

## Risk of old-age poverty lower in Finland than EU average



The risk of poverty of pensioners living alone in Finland is higher than of those living in two-person households and close to EU average.

# Severe material deprivation of persons aged 65 and over clearly lower in Finland than in EU on average



Persons aged 65 and over comparatively rarely face problems or great problems of meeting usual expenses in Finland (2.8% combined).

The EU average is 21.5%.

# Important factors for economic wellbeing

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Source: Survey on pensioner economic wellbeing, 2020, open responses, Finnish Centre for Pensions.



# Meaningful factors in addition to income and wealth that affect pensioners' perceptions of income

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>✓ Health status<ul style="list-style-type: none"><li>• own or spouse's health and its potential deterioration</li></ul></li></ul>                             | <ul style="list-style-type: none"><li>✓ Expenses relating to living and transportation<ul style="list-style-type: none"><li>• for example, renting and renovation expenses, use of car in rural areas</li></ul></li></ul>   |
| <ul style="list-style-type: none"><li>✓ Social relations, for example, family relations<ul style="list-style-type: none"><li>• help received from spouse, relatives and friends</li></ul></li></ul> | <ul style="list-style-type: none"><li>✓ Attitude to perceived low income<ul style="list-style-type: none"><li>• perceptions of unfair pensions or their taxation</li><li>• various ways to adapt to economic situation: frugal lifestyle, self-sufficiency (for example, picking berries, mushrooms, having a kitchen garden)</li></ul></li></ul> |



Eläketurvakeskuksen  
tutkimuksia

06  
2022

**Eläkkeet ja eläkeläisten toimeentulo**

Kehitys vuosina 1995–2020

(Toim.)  
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# More information

## Pensions and pensioners' economic welfare: Development from 1995 to 2020

### (summary in English)

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