

Effective Retirement Age in 2017

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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



Monitoring the aim to postpone retirement

- The expected effective retirement age:
 - corresponds, in principle, to life expectancy
 - depicts the average effective retirement age if the retirement and mortality rates remain on the level of the statistical year, and
 - is independent of the demographic age structure.
- Employment rate of the elderly
- Expected length of working life:
 - depicts the number of years that a person at a certain age can be expected to work during their remaining life span;
 - is based on a method that uses cross-sectional data on the probability of death rates, labour force participation rates and employment rates.



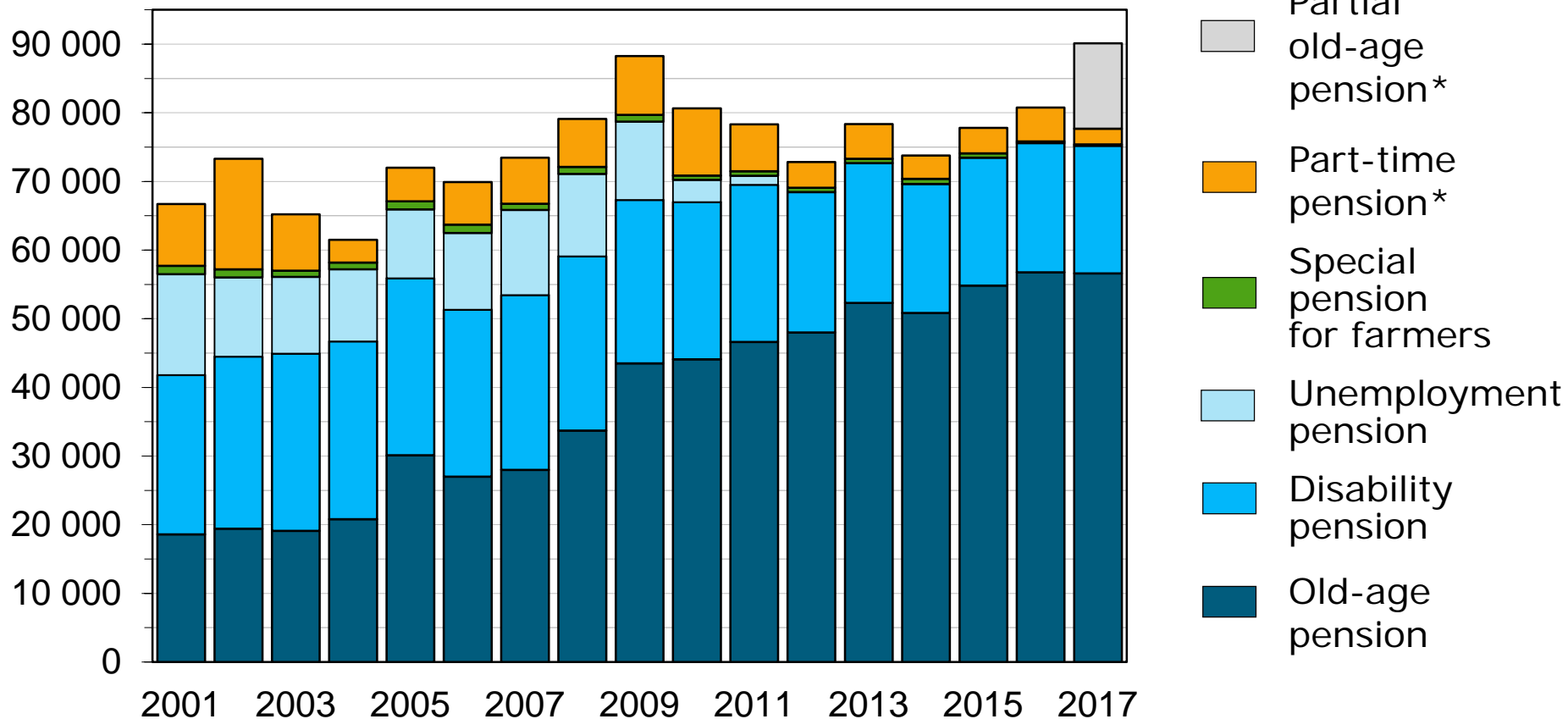
Effective retirement age in 2017

- Expected effective retirement age
 - 61.2 years (for 25-year-olds)
 - 62.8 years (for 50-year-olds)
- Slight change in effective retirement age
 - the expected effective retirement age for a 25-year-old rose by 0.1 years compared to in 2016
 - the expected effective retirement age for a 50-year-old was the same as in 2016
- Number of pension contingencies remained unchanged



New retirees on an earnings-related pension 2001–2017, by pension type

Persons



75,372 persons retired on an earnings-related pension in 2017*

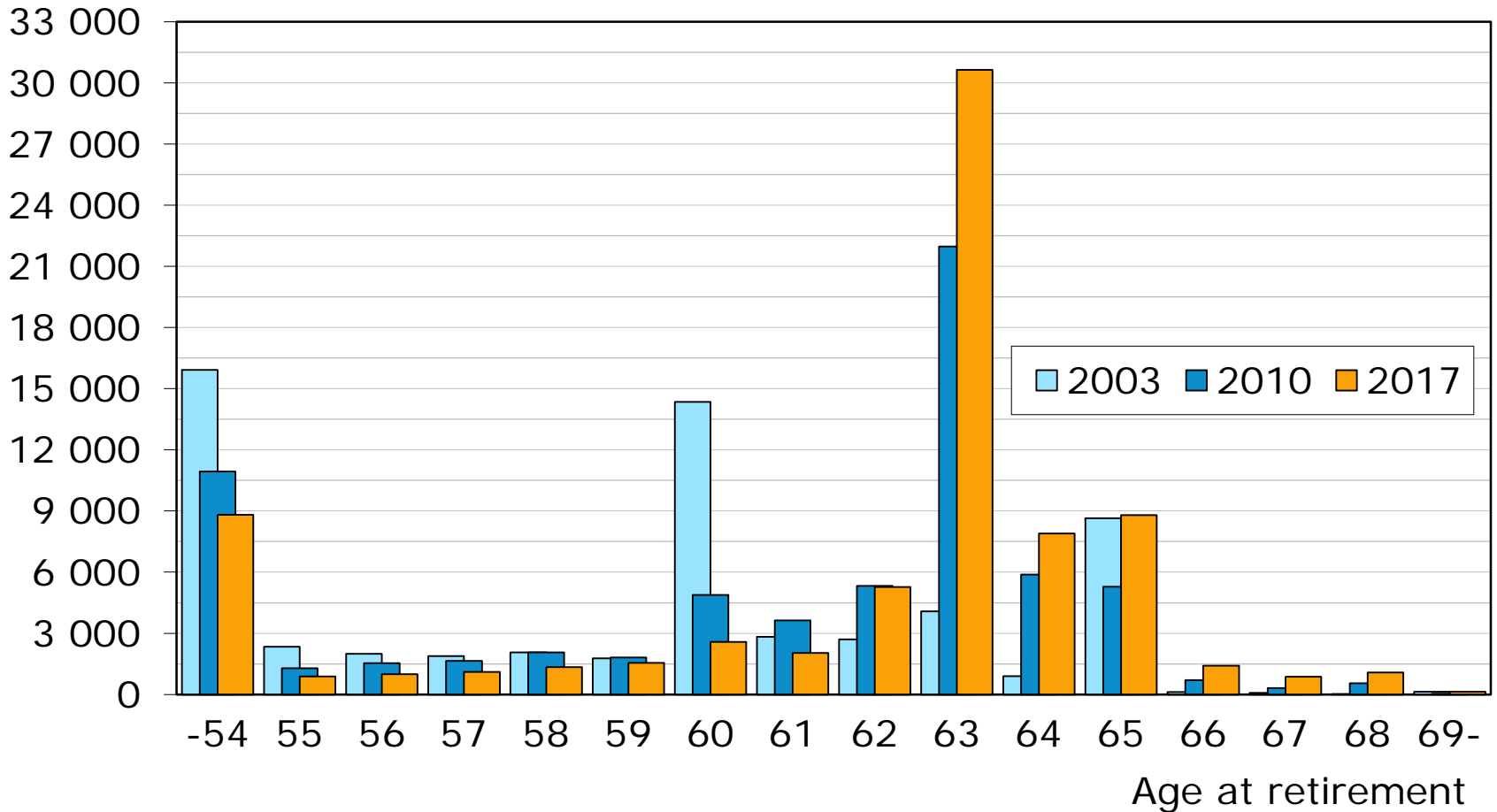
75,791 persons retired on an earnings-related pension in 2016*

* The number of new retirees does not include people who retired on a part-time pension or a partial old-age pension. In 2017, part-time pensions were paid to 2,261 and partial old-age pensions to 12,468 new retirees.



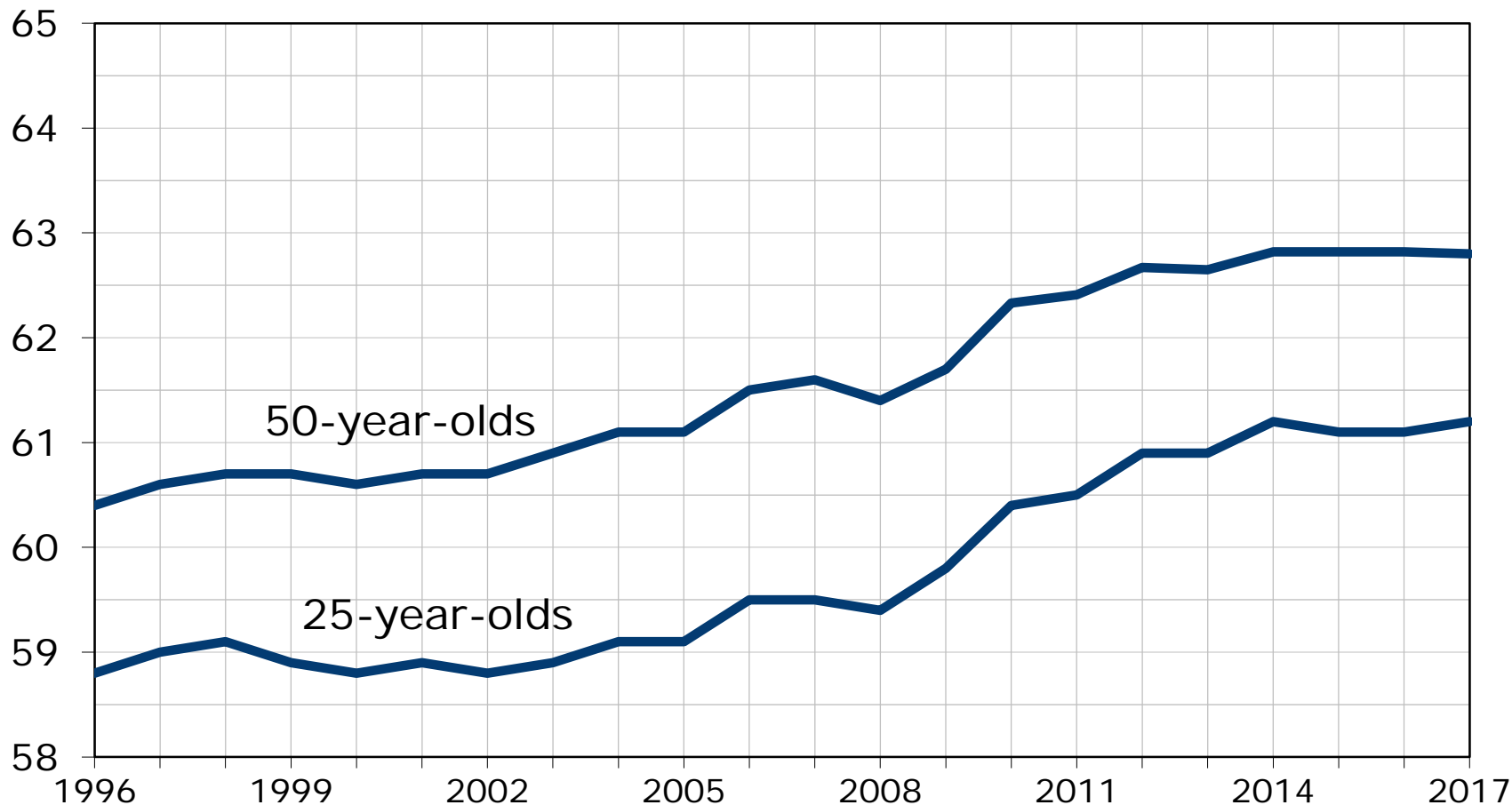
New retirees on an earnings-related pension, by age

Persons

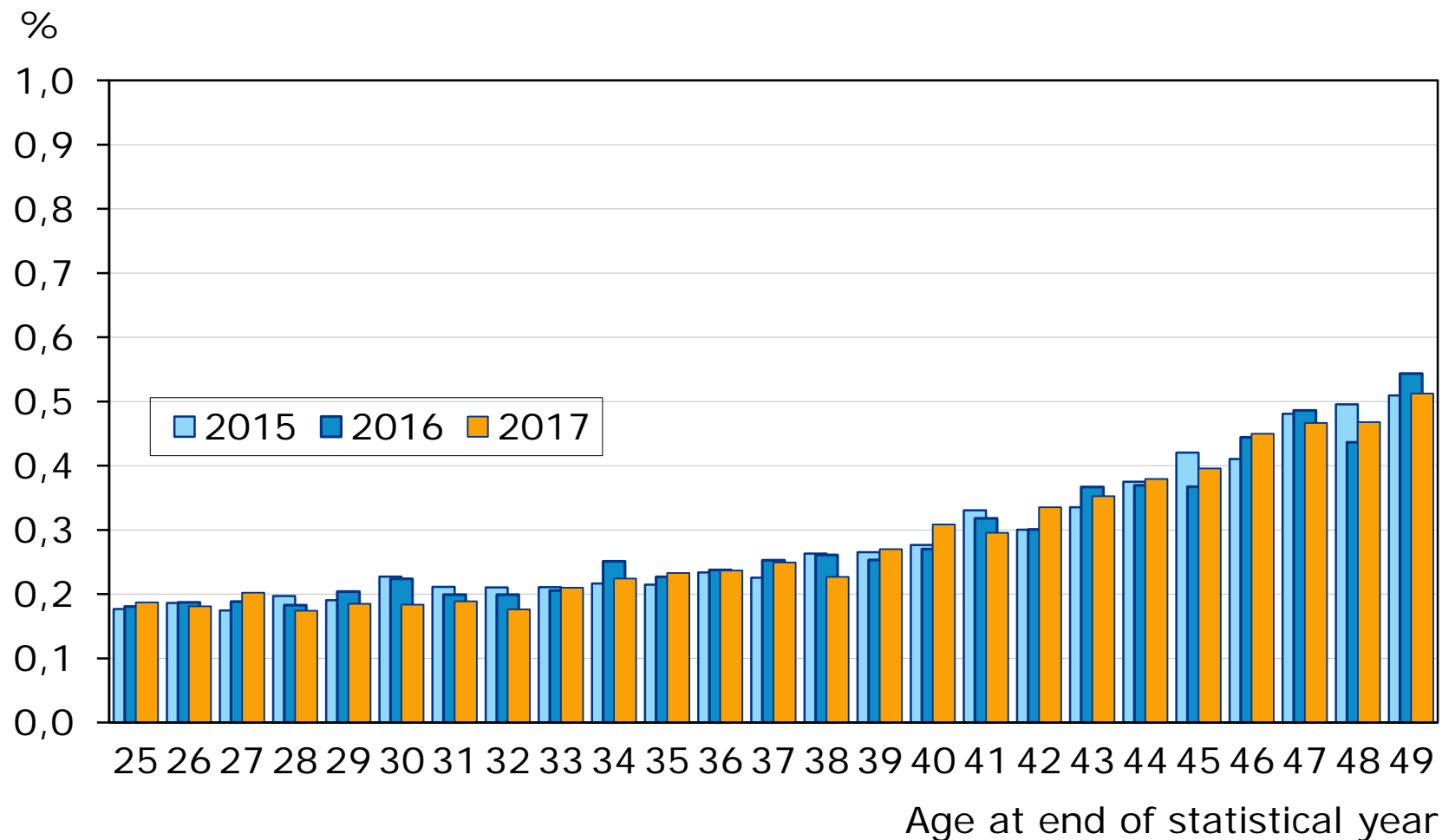


Expected effective retirement age, all new retirees on an earnings-related pension

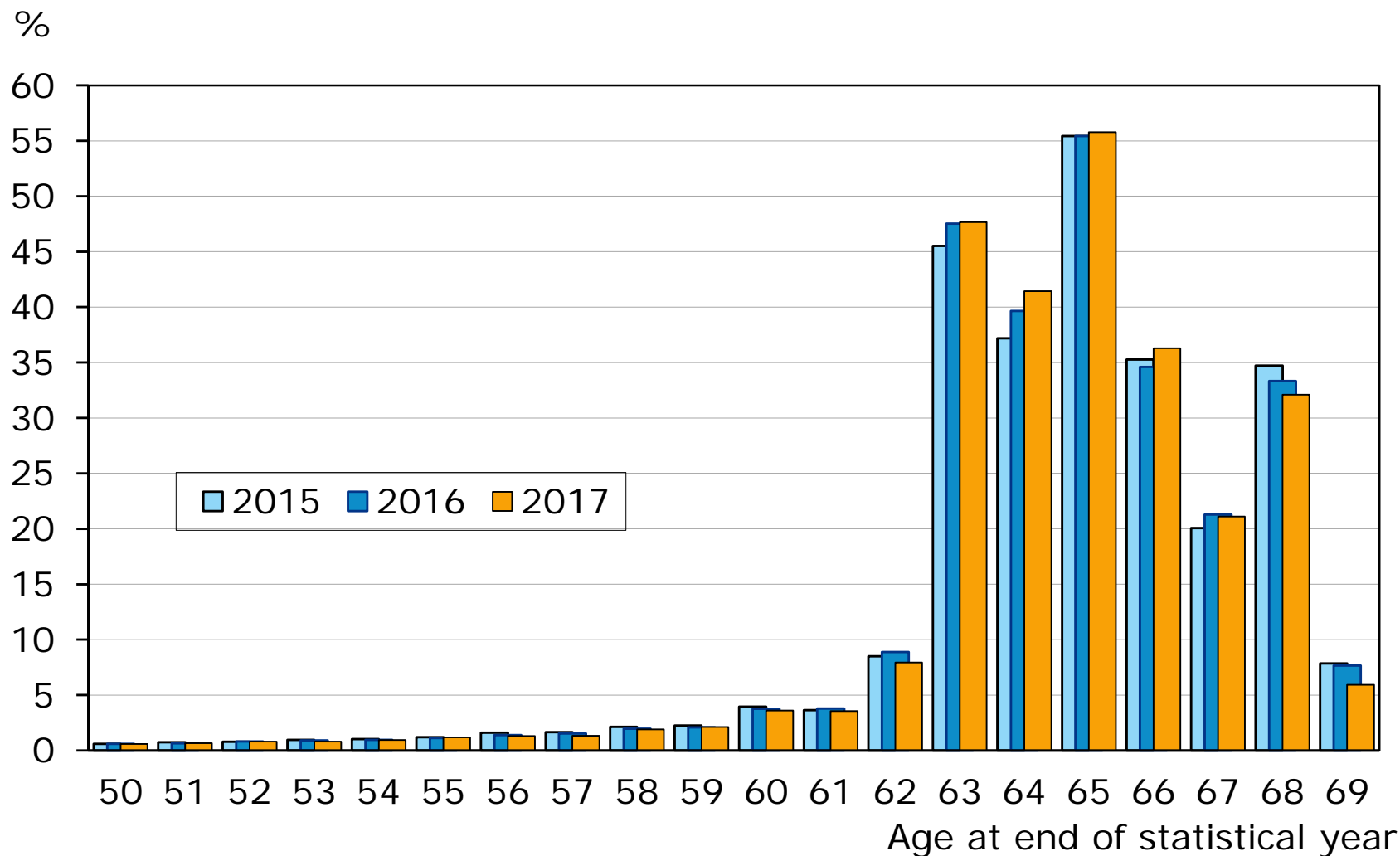
Expected effective
retirement age



Proportion of new retirees on an earnings-related pension of all insured, 25–49-year-olds



Proportion of new retirees on an earnings-related pension of all insured, 50–69-year-olds



Retirement on an earnings-related pension (1/2)

- 75,372 persons retired on an earnings-related pension (400 less than in 2016)
- The number of new retirees decreased slightly
 - 56,600 persons retired on an old-age pension
 - 75% of all new retirees retired on an old-age pension
- Number of new retirees on a disability pension decreased by 1% compared to 2016
 - 18,600 people retired on a disability pension. 30% of the starting pensions were part-time pensions



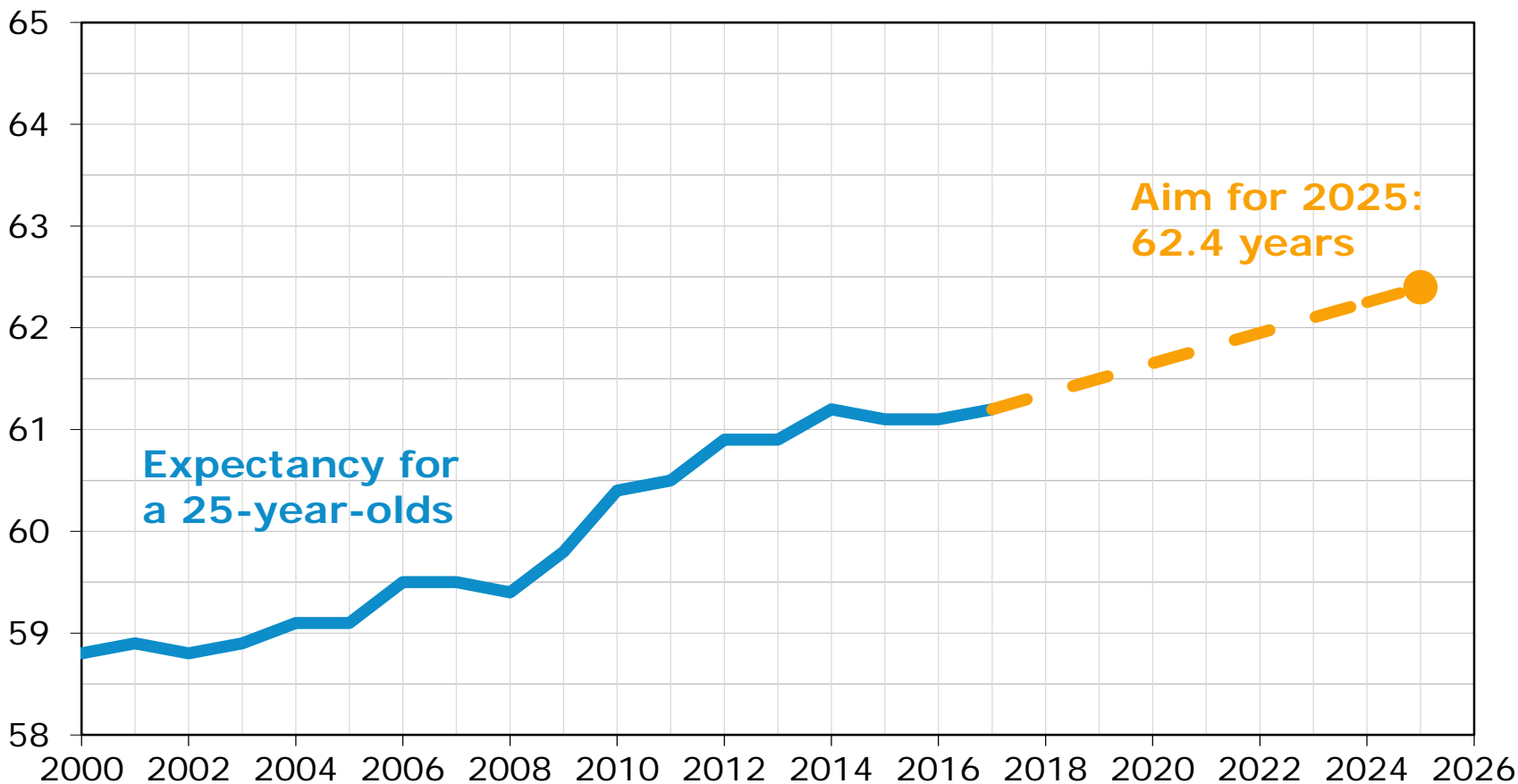
Retirement on an earnings-related pension (2/2)

- Small changes in number of starting pensions
 - more starting pensions among young and above-63-year-old females than males
- Last part-time pensions started in January 2017
 - 2,300 persons retired on a part-time pension (4,900 in 2016)
 - Part-time pension replaced by the partial old-age pension in February 2017. 12,500 new retirees on the partial old-age pension in 2017.



Expected effective retirement age: Aim and realisation

Expected effective
retirement age



To achieve the goal at an even pace, the effective retirement age needs to rise each year by 0.15 years.



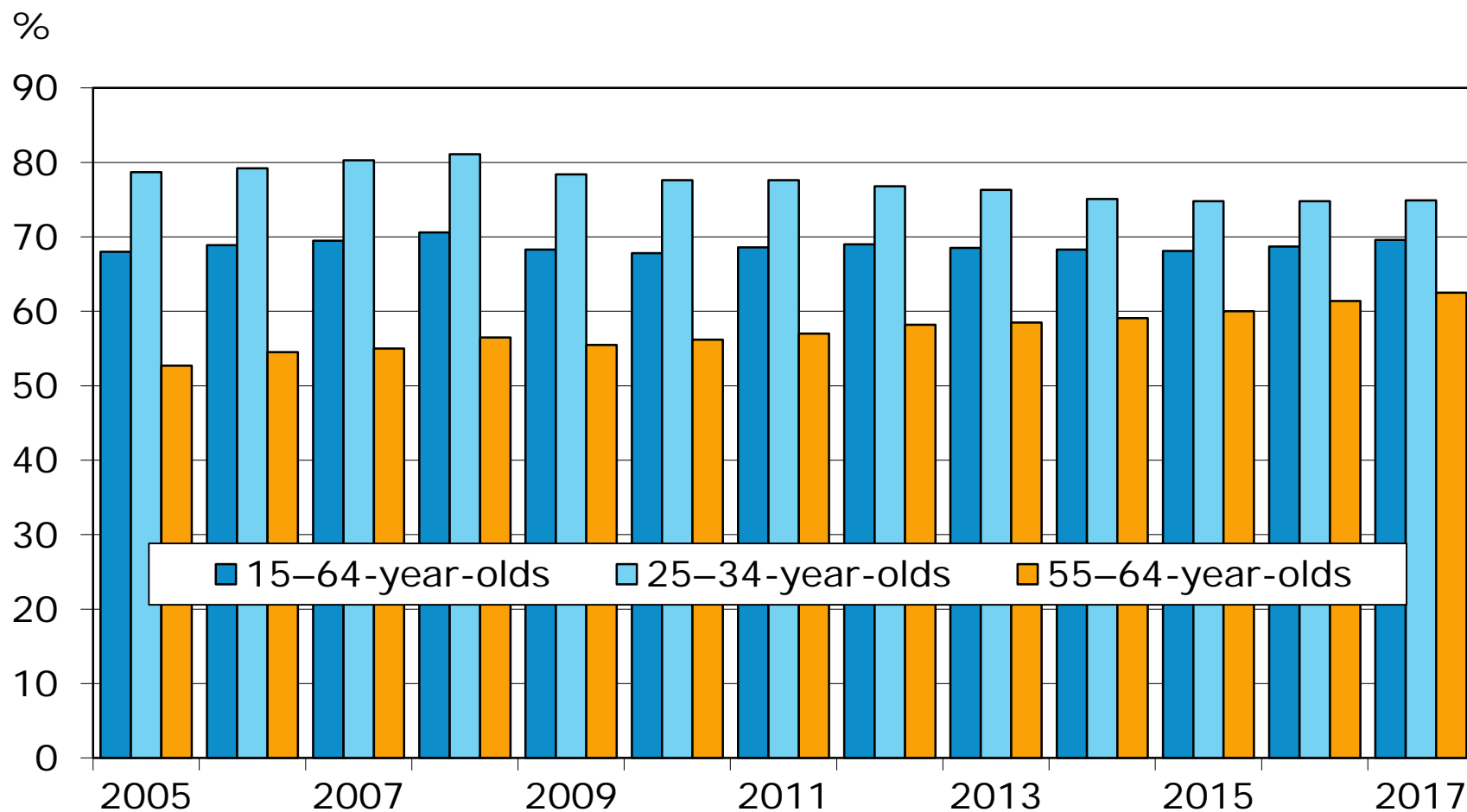
- For the main part, the direct effects of the legislative amendments of the 2005 pension reform can now be seen in the effective retirement age
 - the effective retirement age has risen
 - it is too early to assess the impact of the life expectancy coefficient at this point
- The 2017 pension reform will raise the effective retirement age as a result of the rising retirement ages



- Future development depends on changes in behaviour
 - the intended retirement ages have risen
 - many different factors affect the decision to retire
- Future development depends on economic outlook
- Future development depends on working life improvements
- In 2018, clearly fewer people will retire on an earnings-related pension, as the number of new retirees is estimated at 70,000 persons



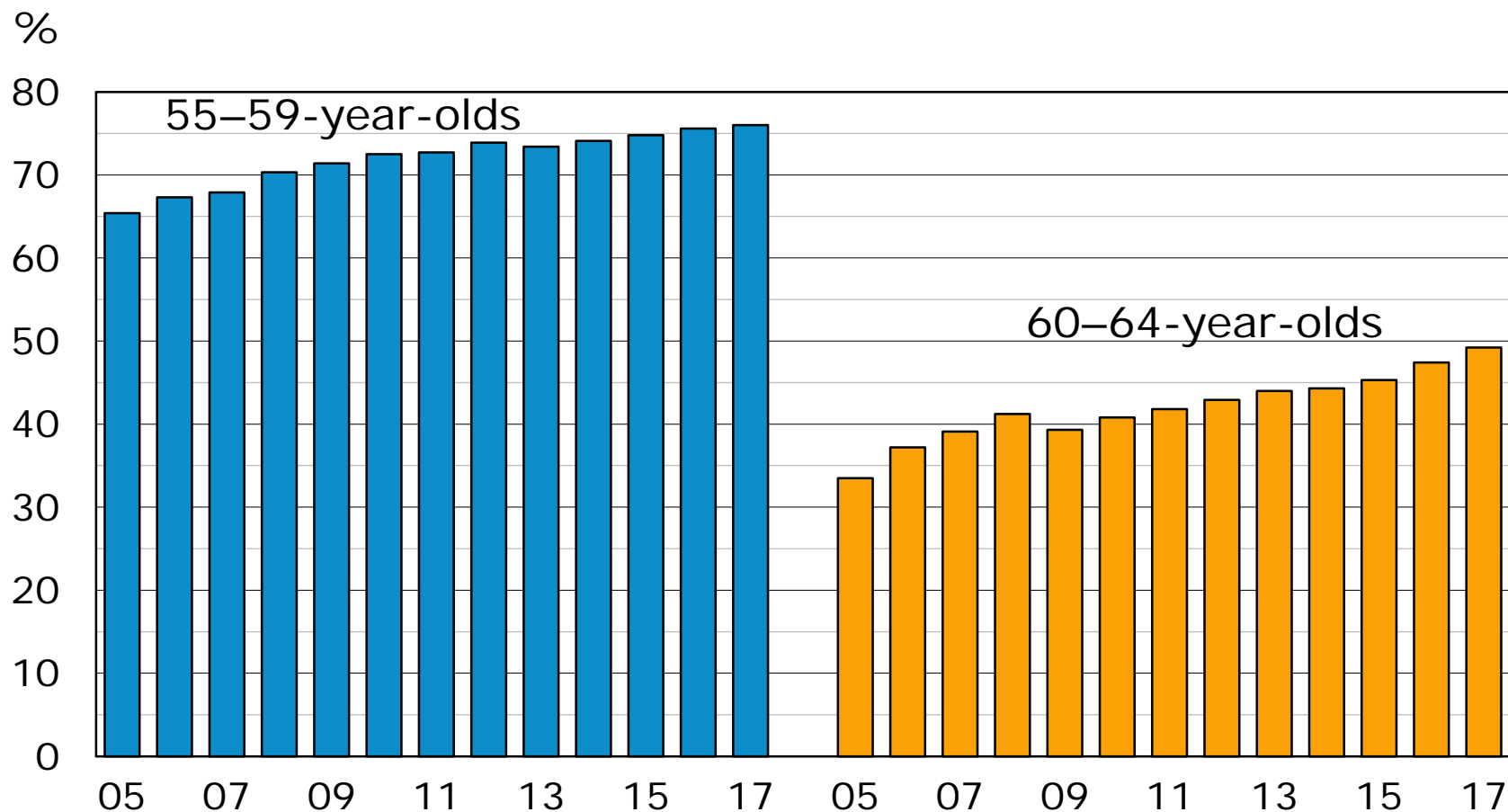
Employment rates of the working-age population (15–64 years), the young (25–34 years) and the elderly (55–64 years) in 2005–2017



Source: Labour Force Survey, Statistics Finland



Employment rates for 55–59 and 60–64-year-olds in 2005–2017

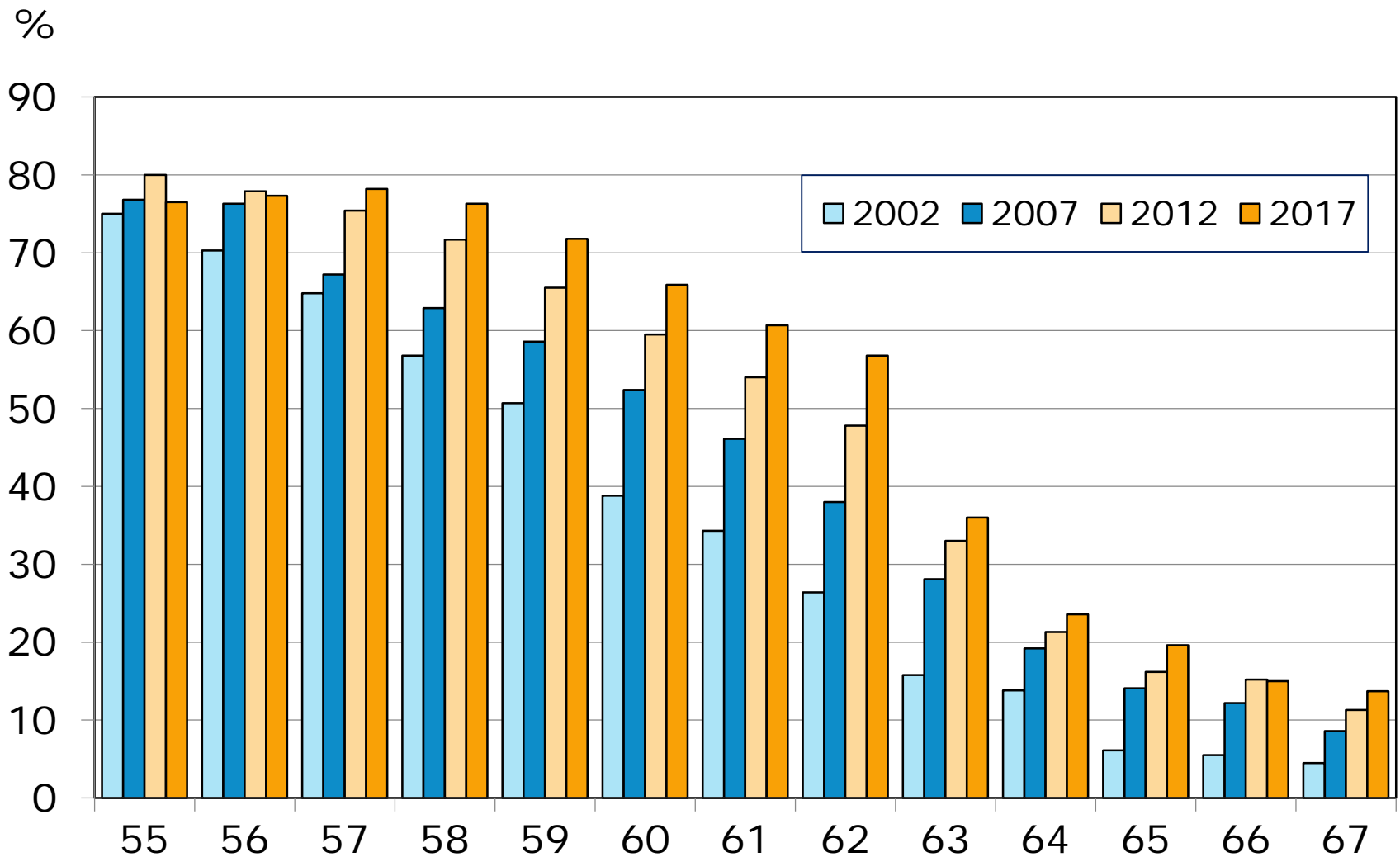


Employment rates in 2017: 55–59-year-olds 76.0% and 60–64-year-olds 49.2%
Employment rates in 2016: 55–59-year-olds 75.6% and 60–64-year-olds 47.4%

Source: Labour Force Survey, Statistics Finland



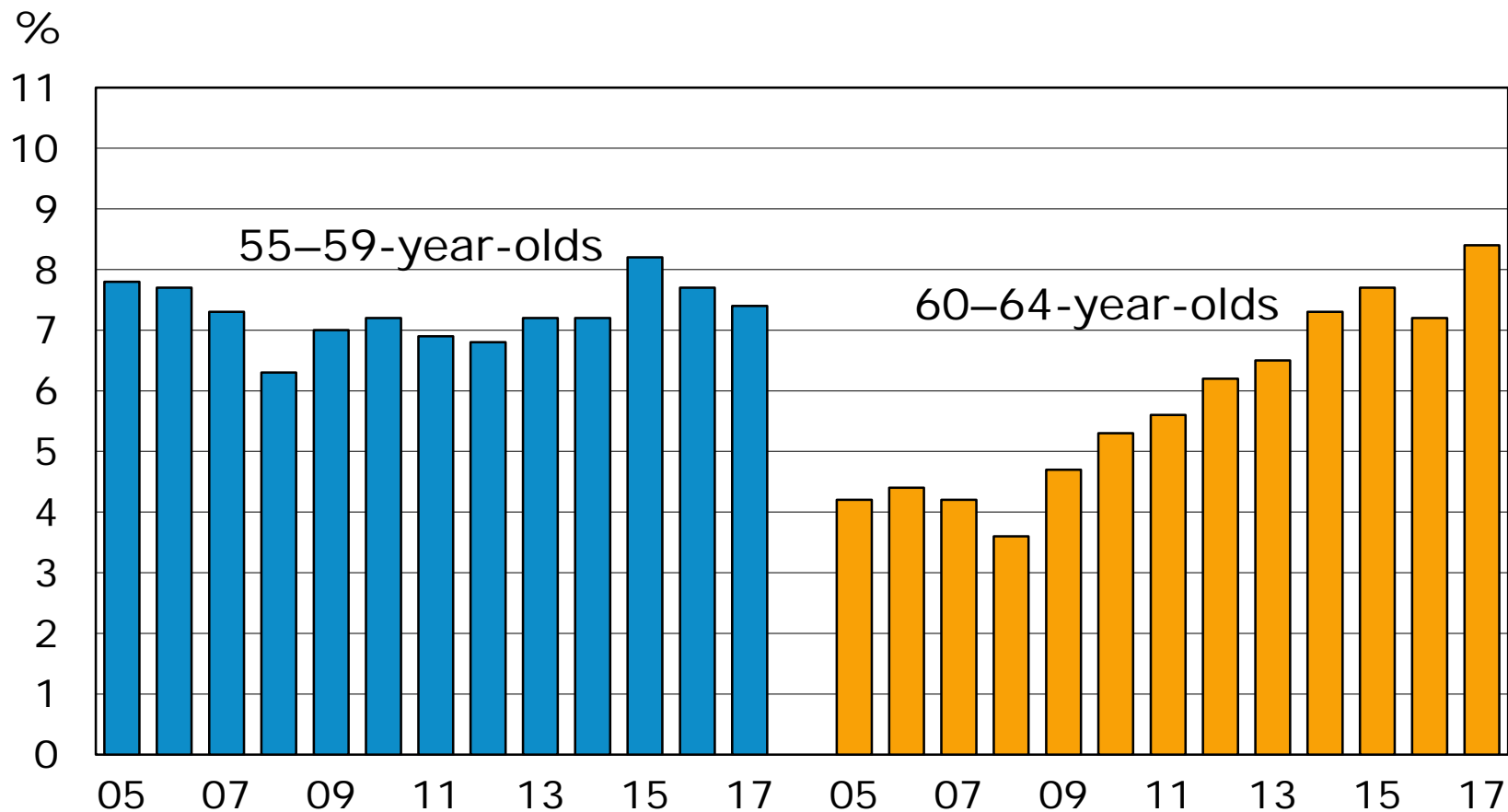
Employment rates for 55–67-year-olds



Source: Labour Force Survey, Statistics Finland



Unemployment rates for 55–59 and 60–64-year-olds in 2005–2017

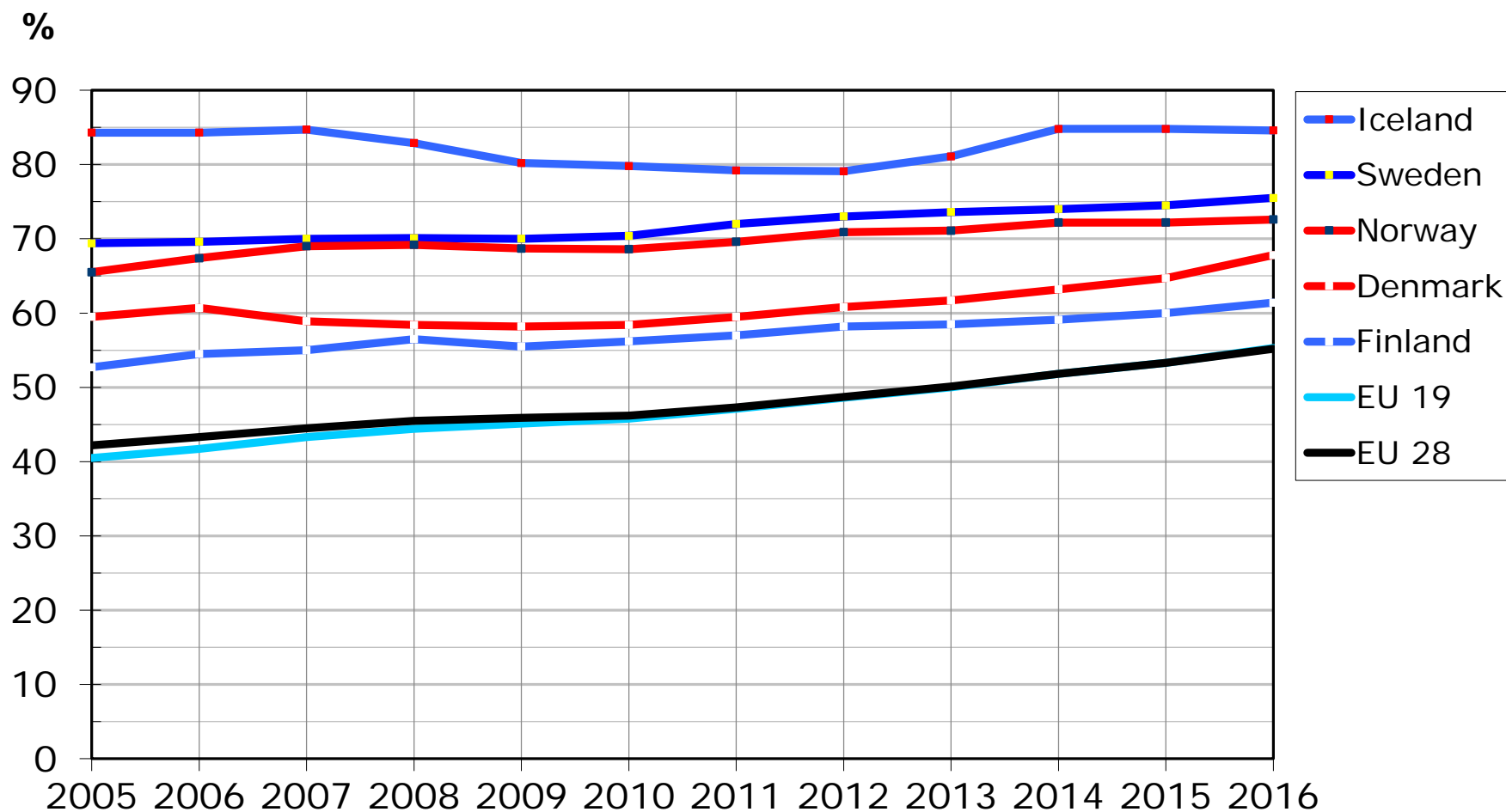


Unemployment rates in 2017: 55–59-year-olds 7.4% and 60–64-year-olds 8.4%
Unemployment rates in 2016: 55–59-year-olds 7.7% and 60–64-year-olds 7.2%

Source: Labour Force Survey, Statistics Finland



Average employment rates of 55–64-year-olds in Nordic and EU countries in 2005–2016



Source: Eurostat, Employment, Labour Force Surveys



Age-cohort differences relative to the employment rates of 55–64-year-olds

(1/2)

- Overall employment rate has not improved since the post-financial-crisis level, but a slight improvement occurred in 2016
 - employment rate of working-age population in 2017: 69.6% (increase of 0.9 percentage points since 2016)
 - favourable development of employment rate of the elderly in the 2000s
 - employment rate of 55–59-year-olds record high in statistical history (76.0%)
 - employment rate of 60–64-year-olds record high in statistical history (49.2%)
 - employment rate of 25–34-year-olds decreased as of 2008 by 6.2 percentage points (74.9% in 2017) – end of decline?



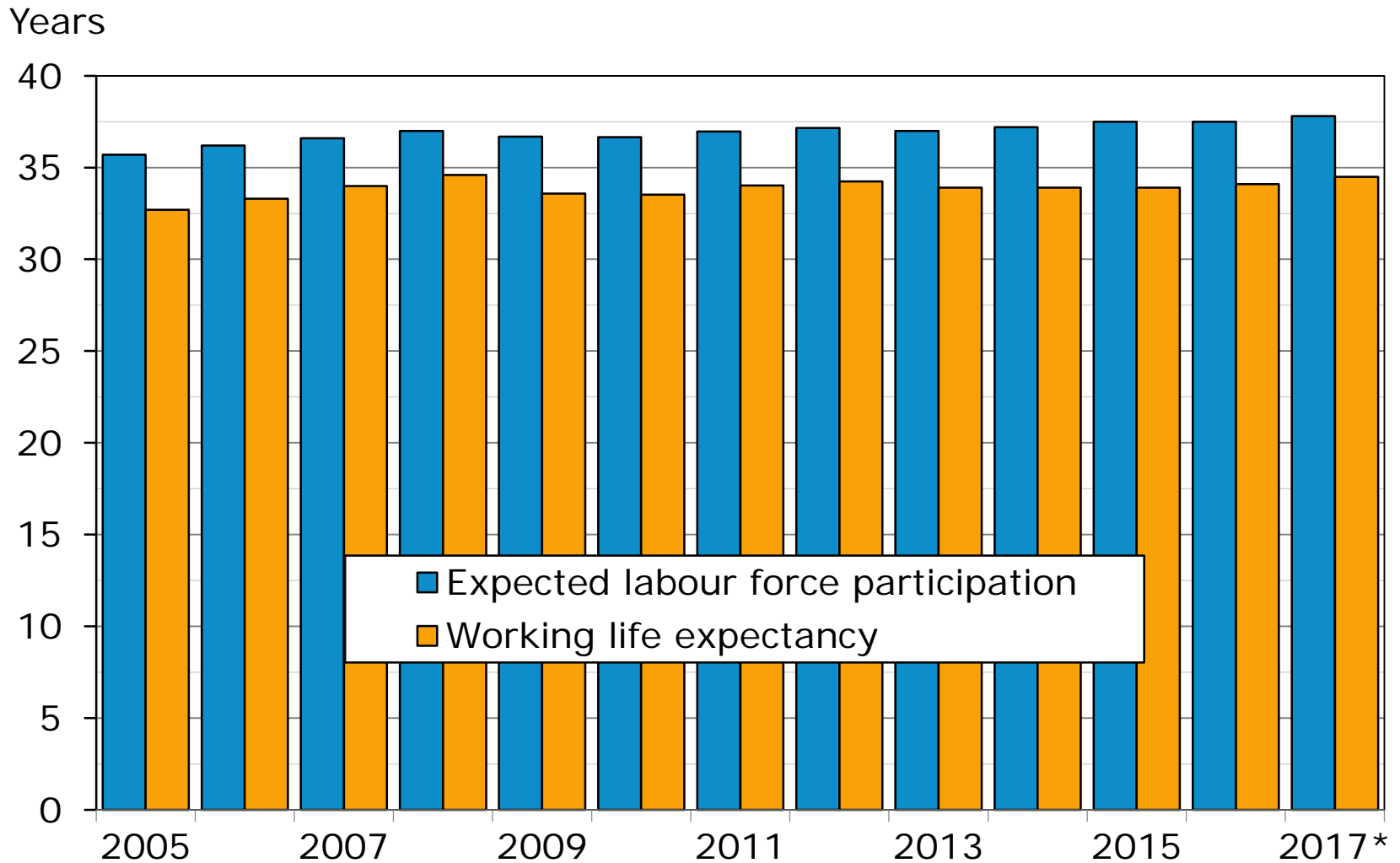
Age-cohort differences relative to the employment rates of 55–64-year-olds

(2/2)

- Finland lags behind the other Nordic countries in regard to the employment of the elderly in 2016
 - closest to Finland is Denmark, which is a few percentage points ahead of Finland – the gap has widened
 - the EU27 countries lag behind Finland by 6.2 percentage points – the gap has narrowed



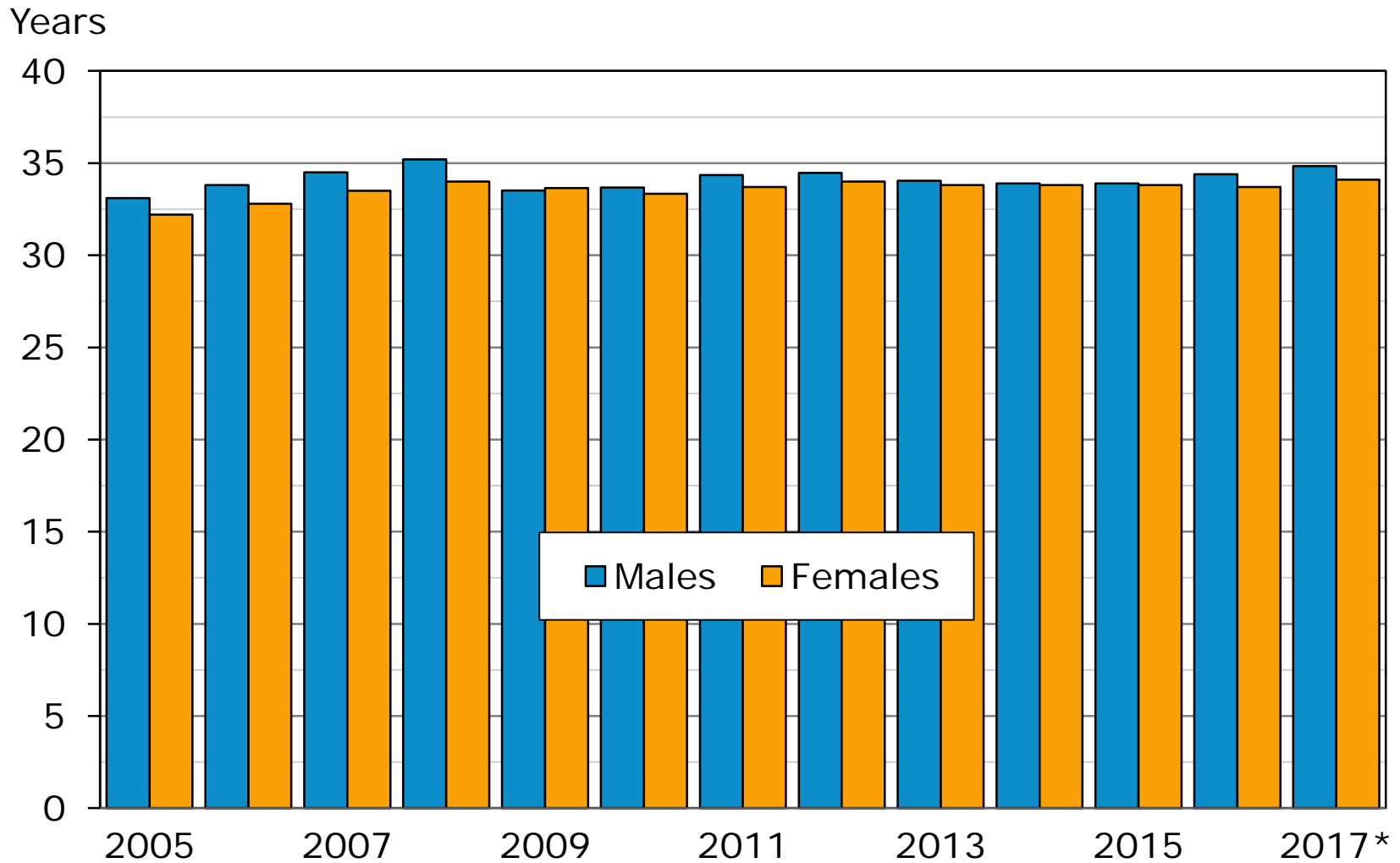
Expected length of working life for a 15-year-old 2005–2017



* Estimate based on the population's mortality rate in 2016.



Working life expectancy for a 15-year-old 2005–2017



* Estimate based on the population's mortality rate in 2016.



Length of working life in 2017

- Working life expectancy in 2017: 37.8 years
 - an increase of 0.3 years compared to 2016
 - an increase of 2.8 years in the 21st century
- Working life expectancy in 2017: 34.5 years
 - an increase of 0.4 years compared to 2016
 - 34.8 years for males (increase of 0.4 years compared to 2016)
 - 34.1 years for females (increase of 0.4 years compared to 2016)
- Working life expectancy has increased by 3.0 years in the 21st century
 - males: an increase of 2.4 years
 - females: an increase of 3.5 years

