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## **ABSTRACT**

The ageing of the population challenges the financing of pensions in the future, therefore, pension systems have been reformed in many countries. In addition to reforming the financing principles of pensions, an important aim for social policy has become the postponement of retirement. In Finland, the pension reform entered into force at the beginning of 2005, with the aim, through different measures, to encourage workers to stay on at work. This article, using extensive survey-data, examines the plans of Finnish wage and salary earners relating to continuing at work. The study is divided into four aspects: the intended retirement age, the effects of economic incentives, continuing at work until the age of 68 and the willingness to work during old-age pension. The results show that those planning to continue at work are most likely to be males, to be highly educated, to be private sector workers with good health and to be individuals who are living alone. Private pension insurance and long work careers negatively affected plans to continue working. Activities relating to the treatment of older workers in the workplace as well as job demands and the extent of control over work also had an effect. Managerial work, features of the job and job satisfaction were of importance but to a lesser extent than the aforementioned factors. All in all the results showed that the aim of postponing retirement is challenging. Most workers do not want to continue at work but would rather retire as soon as possible. Risk groups relating to early retirement can be identified on the basis of the results and therefore it is possible to plan and carry out measures to support their continuing at work.

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# 1 Introduction

In the last few years pension systems have been reformed in many countries and more reforms are being planned. The reason for this is above all the age structure of the population and the worry of how to secure the financing of pensions when the baby boomers, born after the Second World War, retire. The reaction to this challenge has been to reform the financing principles of pension systems in a direction that emphasizes funding (see e.g. Hinrichs 2000; Myles & Pierson 2001). On the other hand, postponing retirement and extending working careers have become important social aims. For example the European Union has emphasized the importance of the employment rate of aged work force in order to maintain reasonable and lasting pension security (European Commission 2002; 2003). As to pension policy, a change in working life makes it challenging to reach the important target of extending working careers. Globalisation has tightened up competition and companies' performance targets. In addition it has polarised the qualification standards of workers and also increased uncertainty in working life (Gallie 2002). As labour markets change, the position of older workers is particularly vulnerable (Jacobs, Kohli & Rein 1991; Hytti 2004).

Generally speaking it is possible to attempt to postpone retirement in three different ways. Firstly, the conditions for retirement can be tightened up by raising age limits or abolishing entire early pension schemes. Secondly, the economic incentives for continuing at work can be increased by raising the pension accruals. Thirdly, it is possible to support workers' health and other important resources related to continuing at work and to improve the conditions of working life. The aim of the Finnish pension policy has, since the early 1990's, been to postpone retirement by 2–3 years (Komitean mietintö 1991:4). This aim has also been written into the government programme of the present government ([www.government.fi](http://www.government.fi)). Several changes were made to the Finnish employment pension systems during the 1990's (see Hinrichs & Kangas 2003). A reform, which has been said to be the greatest in the history of the whole system, came into force at the beginning of 2005. In the reform, early retirement schemes were pruned, the calculation rules for pensions have been changed, the economic lure of continuing at work was increased and the old-age pension system became flexible.

In addition to changing the pension system, many measures have been taken in Finland to develop working life and to support workers' ability to work longer and postpone their retirement. The most extensive measure relating to working life has been the National Programme for Ageing Workers, which operated between 1998 and 2002 and aimed at making attitudes towards ageing workers more positive (Ministry of Social Affairs and Health 2002). There are many ongoing working-life development programmes; some are national while others focus on specific labour market sectors or single branches. Legislation

and activities relating to rehabilitation have also been developed. All in all it can be said that the Finnish pension policy has changed towards a strategy of integrative work policies during the last decade (Gould & Saurama 2003). Similar changes in policy have taken place in many OECD countries (Gould & Laitinen-Kuikka 2003).

Among the most central research area of social policy science is the study of what kind of choices people make within the systems. One of the most important choices is whether workers participate in paid labour or whether they leave work and earn their living from social security (work vs. welfare). Social security has been organised effectively if the system does not encourage individuals to leave work (Barr 1998). The question of incentives is especially relevant to pension systems because retirement as a rule means a final withdrawal from working life. Particularly when systems change, it is necessary to study how those changes affect people's choices and whether they bring about a modification in behaviour which is in line with the aims of public policy. In all countries which reform their pension systems, the important question is whether the reform really evokes longer working careers.

This article examines the plans of Finnish wage earners aged 45–64 years relating to continuing at work on the basis of extensive interview material. Firstly, it is examined whether Finnish older workers on the whole plan to continue at work and whether economic incentives increase the interest in continuing. Secondly, the way in which different socio-demographic and socio-economic factors are related to plans to continue at work is analysed more closely. In addition, the importance of factors relating to health and working life is analysed. There are many previous studies on retirement, however there are fewer studies investigating to what extent and why workers are willing to continue at work when retirement is an option within the system. This is the contribution of the article to retirement studies.

The article is organised as follows: The next chapter presents the central features of the pension reform and discusses the Finnish reform and challenges for pension policy in the international perspective. After that factors explaining retirement in earlier studies are reviewed. Then the data, measures and methods used are presented. The empirical part of the article is organised such that the intentions of workers related to continuing at work are first examined generally. This is followed by an analysis of how these intentions are connected with different socio-demographic and socio-economic background variables. In this way it is possible to get an exact picture of which worker groups have the potential to continue working and which do not. After this, we analyse how intentions to continue at work are related to different features of working life and organisations. These results show how the conditions of working life affect the choice of workers to continue at work and how they should be developed if the aim is to postpone retirement.

## 2 The Finnish pension system and the reform of 2005

The Finnish statutory pension system consists of two statutory schemes, an employment-based earnings-related pension scheme and a residence-based national pension scheme. Together these first-pillar schemes have universal coverage. The aim of the earnings-related pension scheme is to maintain the attained income level to a reasonable degree and the national pension guarantees a minimum pension level for those with no or only very small earnings-related pensions (Hietaniemi & Vidlund 2003). The earnings-related pension scheme was introduced in the early 1960's and the national pension scheme as early as the 1930's.

Together the national pension and the earnings-related pension guarantee pension income in the event of old age, disability, long-term unemployment and death of the breadwinner. The national pension is benefit-tested: it decreases as the earnings-related pension increases. No national pension is paid at all when the amount of earnings-related pension exceeds a certain level (in 2005 about 1000 euros/month). The importance of national pension is decreasing and nowadays the earnings-related pension is the main source of pension income for most pensioners.<sup>1</sup> The role of the second-pillar occupational pension provision is rather small in Finland as is the role of the third-pillar personal pension provision.<sup>2</sup> Supplementary occupational pension security is provided by fewer than 20 per cent of private sector workplaces. However, only about 10 per cent of employees in the private sector are covered by these systems (Ahonen 2006).

Since the early 1990's several changes in the employment pension legislation have been carried out in Finland; these changes have aimed at rising the average retirement age and controlling the growth of costs (see Hinrichs & Kangas 2003). However, the most profound pension reform took place at the beginning of 2005. A main aim of the reform is to rise the average retirement age by 2–3 years in the long term. In 2003, the average retirement age

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<sup>1</sup> In 1990 national pensions accounted for 22 per cent of the earnings package of pensioner household, and just over 12 per cent in 2000 (Uusitalo, Sallila & Hagfors 2003).

<sup>2</sup> About 10 per cent of the employees in the private sector are covered by voluntary pension provision arranged by employers and about 15 per cent of the working age population have private pension insurance. These groups are partially overlapping (Ahonen 2004). During the past years the number of private pension insurances has, however, increased rapidly (Insurance Supervisory Authority 2004). Their significance for the overall pension provision is however so far small in Finland.

was 58.9 years measured by the expected effective retirement age (i.e. the expectancy).<sup>3</sup> No notable increase in the retirement age was observed between 1995 and 2003 (Kannisto 2004).

Focus of the 2005 reform was the earnings-related pension scheme. The reform kept the minimum pension guarantee provided by national pension essentially untouched. With the pension reform, the formerly fixed retirement age of 65 years became flexible in the earnings-related pension scheme. It is now possible to retire on the old-age pension accrued up to that point at the age of 63. The upper limit for the old-age pension is now 68 years. A substantial bonus accrual rate is introduced for those who stay on at work beyond the age of 63. From that age pension accrues at the rate of 4.5 per cent of the annual income whereas the accrual rate for those aged 53–62 is 1.9 per cent, and for those under the age of 53 the accrual rate is 1.5 per cent. Under the reform, the flexible retirement age system applies to all labour market sectors equally. Lower retirement ages of the oldest workers in the public sector have, however, been protected under the reform.

Raising the age limit for early retirement also aims at postponing retirement. From the beginning of 2005, the age limit of early retirement rose by two years, from 60 to 62 years. Now it is possible to take old-age pension only one year early. In that case the reduction in pension per year is 7.2 per cent. The reduction remains permanently in force. Raising the age limit for part-time pension by two years and the abolition of the individual early retirement pension and the unemployment pension are also aimed at postponing retirement.

In Finland, the unemployment pension system has been related to the so-called unemployment pathway, which was an important channel for withdrawing from the labour market in the 1990's especially in the private sector (Hytti 2004). In this system older workers were entitled to a so-called extended unemployment allowance after the actual daily unemployment allowance period (500 days) was over. This so-called "pension tube" guaranteed income until the age of 60 years, at which time an unemployed person with certain preconditions is entitled to an unemployment pension. Although the entitlement to unemployment pension expires for those who were born in and past 1950, they are still entitled to an additional daily allowance until old-age retirement.

In the pension reform of 2005, the earnings principle has been strengthened by a change in the pension calculation. Today a pension is calculated from the income of each year whereas before a pension was determined by the income of the last ten years of each employment relationship. The reform also introduces a life expectancy coefficient, which

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<sup>3</sup> The expected effective retirement age (i.e. the expectancy) is an indicator for calculating the average retirement age. The indicator is based on the same method as the calculation of life expectancy. It takes account the retirement risks in each age group. The indicator is sensitive to changes in the retirement risk. It is also independent on the age structure of the population. Therefore it is possible to make comparisons between different populations and different times (Kannisto 2004).

takes changes in life expectancy into account when calculating pension entitlements. This coefficient will be applied for the first time in 2009.

Since the reform, it has become more difficult to retire early and more profitable to stay at work. Therefore it is estimated that the reform will increase employment among the oldest sector of the working age population and a larger and an increasing proportion of employees will retire directly with an old-age pension (Takala and Uusitalo 2002). Today, this proportion is rather small. In the earnings-related pension scheme 30 per cent of all retirees left working life directly on an old-age pension, 35 per cent left on a disability pension and 33 per cent left on an unemployment pension in 2003 (Eläketurvakeskus et al 2005).

Most developed countries have substantially reformed their pension systems over the past two decades. The main motive to these reforms has been a fiscal one, to improve the sustainability of public pension systems. Improving work incentives has also been a goal. (European Commission 2002; OECD 2005). In the ageing population early exit from the labour force and increasing life expectancy accelerates growth of pension expenditure. Measures for firming financial sustainability of pension systems include increasing actuarial neutrality of pension systems, prefunding for future pensions, controlling the increase of contribution level, restricting early retirement and making continuing at work more desirable. The Finnish pension reform 2005 includes all these measures.

### 3 Factors explaining retirement

Retirement is usually studied with surveys or register data or a combination of the two. Intentions related to retirement have been examined using survey-studies and the actual retirement examined using register-data. In both of these research traditions the explanatory factors are often classified into socio-demographic factors, health and factors related to work and economy. Earlier studies on retirement form a starting point for the article's examination of continuing at work.<sup>4</sup>

#### Socio-demographic factors

An almost trivial finding is that "the risk" of retiring increases as the worker gets older (e.g. Mein et al 2000). In addition, plans for retirement are connected with age in such a way, that the willingness to retire increases with years (Piispa & Huuhtanen 1995; Forma 2004). Thoughts of early retirement however decrease again in the oldest age groups because persons, who have resources important for staying on at work, such as good health, appropriate skills etc., are over-represented in the oldest working age groups (Gould 2001, Tuominen ja Pelkonen 2004).

Earlier research results concerning the importance of gender for retirement are partly contradictory. According to some studies, women retire earlier than men (Ruhm 1996). On the other hand, it has been noted that that men retire earlier than women (Dahl et al 2004). There are differences between gender so, that a proportion of men plan to retire earlier than women while another proportion of men tend to retire later than women (Forma et al. 2006). These differences are explained by differences in health and personal retirement ages. A third group of studies is formed in which the retirement age of men and women does not differ (e.g. Lilja 1996) and differences in retirement plans are not related to gender (Saurama 2004). An important feature of the studies on men's and women's retirement behaviour is the contingency of retirement with different family factors and life circumstances. For example according to Ruhm (1996,) there was no difference between

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<sup>4</sup> Continuation at work has been examined in Finland in relation to the 2005 pension reform before this project in two different research projects (Forma & Väänänen 2003; Tuominen & Pelkonen 2004). The questions used in these studies were slightly different than in this paper and the examination was only directed only to one labour market sector at a time. The results of the studies have indicated that the factors connected with continuing at work are similar to the factors relating to early retirement (for example health, factors relating to working life and economic situation). This indicates that when studying continuing at work it is possible to base theories on the results of earlier studies dealing with retirement and intentions of retirement. However, it must be noted that the importance of these factors is not necessarily exactly the same for continuing at work as it is for early retirement.

the retirement age of unmarried men and women but married men participated in work until an older age in contrast to married women who retired earlier. It has been recognized that if an individual has a retired spouse their probability of leaving work increases (e.g. Lilja 1996; Hakola 2002). According to Szinovacz and DeViney (2002), husbands' retirement depended on their wife's social security benefit status, whereas wives' retirement was connected with the income level of the family. According to Perrachi and Walch (1994) children increase men's propensity to participate in work, whereas for women, children were not of consequence to retirement. It has also been noticed that retirement is connected with the quality of their marital relationship and the work division models in the family (Szinovacz 1996).

Socio-economic status in many ways determines the worker's position on the labour market; it determines among other things the characteristics of the work path, health habits and general health as well as economic situation. Thus socio-economic position indirectly affects retirement. Workers belonging to lower socio-economic groups retire earlier than those of higher socio-economic groups (Mein et al 2000; Grundy & Glaser 2001; Hakola 2002). In the age group of 45–64, however, lower socio-economic and educational groups have performed longer working careers than the higher ones (Väänänen et al 2006). Socio-economic status is also of importance for pension intentions expressed in surveys (Taylor & McFarlane 1995; Forma 2004).

## **Health**

Sufficient health is a necessary resource for staying in working life. Health has been measured in many different ways in studies on retirement. Sickness absence (Kivimäki et al 2004), unhealthy lifestyle (Rothenbacher et al 1988) and doctor's assessment on worker's ability to work (Åstram et al 1988) have explained actual retirement. Self-assessed health has been found to be related both to retirement plans (Norregaard 1992; Huhtaniemi 1995) and to actual retirement (e.g. Henkens & Tazelaar 1994; Mein et al 2000; Månssån & Råstam 2001). However, the importance of health varies in different paths of retirement (Hakola 2002; Saurama 2004). It should also be noted that the importance of health is related to the demands and other characteristics of the job as these factors determine what health status is sufficient for continuing at work.

## **Work**

It has been noticed that many features related to work and working life are connected with retirement or planning it: workers who were satisfied with their job planned retirement less than those who were dissatisfied (Palmore et al 1982; McGoldrick & Cooper 1990; Reitzes et al 1998). Older employees consider certainty about keeping their job the most important factor that would help coping at work as long as possible (Lehto & Sutela 2005). Hard jobs,

strenuous work postures, long working hours and noisy working conditions as well as little control over work situations increase the risk of taking early retirement (Krause et al 1997). According to Karasek's (1979) model, essential factors for work stress are the demands of the job and control over work. In particular, the combination of having great demands and little control induces a critical situation: it brings forward the plans for retirement (Elovainio et al 2005). According to Huhtaniemi (1995) heavy mental demands at work and little work-related social support were an explanation for intentions for early retirement. In the study by Blekesaune and Solem (2005), physically demanding work combined with little autonomy was connected to a greater risk of going on a disability pension. In the same way, it has been recognized that problems related to work communities (Krause et al 1997) and organisational changes (McGoldrick & Cooper 1990; Henkens & Tazelaar 1994) are connected with workers' plans to retire.

### **Pension schemes**

Pension systems themselves are important factors affecting retirement because, after all, the criteria of different pension types determine who can retire. Aside from the pension system, other social security schemes, such as unemployment benefit, are important factors affecting the aged work force's decision to continue at work (Blöndal & Scarpetta 1999; Hytti 2004). Pension systems can also vary for different groups of workers. In Finland, in the oldest age groups working in the public sector, younger retirement ages are an option – this presents the opportunity for an earlier withdrawal from working life. Also additional security, acquired by workers themselves from the private market, affects the possibilities for retirement and differentiates the alternatives for different workers. Private pension insurance schemes are more common in higher socio-economic groups in Finland (Ahonen 2004; Väänänen 2004).

An important part of the features relating to the system are economic incentives for continuing at work. According to some studies, the compensation level of pensions, the economic advantages provided by continuing at work (Gruber & Wise 1999; Blöndal & Scarpetta 1999), and the economic situation of the person who retires and the household in general (Palmore & George 1982; McGoldrick & Cooper 1990) are of importance for retirement. Compared with other factors concerning retirement, such as health, the importance of economic factors is however small (Hakola 2002).



## 4 Research design, data and methods

The article examines the intentions of older Finnish workers to continue at work. Thus the research design is based on Beehr's (1986) model describing the process of retirement whereby the worker has the intention to retire before the actual retirement age. The factors explaining these intentions are for example different socio-demographic, work-related or health aspects. While the actual retirement is usually examined with register material, it is possible to examine retirement intentions with surveys. The weakness of using surveys compared with register material is uncertainty. It is not certain whether people actually take the measures which they purport to in the survey. On the other hand, surveys also exaggerate the authority of workers concerning their own retirement (Berglund 1994). Also many circumstances other than worker's intentions affect retirement – pension legislation and demand for labour for example. The strength of surveys in pension studies is that they provide an opportunity to use many variables about which it would otherwise be difficult or even impossible to get information.

The data set used is "Working Conditions 2003" – data collected by Statistics Finland using face-to-face interviews at the end of 2003 and the beginning of 2004 (N=4104, answering rate 78).<sup>5</sup> The data is one of the largest surveys on conditions of Finnish working life. It was collected previously in 1977, 1984, 1990 and 1997 (see Lehto & Sutela 2005). The material includes, among other things, many aspects of issues on working conditions, ability to work, health and working atmosphere. The analyses in this article are limited to wage earners aged 45–64 (n=1807). This is justified because continuing at work is a more topical issue for the oldest group of workers.

Previously, retirement has been examined from the perspective of early retirement. The question in these studies has been who retires before reaching old-age pension age. The perspective in this article is slightly different. The aim of the examination is to find out who is willing to continue at work after retirement is possible within the system. The first point of interest is how large the share of workers is who are prepared to continue at work. Secondly, a closer analysis is made of which worker groups are prepared to continue at

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<sup>5</sup> The data includes 44 per cent (800) men, 56 per cent (1007) women, 33 per cent (598) of 45–49 year olds, 32 per cent (573) of 50–54 year olds, 28 per cent (500) of 55–59 year olds, 7.5 per cent (136) of 60–64 year olds. Of the respondents, 78 per cent (1416) are in relationships and 22 per cent (391) single, 10 per cent (178) of the respondents have a basic level education, 65 per cent (1181) have secondary education and 25 per cent (448) are highly educated. 59 per cent (1056) work in the private sector and 41 per cent (758) in the public sector. 30 per cent (546) of respondents have a private pension insurance or have made other financial preparations for their pension years, 70 per cent (1259) have no such arrangements. Average length of the working career of respondents is 27.2 years.

work, as well as which kind of working conditions are related to the intention to continue at work. Thirdly, regarding the subject matter, it is interesting to examine to what extent factors which explain continuing at work are the same as those which, in previous studies, have explained early retirement.

The pension reform, which came into force in Finland in early 2005, provides a good context for these examinations. Several questions relating exactly to the pension reform were formulated. The dependent variables of the article were constructed from the following questions and their answering alternatives:

(1) Intended retirement age: *At which age do you think you will go on a full-time pension?*

The minimum age for a flexible old-age pension is now 63 years and therefore the respondent was categorized as a “continuer” if s/he stated that s/he intended to retire after age 63.

(2) Economic incentives: The pension reform improves the pension of those who continue longer at work. From the beginning of 2005 pension accrues from the age of 63 at a higher rate. Does this increase your willingness to continue at work after age 63?

Answer alternatives: 1) “yes, and I believe that it is possible”, 2) “yes, but maybe my health will not allow it”, 3) “yes, but maybe my employer will not want me to continue”, 4) “no”. Those who chose alternative 1) were categorized as continuers.<sup>6</sup>

(3) Continuing at work until the age of 68: *The general retirement age is at present 65 years. From the beginning of 2005 it is possible to claim an old age pension between the ages of 62 and 68. Could you consider continuing in gainful employment until age 68?*

Answer alternatives: 1) “yes, and I believe that it is possible”, 2) “yes, but maybe my health will not allow it”, 3) “yes, but maybe my employer will not want me to continue”, 4) “no”. Those who chose alternative 1) were categorized as continuers (see reference 6 at the end).

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<sup>6</sup> Those who chose the alternative replies 2 and 3 are also willing to continue at work. However, they question their possibilities to continue either due to poor health or their employer’s attitude. Besides the analyses made showed that for example health is in a reverse way connected with choosing alternatives 1 and 2 so that it was not possible to combine these classes. Thus those who chose alternative 1 represent the group of respondents who are willing to continue at work and who believe that it is possible. They can be said to be the most probable persons to continue at work.

(4) Working while receiving the old age pension: *Could you consider continuing at work to some extent while receiving your old-age pension?*

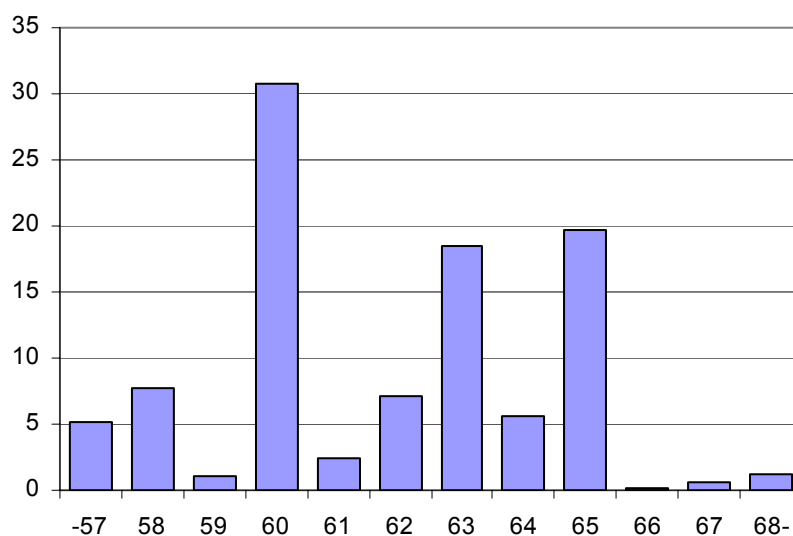
Answering alternatives: 1) "yes", 2) "no". Dependent variable was formed from those who chose alternative 1).

The methods used are examination of frequencies and cross-tabulation and also, as a multivariate method, a logistic regression analysis which enables a dichotomous dependent variable (is/is not willing to continue at work). Multivariate analyses examine how different underlying socio-demographic and socio-economic factors and other factors relating to health and the demands and conditions of work are connected to the intentions to continue at work. Some of these factors have been found to be essential in earlier studies of retirement (see discussion above); some are factors whose importance for intentions to continue at work are examined in this study for the first time. Underlying factors to be examined are gender, age, education, marital status, self-assessed health, length of working career, possible private pension insurance acquired by the worker or any other financial plan for retirement, and the job sector. All information mentioned is based on survey information except the length of the working career, personal retirement ages and the job sector which are based on register information. Aside from the importance of managerial activities, the impact of the mental and physical strain of work and job satisfaction on individuals' intention to continue at work is also examined. Relating to working life, the importance of the attitude of the organisation and the demands of the job as well as individuals' control over their job are also considered. The wordings and alternative replies of the questions concerning working life are given in Appendix 1.

## 5 Results

Figure 1 shows that the age at which respondents intended to retire accumulates particularly around 60, 63 and 65 years. Most (31%) intended to retire at age 60. Thus the role of a worker seems to be connected with the age under 60 whereas the role of a pensioner is linked to over 60 year olds – 60 years is a turning point. For some workers in the public sector, and for some branches, such as teachers, the fact that the minimum retirement age for personnel is 60 years may have some impact on the accumulation of the intention to retire at age 60. Likewise for those, who have acquired private pension insurance, intentions to retire also accumulate at this age (Ahonen 2004). The accumulation of the intention to retire at ages 63 and 65 can be interpreted as reactions to the age limits of the new and old retirement system. The minimum retirement age according to the new flexible old age pension system is 63. Thus those who plan to retire at age 63 are workers who plan to retire "as soon as possible". Also many of the minimum retirement ages of the public sector are around age 63, which for its part explains the accumulation of intentions at this age. The third accumulation point, 65 years, which was the old fixed retirement age in the private sector before the pension reform and was also the target age for retirement in the younger age groups in public sector. This age limit may make 65 years as a target age for continuing at work for some. All in all, it is worth noting in this figure that although the new system provides an opportunity to continue at work until age 68, only very few workers plan to continue at work after age 65.

*Figure 1. Intended retirement age of Finnish wage earners aged 45–64, %.*



**Table 1.** Intentions of Finnish wage earners to continue at work, % (n).

Intended retirement age in full years		
At least 64 years	29,5	
At most 63 years	<u>70,5</u>	100.0 (1744)
Does the accelerated pension accrual included in the pension reform increase your willingness to work when you are over 63?		
Yes, and I believe that it is possible	16.2	
Yes, but maybe health will not allow it	8.0	
Yes, but maybe employer will not want it	2.0	
Does not increase	<u>73.7</u>	100.0 (1785)
Could you consider continuing at gainful employment until age 68?		
Yes, and I believe that it is possible	8.2	
Yes, but maybe health will not allow it	5.6	
Yes, but maybe employer will not want it	1.7	
No	<u>84.5</u>	100.0 (1791)
Could you consider continuing at work to some extent during your old-age pension?		
Yes	34.0	
No	<u>66.0</u>	100.0 (1780)

The intended age for retirement is examined more broadly using different questions in Table 1. The majority of respondents share the view on the intended retirement age: 70 per cent plan to retire no later than at the age of 63. Thus the Finns intend to use the flexible range provided by the new old-age pension system rather sparingly. Economic incentives do not seem to be of great importance as only 16 per cent of the respondents state that a larger pension accrual increases their interest in continuing at work.<sup>7</sup> Withdrawal from the labour market and finishing work are not however the same, as 34 per cent of wage earners think that they could work to some extent while receiving an old-age pension. The pension reform makes it possible to continue at work until the age of 68. However, continuing at work until that age is only of interest to a small number of wage earners (8%). Though the reform emphasizes the worker's choices regarding retirement, it can be assumed that the

<sup>7</sup> In this study respondents were asked for an opinion on the importance of economic incentives for continuing at work whereas the importance of economic incentives is usually examined with register material and based on a follow-up scheme. It is not possible to compare directly with each other results of researches which use different materials and methods.

employer's attitude is also of great importance. According to workers, their employers' attitude would not hinder them significantly in making their decision about continuing at work. Instead, there is a greater number of workers who would be willing to continue at work though do not believe that it will be possible for health reasons.

In Table 2, effects of socio-demographic variables on the intention to continue at work are analysed using a logistic regression analysis. The table gives the values of odds ratios (OR). For each categorical variable one category has been set as a reference-group (marked by 1.000) and other categories of the variable are compared to this reference. The greater the value of the odds ratios the more common are the intentions to continue at work compared with the reference group. The length of the individual's working career in the model is a continuous variable and therefore it does not have a reference-group. However, larger coefficients also refer here to more common intentions to continue at work. Statistical significance is given using a p-value (Wald's test). All the variables are simultaneously in the model so the results given for each variable concern a situation where the influence of other variables has been controlled for.

When all other factors are controlled for, economic incentives for men increase the willingness to continue at work more than for women. Men also estimate that they are able to continue at work until age 68 more often than women, and they take a more positive attitude towards working when retired than women. Thus, it seems that it is more common for men to plan to continue at work than for women. Earlier studies have given partially contradictory results on men's and women's retirement (Lilja 1996; Dahl et al 2004). Here the results for the intentions to continue at work, women taking a more reserved attitude towards continuing at work than men, seem more logical as they are measured using several different questions.

The importance of age for continuing at work differs slightly for different questions. For all questions with statistically significant differences between different age groups, the oldest age group (the over 60 year-olds) takes the most positive attitude towards continuing at work. It seems that this age group is compiled exclusively of workers with resources and motivation to continue working for a longer time (cf. Piispa & Huuhtanen 1995; Forma 2004). Economic incentives increase the willingness to continue working for other age groups, particularly those aged 55–59 years. It can be assumed that just about at this age, planning and giving consideration to retirement and continuing at work often begins or becomes more intense. As to working until 68 years, age is of no importance at all but it is of importance when examining the willingness to work while receiving an old age pension. The willingness to work when retired increases linearly with age. This can again be explained by the observation that the resources and motivation needed to continue at work are more common in the oldest age groups who are still working since potential early retirees have already retired.

**Table 2.** Effects of different underlying factors on plans on continuing at work. Logistic regression analysis, odds ratios, p-values in brackets. All variables are in the model at the same time.

	Intended pension age > 63	Economic incentive increases interest in continuing at work	Could work until age 68	Could work at least to some extent when retired
Man	1,000	1,000	1,000	1,000
Woman	,849 (.152)	,741 (.035)	,540 (.001)	,644 (.000)
aged 45-49	1,000	1,000	1,000	1,000
aged 50-54	,956 (.751)	1,336 (.107)	1,170 (.498)	1,463 (.006)
aged 55-59	1,035 (.836)	1,670 (.014)	1,231 (.462)	1,677 (.002)
aged 60-	3,434 (.000)	2,946 (.000)	1,059 (.891)	2,003 (.002)
In a relationship	1,000	1,000	1,000	1,000
living alone	1,343 (.022)	1,743 (.000)	1,694 (.011)	1,300 (.037)
basic education or less	1,000	1,000	1,000	1,000
upper secondary education	,763 (.037)	1,048 (.771)	1,133 (.587)	1,140 (.308)
tertiary education	1,658 (.012)	1,778 (.020)	3,668 (.000)	3,460 (.000)
poor health	1,000	1,000	1,000	1,000
fairly good health	1,216 (.212)	1,773 (.010)	2,807 (.004)	1,403 (.026)
good health	1,594 (.002)	2,789 (.000)	4,570 (.000)	1,769 (.000)
private sector	1,000	1,000	1,000	1,000
public sector	,895 (.343)	,611 (.001)	,511 (.001)	,797 (.047)
without private pension insurance	1,000	1,000	1,000	1,000
with private pension insurance <sup>1</sup>	,506 (.000)	,650 (.005)	,794 (.240)	1,205 (.098)
length of working career	,816 (.006)	,824 (.037)	,903 (.432)	,847 (.021)

The family composition is also relevant to the intention of continuing at work. It is more common for workers who live alone to plan to continue at work than for those in a relationship. The difference is statistically significant for all questions but the difference between those living alone and those in a relationship is by far the greatest when it comes to economic incentives. All in all the result concerning family relations can be interpreted so

that couples plan to withdraw from work together and this common planning relates to earlier withdrawal from work than the plans made by workers who are single.<sup>8</sup>

Highly educated persons plan to continue working more than those with lower educational qualifications. The greatest difference relates to the willingness to continue at work until age 68 and the attitude towards working on an old-age pension. Education correlates strongly with the socio-economic position. Thus the socio-economic position seems to considerably divide workers into those continuing at work and those planning to stop work.

Health is of great importance for all the aspects of continuing at work. For those who consider themselves to be in good health the intended retirement age is, more often than not, higher than 63 years. In the same way, economic incentives increase the willingness of workers with good health to continue at work. Health is of greatest importance when examining the willingness to continue at work until the age of 68. Good health also makes part-time work a possibility while receiving an old-age pension.

The employment sector is also of importance when planning to continue at work. Wage earners working in the public sector have fewer intentions to continue at work than wage earners in the private sector.<sup>9</sup> This is particularly due to the lower age limit for retirement in the public sector. Previously negotiated lower retirement ages have been protected in the pension reform and they provide an opportunity for an earlier withdrawal from the labour market. When the effect of the lower retirement age is controlled for, the differences between the working sectors disappear almost entirely (see Forma et al 2004).

Workers with private pension insurance, or who have made other arrangements for their retirement, plan to withdraw earlier from work than those who have not prepared financially for retirement. According to Ahonen (2004), the motive for acquiring private pension insurance is also important. Some of those who have acquired private pension insurance have done so in order to be able to take their pension earlier. On the other hand, there is another group which consists of insured persons whose motive is economic, relating to improving the level of the pension or to other fiscal matters. In this case retirement is rather postponed. Though the role of private pension insurance in the Finnish

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<sup>8</sup> Relating to spouse the analyses examined also the importance of spouse's labour market position (working/retired). These results are not, however, statistically significant.

<sup>9</sup> Public sector is divided into municipal and state sectors. It was found out in the analyses which were carried out that the slightest intentions to continue at work are related particularly to working in municipal sector. Even quite comprehensive willingness to work until age 68 or to work while receiving an old-age pension was noticed in state sector. This is probably due to the fact that in Finland there are in state sector some occupational groups (for example university teachers and judges) where it is common to continue long at work.



pension security is not of great importance, it plays a role when workers are considering whether to continue at work or to retire.

The length of the working career is of importance to the intended retirement age, the attractiveness of economic incentives and working while receiving an old-age pension. The longer the working career the worker has behind him/her, the more negative his/her attitude is towards continuing at work. It has also been discovered in other studies that a long working career is an important factor explaining plans for early retirement (Mein et al 2000; Pelkonen 2005). Extension of working careers in different ways is the goal in Finland and many other countries. The goal is challenging because a long working career has a negative impact on workers' intentions to continue at work. The aim to extend working career is especially challenging among lower socio-economic and educational groups, because long work history is typical of these groups (Väänänen et al 2006).

The importance of job satisfaction, managerial work and mental and physical strain at work for intentions to continue at work is studied in Table 3. The table examines the connection of both bivariate associations (column 1) and models (column 2) which, aside from the above-mentioned factors, include age, gender, education and self-assessed health.

**Table 3.** Effects of work-related factors on continuing at work. Logistic regression analysis, odds ratios, p-values in brackets. Effects of individual variables (1) and models (2) which include besides variables in hand also age, gender, education and self-assessed health.

	Intended retirement age > 63		Economic incentive increases interest in continuing at work		Could work until age 68		Could work at least to some extent when retired	
	1	2	1	2	1	2	1	2
<b>Superior gives sufficiently feedback</b>								
disagree somewhat or totally	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
neutral	1,183 (.277)	1,176 (.309)	1,300 (.198)	1,321 (.183)	1,033 (.904)	1,049 (.862)	,989 (.943)	,999 (.997)
Agree somewhat or totally	1,136 (.299)	1,040 (.759)	1,593 (.000)	1,440 (.028)	1,174 (.432)	,939 (.771)	1,358 (.010)	1,338 (.019)
<b>Mental strain of work</b>								
very light or light	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Fairly heavy or very heavy	,820 (.054)	,865 (.198)	1,063 (.637)	1,270 (.093)	,894 (.517)	,917 (.648)	1,038 (.711)	1,055 (.622)
<b>Physical strain of work</b>								
very light or light	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Fairly heavy or very heavy	,851 (.135)	,956 (.711)	,587 (.000)	,685 (.018)	,526 (.001)	,642 (.048)	,739 (.004)	,908 (.412)
<b>Job satisfaction</b>								
very dissatisfied	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Fairly satisfied or dissatisfied	1,460 (.138)	1,143 (.615)	2,857 (.015)	2,195 (.075)	,904 (.806)	,654 (.326)	1,337 (.217)	1,091 (.726)
very satisfied	1,835 (.020)	1,299 (.345)	3,756 (.002)	2,452 (.047)	1,808 (.151)	1,125 (.790)	1,456 (.120)	1,026 (.923)

Managerial work is connected to economic incentives which improve the intentions to continue at work and also the willingness to work to some extent while receiving an old-age pension. Finding work mentally strenuous only relates to intended retirement age to the extent that those with a mentally strenuous job plan to retire earlier. Finding work physically strenuous is more significant. Economic incentives do not result in stronger intentions to continue at work for the respondents who find their work physically strenuous. Finding work physically strenuous also lessens the intention to continue at work until 68 years and the willingness to work while receiving an old-age pension. Job satisfaction becomes important for economic incentives and it is also, as an individual variable, connected with the fact that the intended retirement age is higher than 63. In a model where the influence of other factors has been controlled for, the importance of job satisfaction is no longer statistically significant. All in all the importance of factors examined here for continuing at work is fairly minimal although it has been noted in several earlier studies that these factors are important for retirement or the planning of retirement.

In addition to the factors examined above, the attitude of organisations may be of importance as to how workers plan to continue at work. Table 4 examines the importance of demands set by work, possibilities to influence on work and attitudes related to treatment of ageing workers in organisations. Of these attitudes the use of an unemployment pathway (cf. description of the Finnish pension system above) as well as the respondents' impression of whether continuing at work is encouraged at their workplace are examined. The sum variable measuring work demands was formed based on issues on intensified performance follow-up and economy measures.<sup>10</sup> The table gives the influence of both individual variables (column 1) and the influence of variables in models (column 2) which include age, gender, education and self-assessed health besides the variables shown in the table.

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<sup>10</sup> Sum variable was formed by calculating together the variables concerning intensifying of performance follow-up and economy measures (see questions and alternative replies in appendix 1). Thus no change has taken place in work demands if the answer to both questions has been negative. On the other hand demands have tightened up "to some extent" if the answer to either question has been positive and demands have tightened up "much" if the answer to both was positive. The value of Cronbach's alpha test which measures reliability was 0.57. The test value was fairly low but the decision was made, however, to use the sum variable in analyses.

**Table 4.** *Effects of the attitude of organisations and work demands and their influence on plans for continuing at work. Logistic regression, odds ratios. Effects of individual variables (1) and models (2) which include - besides the variables at hand - age, gender, education and self-assessed health.*

	Intended retirement age > 63		Economic incentive increases interest in continuing at work		Could work until age 68		Could work at least to some extent when retired	
	1	2	1	2	1	2	1	2
<b>Unemployment pathway</b>								
Used	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
not used	1,964 (.000)	1,809 (.000)	1,394 (.065)	1,290 (.280)	1,536 (.086)	1,520 (.139)	1,167 (.237)	1,073 (.627)
<b>Attitude of the workplace towards continuing at work</b>								
yes	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
no	1,020 (.881)	1,007 (.962)	1,792 (.000)	1,817 (.000)	1,598 (.019)	1,544 (.047)	1,474 (.001)	1,421 (.008)
<b>Increase in the work pace (due to economic measures or performance targets)</b>								
no	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
to some extent	,734 (.029)	,780 (.108)	,870 (.417)	,921 (.663)	,881 (.573)	,813 (.390)	1,015 (.917)	,982 (.903)
much	,497 (.000)	,571 (.000)	,588 (.000)	,666 (.030)	,445 (.000)	,432 (.001)	,785 (.062)	,800 (.121)
<b>Possibilities to influence working pace</b>								
not at all	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
to some extent	1,368 (.077)	1,375 (.123)	1,987 (.007)	1,958 (.021)	1,361 (.316)	1,304 (.459)	1,771 (.001)	1,694 (.009)
much	1,634 (.011)	1,373 (.164)	2,520 (.001)	2,066 (.020)	1,624 (.142)	1,246 (.569)	1,899 (.001)	1,697 (.017)

The so-called unemployment pathway was an important channel for leaving work in Finland in 1990's (Hytti 2004). The use of the system is also reflected in workers' intentions to continue at work. In the workplaces where an unemployment pathway has not been used, the intention to retire is more often aimed at an age of over 63 than in the workplaces where it has been used. The unemployment pathway is not important for other variables measuring the intentions to continue at work. However, the attitude of the workplace in relation to supporting employees in continuing at work is of importance. Economic incentives make greater the intentions to continue at work in workplaces where, according to workers' assessments, there is an attitude which supports continuing at work. Likewise workers take a more positive attitude towards working until age 68 and they are also more likely to work while receiving an old-age pension. The work pace, which has increased due to economic measures or heightened performance targets, is related to intentions of retiring before the age of 63. Increased demands at work also decrease the effect of economic incentives for the plans to continue at work. Hence it may be concluded that the policy, which is more apparent nowadays, of improving productivity by cutting costs and increasing efficiency demands conflicts with the aim of postponement of retirement. If the worker has some control over his work it compensates the demands set by work (Karasek 1979). The influence on the pace of work really is important because workers who have some influence find working while receiving an old-age pension a more likely option, and so economic incentives also increase the willingness to continue at work. All in all controlling for underlying factors only slightly alters the effect of examined factors on the intentions to continue at work.

On the whole the importance of work demands and the attitudes of organisations regarding the intention to continue at work proved to be greater than the importance of the above examined physical and mental strain of work, job satisfaction and the quality of the managerial staff were. Also the importance of many other variables related to working life for continuing at work was tested in the analysis but their importance was negligible. Using a conservative estimate, it can be interpreted that the importance of factors relating, for example, to managerial activities and workplace atmosphere is bigger in examining retirement before old-age pension, than if we examine continuing at work after it is possible to claim an old-age pension. Continuing at work, when retirement is possible within the system, is a decision which is not greatly affected by these factors. As other studies have used slightly different questions, and as the results of surveys are always sensitive to the wording used, additional studies are necessary in order to draw more solid conclusions.

## 6 Discussion

Finnish workers take quite a reserved attitude towards continuing at work after age 63. Workers want to retire earlier rather than later. It is possible that details of pension reform were not so well known among the public when the data was collected. Information campaigns and other activities began later. Earlier studies based on registers have shown that economic incentives are of importance for workers' decisions on retirement. According to this study, the economic incentives included in the Finnish pension reform would not, however, considerably affect workers' intentions to continue at work. Their reserved attitude towards continuing at work appears also so that only a very small number intend on retiring towards the end of the flexible age bracket in the new old-age pension system. Withdrawal from work is not, however, definite in every case as about one third of the respondents take a positive attitude towards working to some extent while receiving an old-age pension. All in all, the results suggest that the important pension policy target of postponing continuing at work will not be reached in Finland in the upcoming years. Reaching the target is realistic only in the long term.

Secondly, pension intentions accumulate at certain ages. 60 years is the most common intended age to retire. This age seems to be for many workers a kind of turning point from the role of a worker to the role of a pensioner. At that age many workers also have quite a long working career behind them. The features of the system also seem to at least partially define the point of intended retirement. Retirement intentions accumulating at age 63 may relate to the lower limit of the new flexible old-age pension system. Thus some of the workers intend to retire at as soon as it is possible within the new system. The intentions to retire also accumulate at age 65. The factor behind this may be the retirement age of the private sector, which was in force before the pension reform and which also affected the younger and newer workers in the public sector. The possibilities offered by the pension system to retire influence workers' retirement intentions. The precise landmarks for retiring created by the old retirement system disappear in the implementing of flexible retirement age at the beginning of 2005. Thus in the future, workers may not aim to retire at a specific age provided by the system; they may make their retirement plans more loosely within a flexible area of 63–68 years according to their ability and willingness to work and their other everyday circumstances. Hence, when pension systems are reformed, precise attention should be paid to flexibility whereby the decision to continue at work and retire can be made individually taking ones entire life circumstance into consideration.

Thirdly, intentions to continue at work vary considerably between different worker groups. Particularly challenging groups for the aim of postponing retirement are workers with low education and poor health. The effect of education, socio-economic and health

status upon retirement has proved to be important in earlier studies as well. Gender is also of importance: women take a more reserved attitude towards continuing at work after age 63 than men; neither do economic incentives tempt women to continue at work as much as they do men. Earlier studies on the differences between men and women regarding retirement are partly contradictory and more studies on the subject are necessary. A long working career was slightly negatively related to intentions to continue at work. This result indicates that further extension of working careers, which is the target of social policy, is quite a challenging goal. In this study, working in the public sector was connected to plans to withdraw from work earlier. The result is explained by lower personnel and occupational retirement ages which are protected in the reform and to which the oldest age groups of public sector are entitled. Aside from retirement ages, personal pensions that are related to earlier retirement are important. The significance of personal pension insurance is minimal for Finnish pension security as a whole but it plays a role for workers' pension plans.

Fourthly, working life conditions are connected with plans to continue at work. As workers have the right to choose their retirement age within the flexible area in the Finnish pension reform, the importance of working conditions when workers make plans and decisions on withdrawing from work and continuing at work is emphasized more and more. In order to achieve the goal of continuing at work and postponing retirement it would be important to pay particular attention to the demands set by work to ageing workers. The attitude of the organisation to older employees continuing at work, or towards preventing it, affects workers' plans. In the Finnish context the latter alternative means the use of unemployment pathway, for example. Behaviour causing uncertainty in the workplace is connected with the plans to continue at work. If the workers feel secure about their relationship with their employer, they tend to concentrate more clearly on continuing at work. Workers themselves also think that different support measures, certainty of work and moderation of workplace demands are important factors affecting the decision to continue at work (Lehto & Sutela 2005).

The aim of this article was to examine continuing at work after retirement is possible within the pension system. In this respect the aim was also methodological because similar intentions to continue at work have not been examined previously. On the basis of the results, it may be concluded that on the whole, the same factors are of importance for continuing at work as have been found for explaining retirement in previous studies. Socio-demographic factors, health, the length of the working career, the attitude of organisations towards supporting continuing at work and the demands of the job best explain the decision to continue at work. Thus the results of earlier studies are quite useful in considering the means to extend working careers. On the other hand, the importance of leadership, job satisfaction and features of work, for example, was

surprisingly small in explaining continuing at work in this study, although their significance in studies on early retirement has been important. In this respect the phenomenon of continuing at work and the factors associated with it would seem to differ from the phenomenon of withdrawing from the workplace and taking early retirement and its associated factors. Additional studies are however necessary to clarify the picture of this difference.

This article examined workers' intentions to continue at work in only one country: Finland. International comparisons would shed an interesting new light on how different pension systems and different value systems in different countries relating, for example, to appreciation of work and retirement affect workers' plans on continuing at work. Unfortunately internationally comparative data examining workers' intentions relating to retirement are scarcely available. It can, however, be assumed that the factors with which the intentions to continue at work were connected in this study are also relevant in other countries where the aim is to postpone retirement.



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## Appendix 1

The wordings and alternative answers to the questions concerning working life.

Unemployment pathway: Have there been workers on the unemployment pathway at your workplace during the past three years? (1=yes, 2=no).

Attitude towards continuing at work: Is continuing longer at work of ageing workers encouraged at your workplace? (1=yes, very much, 2=yes, to some extent, 3=not particularly, 4=not at all).

Increasing the work pace: Are the following statements true in your own job? a) Performance follow-up has intensified? b) Economy measures tighten working pace? (1=is true, 2=is not true).

Possibilities of influencing work pace: Can you influence your working pace much, fairly much, to some extent or not at all? (1=much, 2=fairly much, 3=to some extent, 4=not at all).

Feedback from superior: My superior gives sufficient feedback on how successful I am in doing my work. (1=agree totally, 2=agree somewhat, 3=disagree somewhat, 4=disagree totally).

Mental strain of work: How mentally strenuous do you find your current duties? (1=very light, 2=fairly light, 3=fairly heavy, 4=very heavy).

Physical strain of work: How physically strenuous do you find your current duties? (1=very light, 2=fairly light, 3=fairly heavy, 4=or very heavy).

Job satisfaction: How satisfied are you with your current job? (1=very satisfied, 2=fairly satisfied, 3=fairly dissatisfied, 4=very dissatisfied)









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