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FINNISH CENTRE FOR PENSIONS, REPORTS

EXECUTIVE SUMMARY

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Pensions and Pensioner Income 2000–2010

This report focuses on pensions and pensioner income in the 2000s. During the period under review, the baby-boomer cohorts approached the age of old-age retirement; hence, the number of pension recipients grew by nearly two hundred thousand. An increasing number of people retire on an old-age pension directly from employment. The figure for new retirees on early retirement pensions has decreased slightly. At the same time, the earnings-related pension has become an increasingly important source of pension security, while the significance of the national pension, when measured in terms of number of recipients and importance as a source of income, has lessened. The group of people receiving a national pension has become younger and more male-dominant.

During the period under review, the real-term average total pension has increased by 20 per cent. The rise in the total pension has been affected by growth in the number of old-age pension recipients. The real-term average total pension of retirees on an old-age pension was 26 per cent higher in 2010 than in 2000. The pension level of retirees on a part-time pension has also increased, while the level of the average disability pension has not changed considerably during the 2000s.

The average old-age pension in 2010 amounted to approximately 50 per cent of the average income. The old-age pension has remained on a relatively even level throughout the period under review. In relation to the average income, the disability pension level has weakened. In 2010, the average disability pension was 37 per cent of the average income. Compared to the level in 2000, that constitutes a 10-percentage-point drop. In relation to the average income,

new old-age pensions have been on a 60 per cent level throughout the 2000s, whereas the pensions of new retirees on a disability pension have decreased from 41 to 36 per cent.

While more than half of the pensions paid in 2000 were below EUR 1,000/month, the equivalent figure in 2010 was 35 per cent. In 2010, nearly one fourth of the pensions was between EUR 1,000 and 1,300. More than 60 per cent of pensions paid were between EUR 700 and 1,600.

According to income distribution statistics of Statistics Finland, the annual disposable income of pensioners' households per consumption unit averaged EUR 21,800, i.e. approximately EUR 1,800 per month. Compared to the year 2000, the purchasing power of pensioners has improved since the real-term income between 2000 and 2009 grew by EUR 4,500. The income level has developed most rapidly in the age group of 65–74-year-olds. There is hardly any increase in the real-term income of pensioners' households under the age of 54.

On average, the income of pensioners was 74 per cent of the income of the employed population in 2009. Compared to the income of the population at large, the income of pensioners was higher: 85 per cent. The changes in the 2000s have been moderate.

Income differences in the pensioner population are smaller than in the population at large. However, pensioners' income differences have widened and were equal to those of the working population at the end of the review period. In the 2000s, pensioners' poverty risk as measured in the EU has also increased more rapidly than that of the population at large. According to the EU definition of poverty risk, 14 per cent of pensioners faced the risk of poverty in 2009. In 2000, the equivalent figure was 11 per cent. The poverty risk increased particularly rapidly in the mid-2000s and up to 2007. Since then, it has diminished.

The poverty risk is particularly high for pensioners under the age of 55 who live alone. Measured in numbers, the majority of low-income pensioners are in the age group 75 years and above. The poverty picture is sensitive to the measures used: with a lower poverty threshold, the share of younger pensioners at risk of poverty increases. The poverty risk of single-person households is manifold compared to two-person households.

Based on pensioners' subjective experiences, the majority found it fairly undemanding to manage financially in the 2000s. A large portion of pensioners found it easy (72%) rather than difficult (27%) to make ends meet in 2009. The pensioners' experiences resemble those of the employed population and are considerably more positive than those of the unemployed or students. More serious financial problems are common among pensioners under the age of 55 who feel they suffer from poor health. Nearly half of them find it difficult on some level to manage financially. Of those living alone, a considerable-sized portion (40%) struggle to make ends meet.

The cross-national comparison shows that, from the perspective of pensioners, Finland is an average European country. Measured in terms of purchasing power, the income of Finnish pensioners is on an average level. In proportion to the working-age population, the situation for pensioners is weaker in Finland than in Europe on average, but on the same level as in other Nordic countries. The income differences between pensioners are reasonable, but the poverty risk, as measured in the EU, is higher than average. In part, the relatively high poverty risk level as measured in the EU is explained by differences in living arrangements: many pensioners in Finland live alone, and the majority of them are women. As in other Nordic and Western European countries, few pensioners in Finland experience problems of managing financially or suffer from a lack of necessities or services.

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