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FINNISH CENTRE FOR PENSIONS, REPORTS

# EXECUTIVE SUMMARY

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## Development of length of working lives in the 2000s

In this report, we investigate how long working lives are in Finland and how the length of working lives has developed in the first decade of the 21<sup>st</sup> century. First of all, we review the realized working lives and their lengths in light of the Finnish Centre for Pensions' register data. Second, in the form of working-life expectancy, we examine the change that has taken place in the 2000s in the length of working lives among different population groups. The aim of this report is to offer information on the length of working lives and its measurement, to be used in social debate on the issue.

Prolonging working lives has been a key socio-political aim for the last twenty years due to an extension of life expectancy and time spent in retirement. Reforming the pension scheme has been a key instrument in prolonging working lives. In the pension scheme, deferred retirement has been measured through the expected effective retirement age. However, working lives are essentially about an entirety accrued throughout an individual's working age, not just about where on the lifespan the moment of retirement will occur. Measuring the length of working lives involves numerous questions to be solved regarding the definition of work, the data and methods used. In this report, we have strived to measure specifically time spent working. Our data consists, on the one hand, of the earnings register of the earnings-related pension scheme and, on the other hand, of the labour force survey compiled by Statistics Finland.

We measured the realised working lives of Finnish citizens based on pension-insured working. Calculated on the basis of all new retirees, the length of the average realised working life in 2011 was 32.5 years. Among individuals retiring on disability pension, the average working life spanned 25.4 years. The length of the average realised working life of new retirees on old-age pension was nearly 36 years. Of those retiring on old-age pension, the working lives of 40 per cent spanned more than 40 years. Men's realised working lives have been approximately two years longer than those of women.

Participation in gainful employment and conditions governing that participation affect the length of realised working lives for several decades. However, the length of realised working lives has increased clearly in the 2000s. For all new retirees, the average length of realised working lives has grown by 2.4 years from 2006 to 2010. The length of working lives of persons retiring on old-age pension has increased by 2.1 years. Based on a review by age group, working lives have been prolonged mainly towards the end of the working life period. No increase in the length of working lives was observed for the middle-aged.

The change in the length of working lives in 2000–2010 was reviewed also through working-life expectancy. Working-life expectancy indicates the estimated future time that an individual will spend in working life and can be proportioned to life expectancy and its growth. We divided the working-age lifetime into time spent in employment and time spent unemployed or outside the labour force. Using a multistate regression model, we calculated the expectancies based on data from the labour force survey and cause-of-death statistics.

Working-life expectancy has grown in the 2000s in line with the growth in life expectancy. For women, the time in working life has grown even more rapidly than the overall lifespan of women. As a result, the proportion of the length of working life of the overall lifespan has grown for women. For men, the growth in working-life expectancy amounted to approximately half of the growth in the length of the overall lifespan. The ratio between the time in working life and the overall lifespan has remained stable for men.

The growth in the length of women's working lives consisted of a reduction of time spent both in unemployment and outside the labour force. For men, the growth in the length of time spent in working life can be nearly exclusively attributed to a reduction of time spent outside the labour force. For women, time in working life increased in all age groups, but most so in the oldest age groups. For men, time in working life was prolonged mainly among the oldest of working-aged men.

Time spent in unemployment was reduced by nearly one year for women. Men's time spent in unemployment varied according to general economic fluctuations but, on the whole, it was not reduced to any significant degree during the period under review. In the 2000s, the increase in unemployment during economic downturns has impeded the prolonging of men's working lives in particular.

Time spent outside the labour force decreased for both men and women, but more so for women. In general, working-aged women accrue more time spent outside employment than men do. However, in the 2000s, the intersexual difference was reduced to nearly half of what it was at the beginning of the 21<sup>st</sup> century.

The level of education affects the length of an individual's working life. Our calculations on differences between educational groups covered the lifespan from age 25 to 64. The higher the educational level, the longer the working-life expectancy. The deviations between different educational levels were higher among women. The length of working life has grown slightly for men of all educational levels. For women, on the other hand, the length of working life has developed in different directions depending on the educational level.

The length of working life for women with a higher-level education has increased at roughly the same pace as that for men. The length of working life for women with a secondary-level education, on the other hand, has increased clearly faster than on average. Simultaneously, the overall time spent in unemployment and outside the labour force for these women decreased more sharply than on average.

Deviating from the other groups, the length of working lives for women with a basic-level education did not increase in the 2000s. These women experience clearly more unemployment than do women of the other groups, and also the length of time spent outside the labour force for these women has increased. The results reveal a fierce decline in 2009 and 2010 in the employment rates of women with a basic-level education. Earlier, employment rates developed favourably also for these women.

Towards the end of working life, when examining the working life expectancies of 50-year-old individuals, men with a higher-level education stood out clearly from men with either a secondary or a basic-level education. The expected length of working life has grown more rapidly for this group, while their expected time outside employment has decreased more than for other men.

To summarise our reviews, we can conclude that the length of working life has clearly increased during the first decade of the 21<sup>st</sup> century, whether realised lengths of working life or working life expectancies are examined. Nevertheless, the development has not been as favourable in all population groups. Working life expectancy for men has grown at a slower pace. As for women, the length of working lives of those with a basic-level education seems to lag behind.

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