
EXECUTIVE SUMMARY

Mervi Takala and Marjukka Hietaniemi (eds.)

Part-time pension and the objectives of the pension reform

This report evaluates the part-time pension from the viewpoint of the pension reform. The objective of the 2005 pension reform is to extend people's working careers by 2–3 years. Longer work histories secure the financing of the earnings-related pensions and enable improved pensions. Part-time work has been considered one means of extending people's careers and especially in the EU its importance has been emphasised.

The part-time pension may affect the extending of working careers by increasing the employment rates of ageing people and, on the other hand, by increasing the overall work input.

A clear-cut answer as to whether the part-time pension extends people's working careers, is not easy to give. The part-time pension has increased the employment rates of ageing persons, but a more difficult question to answer is whether retirement has actually been postponed and the part-time pensioners' overall work input increased in that way.

According to questionnaire surveys, approximately half of the part-time pensioners would have continued working full-time, if there had been no possibility of a part-time pension. As regards them, the work input decreases, even though the extent of the decrease is difficult to assess. The final decision on retirement is a sum of many factors.

The granting of a part-time pension does not entail any health criteria. Still almost every tenth part-time pensioner considers the main reason for the part-time retirement to be ill-health.

The part-time pension is an alternative to the disability pension for those who considered themselves to be in the poorest state of health.

The part-time pension may help to cope better with one's work. Of those who received a part-time pension at the end of 2007, 68 per cent estimated that they would be able to work until the old-age pension, whereas of those who received a part-time pension in 2001 the proportion was 49 per cent. In the 2007 survey only eight per cent of the respondents estimated that they would not work until the old-age pension (i.e. at least to the age of 63). The proportion of the part-time pensioners who intended to retire at the age of 63 was nearly 60 per cent.

The part-time pension has been considered different from other early retirement pensions in that the significance of the pull factors is greater than for other early retirement pensions. The reason for wanting to exit full-time work may also be a wish to help others. 38 per cent of those receiving a part-time pension in 2007 had chores related to the care of family and relatives, which cannot be considered ordinary domestic chores. In addition to caring for relatives, persons receiving a part-time pension also helped others and participated in voluntary work.

In Sweden there are several possibilities of receiving partial pension and sickness insurance benefits. Even though the statutory part-time pension was abolished at the turn of the millennium, Sweden still has a partial old-age pension, partial disability pension as well as the possibility of partial sickness allowance.

The part-time pension was in effect in Sweden in 1978–2000. It was a popular type of pension, even though the number of part-time pensioners varied considerably in different years. The most important reason for the variation was the changes in the replacement rate.

A perceived problem when evaluating the Swedish part-time pension scheme has been that it is difficult to distinguish the effects of an individual scheme from those of the general economic and labour market development. It has been shown, however, that the employees' sick absences decreased and their state of health improved, or the deterioration was slower than in full-time work. The part-time pensioners also retired less frequently on a disability pension or became less frequently unemployed than others of the same age.

After the abolition of the part-time pension the partial benefits from sickness insurance have increased clearly. On the other hand, the number of part-time old-age pensions has stayed low all the time.

In Finland the effect of the part-time pensions on the annual expenditure of the earnings-related pension scheme is not significant. In 2007 the part-time pension expenditure amounted to approximately 0.2 billion euros. This is about 1.3 per cent of the total annual earnings-related pension expenditure (total earnings-related pension expenditure 16.0 billion euros).

From the viewpoint of the total costs the part-time pension is, however, a quite expensive way of extending people's working careers. As people usually take the part-time pension as soon as it is possible, it should in practice continue to the age of 68 in order to be cost-neutral compared to a full-time working career where the person retires on an old-age pension at the age of 63.

Both when assessing the costs for different alternatives and when comparing the total costs for full-time work and for the part-time pension, the calculations indicated that taking a part-time pension at the age of 58 is a more expensive alternative from the viewpoint of the earnings-related pension scheme than full-time work in the corresponding age bracket, when age-related disability and unemployment risks are taken into account and the person retires on an old-age pension at the age of 63. In order for the total costs of full-time work to correspond to those of the part-time pension, the disability and unemployment risks should multiply from the current level.

The Publication is available only in Finnish:

Osa-aikaeläke ja eläkeuudistuksen tavoitteet. Eläketurvakeskuksen raportteja 2008:2.

More information:

Mervi Takala

E-mail: mervi.takala@etk.fi

Telephone: +358 10 751 2162

Marjukka Hietaniemi

E-mail: marjukka.hietaniemi@etk.fi

Telephone: +358 10 751 2133

Ordering of publications:

aineistotilaukset@etk.fi

ISSN 1236-5948

ISBN 978-951-691-100-7 (PDF)

ISBN 978-951-691-100-0 (printed book)

Finnish Centre for Pensions 
ELÄKETURVAKESKUS

Finnish Centre for Pensions
FI-00065 ELÄKETURVAKESKUS, FINLAND
Tel. +358 10 7511
Fax +358 9 148 1172

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 010 7511
Faksi (09) 148 1172

Pensionsskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Tfn 010 7511
Fax (09) 148 1172

www.etk.fi
> Publications