



Eila Tuominen and Mervi Takala

# Ageing Workforce and Employers' Attitudes to Employment of Older Persons

The Case of Finland

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## ABSTRACT

In recent years, special attention has been paid to employment of older persons and keeping ageing employees on at work by restricting early retirement. However, very little attention has been paid to employers' recruiting practices and attitudes to older employees' continued work. Still, the decisions on employment and continued working careers are made at the workplaces. The retirement decisions are to an increasing extent taken according to the employers' interests and the employees' wishes in the pension scheme with a flexible retirement age. In the Finnish pension reform 2005 the fixed retirement age 65 was replaced by a flexible age between ages 63 and 68.

The aim of this article is to study Finnish employers' attitudes to employing older persons and to oldest employees continued work and to supporting older people to stay at work. The main focus of interest is on the effect of the demand for labour force on employer attitudes. In the paper, an assessment is made from the employer viewpoint of whether ageing people's continued work could be a partial answer to the need for labour force.

The results show that recruitment of older persons and keeping them in working life is for the establishments not an issue in favour of which there will be any extensive activity. Need for labour force clearly increases the willingness of the establishments to employ older persons and to support employees to continue working after reaching the retirement age. However, the employment of persons drawing an old-age pension is not seen as a solution to the need for labour force although there is a fair extent of interest in employing retirees either temporarily or part-time. The need for labour force does not explain the employers' willingness to hire old-age pensioners. This applies also to employers' willingness to arrange part-time work to persons who want to retire on part-time pension. However, employers' attitudes towards part-time work is very positive.

A favourable economic development is thus ultimately the key to improved employment rates among older people. The work input of older people is needed and also wanted when the economic prospects of the companies remain good and the demand for labour force is high.

**Keywords:** *early exit, older employees, employers' attitudes, labour flexibility, labour shortage*



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# 1 Introduction

Over the next few decades most developed countries will experience a steep increase in the share of elderly persons in the population and a large decline in the share of the population of prime working-age. Consequently the number of workers retiring will increase rapidly and eventually exceed the number of new entrants to the labour market. If the work and retirement patterns remain unchanged, the economic burden will increase sharply. In order to respond to the unfavourable development the EU has set strict employment targets by 2010. The targets include the aim to raise the average employment rate of older persons to 50% from the current 41%.

In Finland the targeted 50 per cent was already achieved some years ago. Finland has actually witnessed the largest increase in the employment of older workers since the late 1990s among the EU15 countries. After the severe recession the latter half of the 1990s was a period of rapid economic growth, and the increase in the employment of older workers has taken place since the mid-1990s (Ilmakunnas and Takala 2005). The employment rate among ageing persons should increase rapidly also in coming years. In Finland the post-war baby-boomers will retire already during this decade and the initial years of the next decade, that is, earlier than in many other European countries.

Mobilising more fully the labour resources of older people can play a key role in coping with the economic and social challenges arising from population ageing. There is substantial scope for promoting employment of older workers, although the situation varies across countries. However, many developed countries have considerably reformed their pension systems over the past two decades. The main motivation for these reforms has been a fiscal one, to improve the sustainability of public pension systems. But improving work incentives has also been a goal. The most common change affecting work incentives has been the closure of pathways to early retirement or restriction of access to them (OECD 2005). In Finland early retirement schemes were targets for changes aiming at reducing their popularity as early as in the 1990s. This policy is now finalized in the 2005 pension reform, which aims to postpone effective retirement by 2–3 years.

Employees' retirement has been intensively researched. But so far there is very little research on employer attitudes to ageing people's continued work and to employing older people. Still, the decisions on employment and continued working careers are made at the workplaces. The aim of this research article is to study Finnish employers' attitudes to employing ageing people and to older employees continued work and to supporting older

people to stay at work. The main focus of interest is on the effect of the demand for labour force on employer attitudes. In the paper, an assessment is made from the employer viewpoint of whether ageing people's continued work could be a partial answer to the need for labour force.

## 2 Attitudes and practices in employment of older persons

### Employer attitudes

Early exit is often presented as the employees' willingness to retire early even though pension decisions are to a large extent determined by institutional systems, the employers' interests and their attitudes to older workers. Employers and employees make their decisions in a specific cultural environment and within the framework of certain institutional rules.

In Anglo-Saxon research quite a lot of attention has been paid to employers' attitudes to age. Employers' attitudes may show for instance in recruitment, laying-off, wage issues, work distribution, training, health care and in many other activities. Philip Taylor and Alan Walker (1994, 1998) conclude that employers' attitudes towards older employees are ambivalent. The most positive attitudes concern loyalty, productivity and reliability, and the most negative attitudes concern new technology, resistance to change, flexibility and interaction with younger superiors. However, lacking professional knowledge and skills is considered as the most important obstacle to employment of older workers. On the other hand, employers have not invested in training for older workers after the age of 50. Taylor's and Walker's studies also reported that the attitude among employers to legislation prohibiting ageism was positive (*ibid.*). Despite enforced legislation prohibiting ageism discriminating attitudes can still be observed, and they can hinder the employment of older people and their continuing on at work (Munnell 2006, OECD 2005).

Employer attitudes towards hiring and retaining of older workers will reflect both subjective and objective factors. There is some evidence that employers hold rather stereotypical views about the strengths and weakness of older employees. This appears to be the case not just in countries where employment rates are relatively low but also in countries where the rates are relatively high. One objective factor that may be driving employer's hiring and firing decisions is the extent to which older workers cost more to employ than younger ones. In some countries earnings rise more steeply with age or show little tendency to decline in the older age groups. To the extent that the labour costs of older employees rise faster than their productivity, employers may be reluctant to either retain employees beyond a certain age or hire older persons (Munnell 2006, OECD 2005). In situations of excess supply of labour force the position of older workers compared to younger ones is weaker due to these costs (Duncan 2001).

## **On the age practices of enterprises**

When pension schemes have been studied at the level of the whole society the studies have shown that pre-retirement pensions have been used to promote restructuring of the economy (Kohli et al. 1991, Hytti 1998). The pre-retirement schemes may offer an acceptable way of reducing the personnel when production and financial reasons so demand and at the same time an opportunity of minimising internal conflicts in the enterprise and relations in working life.

On the other hand, there is little research on the making of the decisions regarding continued work or exit from working life, and especially scant attention has been paid to the role of the enterprises and the organisations in these studies. Vickerstaff et al. (2004) bring in their study the age policy and the age practices of employers into the research. A crucial observation of the study was that in Britain employers seldom have a long-term age and pension strategy. Employers react to short-term business and organisational pressure without a strategic personnel policy. Weak knowledge of pension policy and of pension opportunities significantly weakens people's ability for long-range planning of retirement.

Studies carried out in the Nordic countries have also been interested in job cultures and the enterprises' strategies regarding older workers. In Finland age management has been studied from the point of view of maintenance of work capacity (e.g. Ilmarinen 2003, Forma and Väänänen 2004). According to the surveys, activities aiming at longer working careers require cooperation between the employee, the enterprise and society.

In Norway the policy of the establishments as regards older people has been studied (Seniorpolitikk og... 2005). According to the report, about one-fourth of the enterprises had a programme for the ageing of the employees. In the public sector such programmes were more common than in the private sector. The programmes were more common in large establishments than in small ones.

The analysis of Taylor and Walker (1994) showed that organisations which take a positive attitude to the employment of older workers more probably also encourage the employees to retire later. On the other hand part-time work in the enterprises was not connected to later retirement or to the employment of older workers. Although positive attitudes to older workers among the employers were very frequent, their conversion into positive measures is largely dependent on the demand for labour force (ibid.).

## **Flexible employment among older employees**

Anglo-Saxon research has already for a long time paid attention to flexibility in the working careers of older workers. A study from the 1970s in the United States (History Retirement Study) noticed that between exit from working life and full-time retirement there is a time period during which people often work part-time or work as self-employed persons (Quinn 1996, Hazelrigg and Hardy 1997). According to Munnell (2006), employers are,

however, not very willing to develop part-time work, whereas the employees would like more possibilities of working part-time. In the United States also employment of already retired persons is fairly common and employers favour the retire-rehire model more than other flexible job models (Purcell 2004).

Also in Great Britain, where the labour market has traditionally been more flexible than elsewhere in Europe, attention has been paid to the increasing extent of part-time work among older workers and to the bridge-job phenomenon (Whiting 2005). An employer study published in 2005 states that the attitudes to flexible working time arrangements have become more positive in Great Britain (McNair and Flynn 2005). Although different flexible retirement models were still new for many enterprises, many were willing to implement them to some extent. Some enterprises also thought it possible for the employees to continue working beyond the retirement age (ibid.).

According to the studies, the most important reasons for the willingness to introduce flexibility towards the end of the working career are to retain skilled workers, the employees' possibility of phased retirement, saving early retirement costs and transferring knowledge and skills from older workers to younger ones. (Watson Wyatt 1999, Hutchens 2001).

Phased retirement has been strongly marketed in the EU in recent years (Synthesis report...2006). In Finland the part-time pension has been popular in recent years. Even though the proportion of part-time work has traditionally been very small, the workplaces have managed to arrange the part-time work in connection with the part-time pension. Both employers and employees have taken a positive attitude to the part-time pension (Takala 2004).

## **Promoting employment of older people**

According to projections of the Economic Policy Committee and the European Commission during the period 2012–2017 the working-age population will start to decline as the baby-boom generation enter retirement. The continued projected increase in the employment rates of women and older workers will temporarily cushion the effects of ageing on the labour force. However, the ageing effect dominates from 2018. The trend increase in female employment rates will broadly have worked itself through by 2017. Also the employment rate of older workers is projected to reach a steady state in the absence of further pension reforms. Both the size of working-age population and the number of persons employed will be a downward trajectory (The impact of ageing ...2006).

In Finland this development will occur earlier. The post-war baby-boomers will start retiring already from the later years of this decade onwards. As of 2010 the number of people of working age will decline and this trend will continue for the following two decades. The problems in the availability of labour force will increase already during this decade, since

the number of persons who most actively participate in working life decreases and the growth is concentrated to those aged 55 and over, i.e. those age groups were early exit is common (Preparing for the labour market...2003).

Pension systems themselves are important factors affecting retirement because the criteria of different pension types determine who can retire. Apart from the pension system, other social security schemes, such as unemployment benefits, are important factors affecting the older workforce's decisions (Blöndal and Scarpetta 1999; Hytti 2004). According to some studies, the compensation level of pensions, the economic advantages provided by continuing at work are of importance for the retirement decision (Blöndal and Scarpetta 1999). On the other hand, it has been shown that financial incentives do not have a strong effect (Hakola 2002). The working conditions and the support at the workplace for continued work are very significant (Forma et al. 2005).

Many developed countries have substantially reformed their pension systems over the past two decades. Measures for firming the financial sustainability of pension systems include increasing actuarial neutrality, prefunding for future pensions, controlling the increasing contribution level, restricting early retirement and making continuing at work more desirable (The impact of ageing...2006, OECD 2005).

The overall trend is for the official retirement age to rise to 65 or a similar age if it is not already at that level (Austria, Belgium, the United Kingdom and Switzerland). Such rises do not necessarily force people to work at later ages, since they are often combined with opportunities for earlier retirement on reduced pensions. On the other hand, some countries have taken steps to offer more choice in the timing of retirement. For example Sweden, Spain and Switzerland in addition to Finland have all increased options in public schemes to retire earlier as well as later. Reforms include stronger incentives to choose later retirement, albeit not always on an actuarially-neutral basis (OECD 2005).

Another overall trend is restricting early retirement pathways. In many countries the possibilities have been restricted for example by increasing contribution years or by increasing the lowest possible age for early retirement (e.g. Italy and Belgium). Pension reforms in many countries increase flexibility between work and retirement (e.g. Sweden). At the same time, more flexible work arrangements such as part-time employment and flexible work schedules have also increased in importance in many countries. (OECD 2005, Blöndal and Scarpetta 1999)

## **The case of Finland**

The Finnish pension scheme has been reformed over somewhat more than a decade with the aim of increasing the effective retirement age and restricting the growth in pension expenditure in the long term. In Finland the change from an early retirement policy to postponing retirement occurred already at the turnover between the 1980s and the 1990s. In the

1980s the pre-retirement pension schemes were extended and new benefits were introduced. During the 1990s several considerable changes were made to the earnings-related pension scheme to postpone retirement and to cut the growth in pension expenditure. The development work reached its peak in the outstanding pension reform 2005. The main parts of the reform took effect from the beginning of 2005. The central aim of the reform is to postpone the effective retirement age by 2–3 years. The economic incentives to continue working were clearly improved through the reform: a pension accrues at the rate of 1.5 per cent on the annual earnings until the age of 53, at 1.9 per cent between the ages of 53 and 62 and at 4.5 per cent between the ages of 63 and 67.

In the new scheme it is possible to retire on an old-age pension flexibly between the ages of 63 and 68 instead of at the previous fixed retirement age of 65. At the same time the possibilities of retiring early were weakened as the age limit for the early old-age pension was increased from 60 years to 62 years. Taking the old-age pension early reduces the pension permanently. In addition, the unemployment pension and the individual early retirement pension were abolished.

In Finland the part-time pension is possible from the age of 58 until the age of 68. The aim is to lighten the last years of the working career and to make continuing at work easier. From 2005 onwards combining the old-age pension and yield a pension accrual which will be converted into a pension supplement from age 68. The pension reform covers to its main parts with the same contents both the private and the public sector.

### 3 Data set, variables, and methods

The employer interviews were made in 2004 in connection with the project “Employment services and vacant positions”, which is part of a continuous data gathering process financed by the EU. The data was collected by Statistics Finland. The questions were formulated at the Finnish Centre for Pensions. The response rate was 78%. The focus of the interview is the establishment, which is an enterprise or a unit of the enterprise or a public sector workplace functioning at one address. The research data includes a total of 1930 establishments and it is representative of all establishments as regards different factors. The study covers both the private and the public sector (Tuominen et al. 2005).

The framework for the sample was the business register of Statistics Finland. The sampling method used was stratified simple random sampling, where the classification variable was the size and regional location of the establishment.

The analyses were made using cross tabulation with Chi-Square test and also using logistic regression analysis as a multivariate method. By multivariate analysis it is possible to examine how different establishment factors relate to employers' opinions on employment of older variables and chances and support to older employees to continue at work. Explanatory variables are employer sector, number of personnel and need for labour force. Also industry, share of over 55-year-olds in the personnel, development of the number of personnel during recent years and financial situation of the workplace are included in the multivariate analysis.

The dependent variables of the article were constructed from the following questions and their answer alternatives:

(1) Employing of older persons: Do you think that in the future your establishment can to a larger extent than at present employ ageing workers (+55)?

Answer alternatives: 1) ”yes”, 2) ”possibly”, 3) ”no”. Those who chose alternative 1) or 2) were categorized as positive answers.

(2) Can offer permanent work to persons drawing an old-age pension: Do you think that your establishment could offer permanent jobs to persons drawing an old-age pension, i.e. persons aged 63 and over?

Answer alternatives: 1) ”yes”, 2) ”possibly”, 3) ”no”. Those who chose alternative 1) or 2) were categorized as positive answers.

Starting from the beginning of 2005 persons who work while drawing an old-age pension also accrue a pension.



(3) Can offer temporary/ part-time work to persons drawing an old-age pension: Do you think that your establishment could offer temporary or part-time work to persons drawing an old-age pension, i.e. persons aged 63 and over?

Answer alternatives: 1) "yes", 2) "possibly", 3) "no". Those who chose alternative 1) or 2) were categorized as positive answers.

(4) Can arrange part-time work for persons who want to retire on part-time pension: Is it in your establishment possible to arrange part-time work for employees who want to take a part-time pension?

Answer alternatives: 1) "yes", 2) "no", 9) "can't say".

(5) In most jobs it is possible to continue until the age of 65: In most jobs in our establishment it is quite possible to continue until the age of 65.

Answer alternatives: 1) "fully agree", 2) "agree with reservation", 3) "disagree with reservation", 4) "fully disagree". Those who chose alternative 1) or 2) were categorized as positive answers.

(6) In most jobs it is possible to continue until the age of 68: In most jobs in our establishment it is quite possible to continue until the age of 68.

Answer alternatives: 1) "fully agree", 2) "agree with reservation", 3) "disagree with reservation", 4) "fully disagree". Those who chose alternative 1) or 2) were categorized as positive answers.

The upper age limit for a flexible old-age pension is now 68 years.

(7) Employer has to support 63 year-olds and over to continue working: The employer has to encourage people who have reached the age of 63 to continue working.

Answer alternatives: 1) "fully agree", 2) "agree with reservation", 3) "disagree with reservation", 4) "fully disagree". Those who chose alternative 1) or 2) were categorized as positive answers.

As of the beginning of 2005 the employee may retire on old-age pension flexibly between the ages of 63 and 68.

(8) Employees receive support to continue working until the retirement age: Do people in your establishment act in such a way that the employees receive support to continue working until the old-age pension?

Answer alternatives: 1) "yes", 2) "to some degree", 3) "not particularly", 4) "not at all". Those who chose alternative 1) or 2) were categorized as positive answers.

## 4 Willingness to employ older persons

### Employing of 55 year-olds and over

Employers were asked whether they thought that older employees could be employed more extensively in the future. The question was further specified so that increased employment meant either continued work among existing employees or recruiting new employees who have reached the age of 55. 25% of employer representatives feel confident that it would be possible in the future to employ older employees to a greater extent than at present. There are a similar number of unsure respondents who nevertheless still take a positive view. Most of the rest think that they cannot in the future employ older employees than their current quota. Thus employers are pretty evenly divided on this issue: those who can increase employment of older employees (51%) and those who cannot (49%). When evaluating the result one should take into account the establishments' need for labour force in the near future. According to the answers to the question regarding this, 26% of the establishments estimated that they will need more employees in the next few years. Of the establishments 66% estimated that the number of personnel will remain unchanged. Only 5% of the establishments estimated that the number of personnel will decrease.

The most positive attitude towards employing older employees is in local government establishments. The difference is statistically highly significant. The size of the establishment affects this attitude so that in large establishment there is clearly more willingness to employ ageing people than there is in smaller establishments.

*Table 1. Can the establishment in the future employ workers who have reached the age of 55 more extensively?*

	Yes	Possibly	No	Do not know	Total	Number
	%	%	%	%	%	
<b>Employer sector</b>						
Private	25	23	50	2	100	1152
Local government	26	35	37	2	100	580
State	28	16	56	0	100	198
All (p=0.000)	26	25	47	2	100	1930
<b>Number of personnel</b>						
1–9	25	23	50	2	100	618
10–49	26	32	42	1	100	797
50–99	28	28	43	0	100	175
100–249	24	27	49	0	100	240
250–	37	37	26	0	100	100
All (p=0.004)	26	25	47	2	100	1930

## Employing of retired persons

Employers were asked for evaluations on whether they could in the future offer permanent, temporary or part-time work to persons drawing an old-age pension. In practice this means hiring persons who have reached the age of 63. 10% of employers claim they are able to or are willing to offer permanent jobs to persons drawing an old-age pension. A strictly negative view on such a possibility is taken by 74% of the employers. There are no significant differences between the private and the public sector concerning this matter.

*Table 2. Can the establishment in the future employ persons drawing an old-age pension?*

	Yes	Possibly	No	Do not know	Total	Number
	%	%	%	%	%	
<b>Permanently</b>						
<b>Employer sector</b>						
Private	12	13	74	2	100	1152
Local government	9	15	75	1	100	580
State	11	8	81	0	100	198
All (p=0.108)	11	13	74	2	100	1930
<b>Number of personnel</b>						
1–9	12	13	74	2	100	618
10–49	9	12	79	1	100	797
50–99	13	27	59	0	100	175
100–249	8	22	69	1	100	240
250–	20	16	63	1	100	100
All (p=0.004)	11	13	74	2	100	1930
<b>Temporarily or on part-time basis</b>						
<b>Employer sector</b>						
Private	32	33	34	1	100	1176
Local government	39	34	26	0	100	578
State	39	26	35	0	100	176
All (p=0.078)	34	33	32	1	100	1930
<b>Number of personnel</b>						
1–9	32	31	35	2	100	618
10–49	38	35	26	0	100	797
50–99	41	32	27	0	100	175
100–249	47	32	21	0	100	240
250–	42	40	18	0	100	100
All (p=0.021)	34	33	32	1	100	1930

On the other hand, a clearly higher proportion of the employers consider it possible to offer temporary or part-time work. 34% of the employers are sure that they can offer temporary or part-time work to persons drawing an old-age pension, another 33% of the employers think that it is a possibility. In the public sector there is somewhat more interest in hiring temporary or part-time employees than there is in the private sector. There is more interest in permanently or temporarily employing persons drawing an old-age pension in large establishments than in smaller establishments. The difference is statistically significant.

### Offering part-time work to older employees

The part-time pension was introduced in Finland in 1987. At first the popularity of the pension was slight. When the age limit was later decreased and the replacement rate increased, more employees and self-employed persons took a part-time pension. The number of persons having retired on a part-time pension increased rapidly in Finland after 1998, when the lower age limit for the part-time pension was temporarily decreased to 56 years. In connection with the pension reform the age limit was increased back to 58 from the beginning of 2003. At the end of 2005 about 33000 persons were drawing a part-time pension.

**Table 3.** *Can the establishment arrange part-time work for persons who want to retire on a part-time pension?\**

	Yes	No	Do not know	Total	Number
	%	%	%	%	
<b>Employer sector</b>					
Private	73	25	2	100	742
Local government	83	15	2	100	466
State	85	12	3	100	181
All ( $p=0.019$ )	77	21	2	100	1389
<b>Number of personnel</b>					
1–9	71	27	2	100	279
10–49	82	15	3	100	620
50–99	86	12	2	100	167
100–249	90	9	1	100	229
250–	83	15	2	100	94
All ( $p=0.002$ )	77	21	2	100	1389

\*) The question was only posed if the establishment had employees who had reached the age of 55.

According to this survey, during the last three years people have retired on a part-time pension in 25% of establishments. Since this question was posed to all respondents, the share of persons having retired on a part-time pension in different sectors reflects the age structure of the establishments, i.e. the higher the number of older employees, the more there are persons who have retired on a part-time pension: In the state sector people have retired on a

part-time pension in every other establishment, in the local government sector in 40% of the establishments and in the private sector in 20% of the establishments.

Employers were asked what possibilities the establishment had for arranging part-time work for persons who wanted to take a part-time pension. The question was only posed if the establishment had employees who had reached the age of 55.

77% of the respondents consider that offering part-time work to persons who want to take a part-time pension is possible and of these slightly more in the public sector supported the idea compared to the private sector.

In small establishments there are somewhat fewer prospects than in large establishments. Nevertheless of the small establishments which employ less than 10 persons, more than 70% consider it feasible to arrange part-time work. In establishments which employ more than 10 persons the proportion lies between 82% and 90%.

### **Results of logistic regression analysis**

Effects of establishment factors on the opinions of employing older persons are analysed using a logistic regression analysis (Table 4). 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 positive views of employing older persons are than in the reference group. Statistical significance is given using a p-value (Wald's test). The results are given for each variable concern a situation where the influence of explanatory variables has been controlled for.

The willingness of employers in the future to employ more over 55-year-olds than at present is somewhat larger in the local government sector than in the private sector. The state sector does not in this respect differ from the private sector (table 1). However, the sector does not explain the differences, since no differences remain between the sectors when all the variables are controlled. The size of the workplace affects the willingness to employ older workers so that in large establishments (250+) there is more interest in employing older workers than in the smallest (less than 50) establishments.

Also in medium-size (100–249) establishments there is less willingness to employ older persons than in large ones. The difference remains statistically significant although weaker also as regards medium-size establishments. The need for labour force affects the enterprises' interest in employing older workers. In establishments which will need to recruit more personnel in the next few years willingness to employ older workers is also 1.5 times as frequent as in establishments where the number of personnel is expected to remain unchanged. The difference is statistically highly significant.

There is little interest in permanently employing persons drawing an old-age pension but significant interest in employing such persons part-time or temporarily (table 2). Table 4

shows that there are no differences between the sectors when all the explanatory variables are controlled. However, the size of the establishment has an effect. In the smallest establishments there is less willingness to employ persons drawing a pension than in bigger establishments. The difference is statistically significant as regards permanent employment. The difference remains statistically significant although weaker also as regards part-time or temporary employment.

**Table 4.** Logistic regression on employers' attitudes on employing older people. Effects of individual variables include besides the variables on hand also industry, the share of over 55-year-olds of the personnel, changes in the number of personnel during the last 3 years and the financial situation of the establishment. Odds ratios and statistical significance of difference.

	Can in the future employ older people (55+) more than currently	Can offer permanent work to persons drawing an old-age pension	Can offer temporary/part-time work to persons drawing an old-age pension	Can arrange part-time work for persons who want to retire on part-time pension
<b>Employer sector</b>				
Private	1,000	1.000	1,000	1.000
Local gov.	1.050	0.876	0,877	1.564
State	0.602	0.848	0,687	2.038
<b>Number of personnel</b>				
250+	1,000	1.000	1.000	1.000
100 – 249	0.337 *	0.528	0.800	2.204
50 – 99	0.492	1.034	0.948	1.798
10 – 49	0.399 **	0.300 **	0.639	1.104
under 10	0.283 ***	0.363 **	0.487 *	0.656
<b>In the next few years a need to increase or to reduce the personnel</b>				
stays the same	1.000	1.000	1.000	1.000
increase	1.651 **	1.288	1.151	0.832
reduce	1.133	0.811	1.015	1.043

\*p<0.05 \*\*p<0.01 \*\*\*p<0.001

There are statistically significant differences between employer sectors in the offering of part-time jobs (table 3), but the difference is eliminated after standardisation of the other variables (table 4). The differences between sectors are explained by other factors. There are no differences between sectors as regards the size of the company or the need for labour force when it comes to offering part-time work to persons who want to take a part-time pension.

To sum up these results, between sectors there are no differences in willingness to employ older persons more than at present. However, the size of the workplace affects the willingness so that in large establishments there is more interest than in smaller ones. The need for labour force was a quite important predictor of employing older persons in the future. On the other hand, the need for labour force does not explain the willingness to employ persons drawing an old-age pension either permanently or temporarily. In view of these results the employers do not regard the work input of persons already drawing a pension as the answer to the need for labour force.



## 5 Chances and support to older employees to continue working

### Employers' views on chances to long working careers

The opinions regarding the chances of employees to continue working to late ages were designed and presented in the form of statements. The first statement was: *in most jobs in our establishment it is quite possible to continue working until the age of 65*. It monitors the employers' view on how frequently employers think that employees could continue working from the age of 63 to the age of 65. From the beginning of 2005 it became possible to take the regular old-age pension at the age of 63. The former age limit was 65 years.

The second statement increased the challenge: *in most jobs in our establishment it is quite possible to continue working until the age of 68*. The replies evaluate how frequently employers think that employees could continue working until the new upper age limit for retirement.

**Table 5.** Employers' reply to statements according to employer sector: *in most jobs in our establishment it is quite possible to continue work until the age of 65/68.*

Employer sector	Fully agree	Agree with reservation	Disagree with reservation	Disagree	Do not know	Total	Number
	%	%	%	%	%	%	
Until age 65							
Private	25	26	23	24	2	100	1152
Local gov.	15	32	27	25	1	100	580
State	27	20	37	16	0	100	198
All (p=0.001)	23	27	24	24	2	100	1930
Until age 68							
Private	10	14	23	51	2	100	1152
Local gov.	1	10	30	58	1	100	580
State	5	21	30	44	0	100	198
All (p=0.000)	8	13	25	52	2	100	1930

The employers find ageing employees' possibilities of continuing work to be fairly good: about one-fourth of the establishments fully agree and over one-fourth agree with reservation with the statement that most employees could well continue working until the age of 65. Clearly there are more possibilities available to continue working compared to the extent to which people are currently working until the old retirement age: 17% of 64-year-

olds are gainfully employed and only 9% of 65-year-olds work (Labour Force Survey 2005).

The possibilities of continuing work until the age of 68 are considered considerably smaller. Only somewhat less than one-tenth of the employers consider it possible for most employees at their workplace and a good one-tenth take a cautiously positive attitude to this. Most employers consider the age of 68 as too high.

In view of these results there are clearly more possibilities of continuing work than there is an interest among the oldest employees to continue working until the age of 65 or 68. According to recent studies, about 25% of the oldest employees intend to continue working after reaching the age of 63, health permitting. Most of them plan to retire at the age of 65. Only a very small percentage intend to continue working until the age of 68 (Forma et al. 2004, Tuominen and Pelkonen 2004). Thus there seems to be more problems on the supply side than on the demand side as regards the labour force.

There are some differences between employer sectors. Private-sector and state establishments assess the possibilities of continued work until the age of 65 as slightly better than do local government establishments. This same difference between the sectors also shows in the assessment regarding the age of 68. The most negative attitude is observed in local government establishments. Only 11% considered continued work until the new upper age limit possible for most employees. About 25% of the private and state-sector employers took this view. Differences in jobs very likely explain the differing views between the employer sectors. In the local government sector a considerable proportion of employees work in heavy care and social service jobs (Forma et al. 2004).

Table 6 shows the employers' replies to these statements according to the size of the establishment. The employers' views do not show very strong variation for either statement. In large workplaces (250+) continued work until the age of 65 is considered possible somewhat more frequently than at smaller workplaces. The difference is statistically significant.

**Table 6.** Employers' reply to statements according to size of establishment: in most jobs in our establishment it is quite possible to continue work until the age of 65/68.

Number of personnel	Fully agree	Agree with reservation	Disagree with reservation	Disagree	Do not know	Total	Number
	%	%	%	%	%	%	
Until age 65							
1–9	24	26	22	26	2	100	618
10–49	21	30	25	23	1	100	797
50–99	17	29	40	13	1	100	175
100–249	23	21	48	8	0	100	240
250–	31	26	32	11	0	100	100
All (p=0.004)	23	27	24	24	1	100	1930
Until age 68							
1–9	10	13	23	52	2	100	618
10–49	5	14	28	51	2	100	797
50–99	2	12	31	55	0	100	175
100–249	8	11	29	51	1	100	240
250–	6	14	33	45	2	100	100
All (p=0.161)	8	13	25	52	2	100	1930

### Employers' support to continue working

The employers were also asked whether the employer should encourage over 63-year-old employees to continue working. The results in table 7 show that the employers' attitudes are fairly reserved when it comes to supporting continued work. Only 9% were of the opinion that the employer has to encourage employees who have reached the retirement age to continue working. However, almost half of the employers agree at least with reservation with this statement. As regards longer working careers the employer's support is important, since it is a significant explanatory factor in the decisions regarding the employees' continued work (Forma et al. 2005).

Viewed by employer sector there are no statistically significant differences between the establishments. On the other hand the employer attitudes are influenced by the size of the establishment; the larger the establishment the more commonly support for over 63-year-old employees' continued work is seen as the employer's responsibility. The differences are statistically very significant.

The study also surveyed actual support for continued work (table 8). According to the employers, older employees' continued work is fairly commonly supported at the workplaces. 60% of the workplaces, employees' continued work until retirement age are supported at least to some extent. A strong support is given by 14% of the establishments.

The differences between employer sectors are fairly large. Of the state workplaces, as many as 80% support continued work at least to some extent and of the local government

workplaces 74% do this, but of the private-sector workplaces only 54%. The proportion is about the same as in the employee survey, where in just under 50% of oldest employees in the private sector think that the employer supports at least to some extent continued work (Tuominen and Pelkonen 2004). As regards the number of personnel at the workplace most support is provided in establishments with 50 employees or more.

*Table 7. Employers' reply to statement: the employer has to encourage 63-year-olds to continue working.*

	Fully agree	Agree with reservation	Disagree with reservation	Disagree	Do not know	Total	Number
	%	%	%	%	%	%	
<b>Employer sector</b>							
Private	10	35	32	18	5	100	1152
Local gov.	7	39	34	17	3	100	580
State	12	36	38	13	1	100	198
All	9	36	33	18	4	100	1930
(p=0.254)							
<b>Number of Personnel</b>							
1–9	10	34	32	19	5	100	618
10–49	7	37	36	17	3	100	797
50–99	7	50	28	12	3	100	175
100–249	5	55	29	6	5	100	240
250–	11	63	16	8	2	100	100
All	9	36	33	18	4	100	1930
(p=0.002)							

*Table 8. Does your establishment function in such a way that employees receive support to continue working until the retirement age?*

	Strongly	To some extent	Not especially	Not at all	Do not know	Total	Number
	%	%	%	%	%	%	
<b>Employer sector</b>							
Private	12	42	28	12	6	100	1152
Local gov.	18	56	22	3	1	100	580
State	23	57	19	1	0	100	198
All	14	46	26	10	4	100	1930
(p=0.000)							
<b>Number of personnel</b>							
1–9	12	42	27	13	6	100	618
10–49	15	52	26	4	3	100	797
50–99	21	58	18	2	0	100	175
100–249	21	65	13	1	0	100	240
250–	22	58	19	1	0	100	100
All	14	46	26	10	4	100	1930
(p=0.000)							

## Results of logistic regression analysis

Effects of establishment factors on the employer views concerning employees' chances to continue working and employers' support to employees for this purpose are analysed using a logistic regression analysis (table 9). In the employers' assessments of the employees' possibilities of continuing to work until the age of 65 there are no differences as regards the different sectors, the size of workplace and the need for labour force when the explanatory variables are controlled. On the other hand, the need for labour force is connected to the assessments of continued work until the age of 68. At workplaces where there is a need to increase the number of personnel possibilities of continued work until the age of 68 are seen almost twice more often than at workplaces where the number of personnel remains unchanged. The difference is statistically very significant (table 9).

There are also differences between sectors in the assessments of the retirement age of 68. In the local government sector, possibilities for continued work until the new upper age limit for the old-age pension are seen clearly less frequently than in the private sector. In local government a significant proportion of the employees work in health and social services. In these jobs the employers' views are that there is less opportunity for long working careers than in the private sector. The assessments of the state employer do not differ from those of the private sector.

The views on the employer's role in supporting continued work differ significantly according to the size of the establishment. In establishments of less than 100 people the employer is considered to have such a responsibility clearly less frequently than in establishments of at least 250 people. The difference is statistically significant and highly significant for establishments of less than 50 persons (table 9). There are no differences between employer sectors as regards the views on support for continued work. On the other hand, the need for labour force does have an effect. After standardising the variables the most positive view of support for continued work is taken by establishments with a need to increase the number of personnel compared to establishments where the number of personnel is estimated to remain the same.

The workplace support for continued work until the old-age pension varies for different factors. In the public sector support is clearly more often given than in the private sector (table 8), but the differences are eliminated when explanatory factors are controlled (table 9). However, the size of the establishment has an effect. In establishments of less than 50 people the employees' continued work is supported significantly less frequently than in establishments of at least 250 people. The difference is statistically very significant. Also the need for labour force has an effect. In establishments which will increase the number of personnel in the next few years continued work is supported about 1.5 times more frequently than in establishments where the number of personnel is expected to stay the same in the next few years. The difference is statistically significant.

**Table 9.** Logistic regression on employers' views about chances and support to older people to stay at work. Effects of individual variables include besides the variables on hand also industry, the share of over 55-year-olds of the personnel, changes in the number of personnel during the last 3 years and the financial situation of the establishment. Odds ratios and statistical significance of difference.

	In most jobs in our establishment it is possible to continue working until the age of 65	In most jobs in our establishment it is possible to continue working until the age of 68	Employer has to support 63 years old and over to continue working	Employees receive support to continue working until the retirement age
<b>Employer sector</b>				
Private	1.000	1.000	1.000	1.000
Local Government	0.634	0.335 ***	0.775	1.084
State	0.593	1.395	0.757	1.600
<b>Number of personnel</b>				
250+	1.000	1.000	1.000	1.000
100 – 249	0.473	0.897	0.696	1.124
50 – 99	0.647	0.643	0.440 *	0.554
10 – 49	0.687	0.954	0.330 ***	0.371 **
under 10	0.634	1.006	0.365 ***	0.298 **
<b>In the next few years a need to increase or to reduce the personnel</b>				
stays the same	1.000	1.000	1.000	1.000
increase	1.374	1.750 **	1.454 *	1.515 *
reduce	0.956	1.116	1.611	1.941

\*p<0.05 \*\*p<0.01 \*\*\*p<0.001

In brief, there are differences between employer sectors as regards employer views on the possibility of continued work until the age of 68. In local government there is less frequently seen to be such possibilities. The need for labour force affects these assessments so that in the establishments which will increase the number of personnel in the next few years there is almost twice as frequently estimated to be possibilities of continuing work until the new upper age limit as in establishments where the number of personnel will remain the same. The need for labour force also increases the employers' willingness to support their employees' continued work. Actual support for continued work is also given 1.5 times more frequently in establishments which will increase the number of personnel in the next few years than in establishments where the number of personnel is estimated to stay the same. Also the size of the establishment has an effect so that the willingness to support continued work and actual support for continued work are more frequent in large establishments than in small ones.

## 6 Concluding remarks

Continued work among older workers is the aim of pension reforms carried out in several countries. The objective of the Finnish pension policy since 1990's has been to extend working careers and postpone retirement. Although the average effective retirement age has increased slightly in recent years people still retire too early, on average at the age of 59 (Kannisto 2004). In the pension reform 2005 the fixed retirement age was replaced by a flexible retirement age and the retirement decisions are to an increasing extent taken according to the employers' interests and the employees' wishes. In this interaction process the role of the enterprises and organisations is emphasised.

The article analysed employer views on the possibilities of employing older workers, their assessments of the employees' possibilities of continuing work after having reached the retirement age and while drawing an old-age pension as well as possibilities to arrange part-time work. The article analysed also employers' views on support to employees in their decision to continue working.

The results showed, first, that the need for labour force explains the employers' willingness to employ over 55-year-olds to a larger extent than at present. In establishments which will increase the number of personnel in the next few years there is about 1.5 times more frequently an interest in employing older workers than in establishments where the number of personnel is expected to remain unchanged. However, there is not especially large willingness in the establishments to employ older people. About one-fourth of the establishments took an unreservedly positive view on employment of older workers. Likewise one-fourth of the establishments were positively inclined with reservations towards employment of older workers. An important observation for possible employment opportunities is that large establishments are more interested in employing older workers than are small ones. The views of large-scale employers concern a significant proportion of the employees and also older employees.

Second, the results showed that the employment of persons drawing an old-age pension is not seen as a solution to the need for labour force. The need for labour force does not explain the employers' willingness to hire persons drawing an old-age pension. However, there is a fair extent of interest in employing persons drawing an old-age pension either temporarily or part-time, but permanently scarcely at all. This is in line with the experiences of other countries. Part-time and temporary employment is common among persons drawing an old-age pension (cf. Chapter 2). According to this article, there is more interest in employing persons of retirement age in large establishments than in small ones.

It should also be noted that there is very frequently willingness to arrange part-time work for persons who want to take a part-time pension. The attitude to arranging part-time work is equally positive in establishments which will increase the number of personnel in the next few years as in establishments which will reduce the personnel. In view of these results employers consider the part-time pension an appropriate way of increasing flexibility in the final years of the working career.

Third, the starting point for the pension reform's aim of longer work histories and postponed retirement is favourable. According to the employers' assessment there are fairly ample possibilities to continue working compared to the current participation in working life of the oldest employees and to the employees' intentions to continue working between the ages of 63 and 68 (Forma et al. 2005, Tuominen and Pelkonen 2004). Half of the establishments thought that there are possibilities for most employees to continue working until the age of 65. Every fifth establishment thought that most employees could continue working until the age of 68. Currently slightly less than one-fifth of the age group continues working until the age of 65 and a few per cent continue until the age of 68. The analyses showed that there were almost twice as frequently considered to be possibilities for the employees to continue working until the age of 68 in establishments which will increase the number of personnel as in establishments where the number of personnel is expected to remain the same. However, maintenance of work capacity is a prerequisite for a long working career, and consequently it is important to care for the ageing employees' work capacity and to develop favourable working conditions for the ageing workforce.

The fourth concluding remark has to do with the employers' support to older employees to continue working. In more than half of the establishments the employees are at least to some extent encouraged to continue working until the retirement age. Strong support is given in about a tenth of the establishments. The employers' support is very important for employees' decisions. There is a clearly stronger willingness to continue working in establishments where the employees are supported in their plans (Forma et al. 2005). The need for labour force clearly affects the employers' assessments of support for continued work. They want to support older workers and do indeed support them more often in establishments which have a need to increase the number of personnel. The analyses also show that large establishments have noticed the importance of the support more frequently than have small ones.

In view of these results it can be stated that recruitment of persons in the oldest age groups and keeping them in working life is for the establishments not an issue in favour of which there would be any extensive activity. Need for labour force clearly increases the willingness of the establishments to care for their oldest employees and also hire older



people to a larger extent than at present. This is in line with previous research results (cf. Chapter 2). A favourable economic development is thus ultimately the key to improved employment rates among older people. The work input of older employees is needed – and in view of these results their work input is also wanted – when the economic prospects of the companies remain good and the demand for labour force is high.

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