Since 1987, part-time pension has been an option for older workers in Finland to reduce the working hours of their full-time work while simultaneously starting to withdraw a part-time pension benefit. The idea of this case study is to examine whether the part-time pension arrangement has extended working lives, at least for some groups of people.

The Finnish part-time pension scheme is part of the statutory earnings-related pension system. The statutory earnings-related pension system covers all work in the public and private sectors. The part-time pension scheme was established in the private sector in 1987 and in the public sector in 1989. The scheme will be abolished from the beginning of 2017 and replaced with a partial early old-age pension arrangement.

Over the years, the part-time pension has undergone several adjustments. Originally, the scheme was applied to persons between the ages of 60 and 64, but as of 1994 the qualifying age was lowered and the age limit set at 58 years. The age limit for the scheme was then lowered on an experimental basis from 58 to 56 in 1998 for four years. The upper age limit stayed the same throughout this period. In 2011, age limits were set to 60–67 and in 2013, the lowest qualifying age was set to 61.

The changes in the terms and conditions for part-time pension are clearly visible in the volumes of new retirees on a part-time pension during different years. In the first years after the scheme had been established, very few decided to utilize it. There were some full-benefit early retirement schemes available and people saw these schemes as more attractive options. When the age limits were lowered, the part-time pension scheme became more attractive and more people started receiving it.

In 2015 there were approximately 12,000 people receiving part-time pension. That figure represents around 12 per cent of the age group from 60 to 67 who work without withdrawing disability or old-age pension. Around 60 per cent of part-time pensioners are women. In the private sector there are more men on part-time pension, and in the public sector, more women. This is very much in line with the gender distribution of the two sectors.
In this report, we analyze our system-level registers and compare the length of working careers of the persons who took up part-time pension in 2005 at the age of 58 with their peers who stayed in employment. We compare the length of working careers of these two groups in 2005 and in 2014, when the groups have reached the age of 67. Our data show that part-time pensioners end up having longer working careers when measured in years. However, this is explained by the fact that part-time pensioners have a longer working career already before taking up part-time pension.

The part-time pension seems quite a clear path towards old-age pension, as 90 per cent of part-time pensions ended in a transfer to old-age pension. When comparing the figures of the years 2005 to 2015, we see that the share of those who transferred to old-age pension grew, as in 2005 approximately 75 per cent of part-time pensions ended with a transfer to old-age pension.

Surveys conducted over the years show that part-time pensioners are quite satisfied with the scheme. Among those who reported to have problems, the biggest difficulties with part-time pension were: problems with staying up-to-date with the affairs of the workplace, feeling estranged from the working community and difficulties with staying inside income limits.

It seems that people take up part-time pension due to both push and pull factors. The most common reasons for the take-up of part-time pension are a desire to have more time for family and hobbies – part-time pension is a soft transition to full retirement and many respondents feel that they have been doing full-time work long enough. Push factors mainly relate to the strenuousness of work and to the bad health condition of the individual. In the surveys, approximately half of all respondents have said that they would have kept working full-time until retirement age if the possibility of a part-time pension had not existed.

For this study we conducted four interviews with relevant stakeholders representing social partners, employers and part-time pensioners. They express their views on the question of whether part-time pension has extended or could extend working careers. The stakeholders have somewhat contradicting views on part-time pension; the employer confederation opposes the arrangement whereas the employee side strongly supports part-time pension. As for the individual level, the part-time pensioner we interviewed was very satisfied with the part-time pension arrangement.