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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Flexible retirement at a later age

Survey on the 2017 pension reform and the intentions to continue working

As a result of the 2017 pension reform, the retirement age will rise gradually from 63 to 65 years. The retirement age continues to be flexible, however, since a person can choose to retire late. In addition, the partial old-age pension allows for early retirement. There are no requirements or limitations regarding how much a person can work while drawing this pension. In other words, a person can work while drawing both a full or a partial old-age pension.

For this study, we used a survey to find out the retirement intentions of those who are approaching retirement age, that is, the 54–62-year-old Finnish citizens. We also asked them about their intentions to retire on the partial old-age pension and to work in retirement. The respondents numbered 2,179 people. The survey was made six months before the reform came into effect. Together with the survey form, we sent out information about the details of the reform so that the respondents would be as familiar as possible with the forthcoming reform.

Majority estimated to retire at their own retirement age

The younger respondents estimated to retire at a later age than the older respondents. In that sense, information about the rising retirement ages seems to have been reflected in the estimations. In the older age groups, the estimated retirement age exceeded the cohort-specific retirement ages while, in the young age groups, the average estimates were below the cohort-specific retirement ages for the old-age pension.

Now that the age groups have their own retirement age following the 2017 pension reform, it is interesting to see whether people will retire early, at their retirement age, or late. We have compared the respondents' estimates of when they will retire on a full old-age pension and their own retirement age. In the comparison we have taken into account the retirement ages that deviate from the cohort-specific ones (public sector individual or occupational retirement ages, as well as the retirement ages of supplementary pensions taken out by employers or the self-employed). Approximately one third of the respondents have deviating individual retirement ages.

More than 50 per cent of the respondents estimated that they will retire exactly at their retirement age. Some were interested in the flexible retirement alternatives, as well. About every sixth estimated to retire early while more than every fourth estimated to retire late.

Early retirement was more often estimated by those who have a working life that spans 35–39 years, who assess that their income in retirement will be good or who are in doubt whether their health will allow them to work until their retirement age. The option of late retirement, on the other hand, was more often chosen by the older respondents, the upper and lower white-collar workers, those who estimate their retirement income to be fairly poor, those who are confident that their health will allow them to work longer, and those who are single. The self-employed and farmers, as well as public-sector employees, stand out as groups that considered more often early or late retirement. In other words, the respondents of these groups were less likely to estimate retirement exactly at their retirement age.

The partial old-age pension an option for seven percent of the respondents

A new pension type, the partial old-age pension, was introduced in connection with the pension reform. It allows people to take out a quarter or half of the accrued pension funds before reaching their retirement age. The pension can be taken out at age 61 at the earliest, but it can also be taken out later, even after reaching one's retirement age.

Seven per cent of the respondents expressed an interest in retirement on a partial old-age pension. Slightly below half of the respondents could not see themselves using the opportunity to retire on a partial old-age pension. The share of unsure respondents is large, as nearly 50 per cent were unable to state their view on the issue. The uncertainty is evident also by the fact that one third of the respondents to the survey stated an estimated age at which they might retire on a partial old-age pension, and more than half of the respondents stated their intention to work while drawing a partial old-age pension.

Women, the younger respondents and those who fear they will not be able to work until their retirement age showed a higher than average interest while public-sector employees, on the other hand, showed a lower than average interest in retirement on a partial old-age pension.

The majority (nearly 9 out of 10) of those who estimated at which age they will retire on a partial old-age pension believe that they will do so early, before reaching their retirement

age. Most of them preferred to retire a lot rather than just somewhat earlier. Nearly half of them estimated to retire on a partial old-age pension at least two years before reaching the retirement age of their own age cohort.

The survey was done before the pension reform took effect. Partial old-age pensions have been paid out as of February 2017. By the end of July, 7,600 persons had begun drawing a partial old-age pension. If the stream of applications continues unchanged during the remainder of the year, it is estimated that approximately five per cent of all persons entitled to the pension will have started drawing it during the year (Kannisto 2017). This corresponds in scale with the interest in the partial old-age pension revealed in the survey.

One third interested in working while drawing a pension

Flexible retirement allows people either to reduce their number of working hours, to stop working altogether, or to carry on working as before while drawing a pension. It is possible to work while drawing a full old-age pension. The partial old-age pension, on the other hand, offers an opportunity to reduce working already before reaching the retirement age or to continue working as before while drawing the pension.

Interest in working while drawing a full old-age pension was considerably common among the respondents. More than one third of them considered working occasionally while drawing a full old-age pension. More than one third of the respondents stated that they would continue working for purely financial reasons, but for some respondents, the main reasons were other than financial. The reason for working while drawing a pension was clearly more often financial for those who were worried about their income in retirement.

The respondents who were 60 to 62 years old, those who had a university degree, the self-employed and those who estimated their income in retirement to be poor were among those who considered working in retirement the most. Public sector workers, those who were worried about their health and those whose spouses are not working were clearly less interested in working while drawing a full pension.

Among all respondents, the interest in working while drawing a partial old-age pension was at nearly the same level as the interest in working while drawing a full old-age pension. Slightly less than one third of all respondents estimated that were they to take out a partial old-age pension, they would continue working full or part time. The interest in working while drawing the partial pension was even higher among those respondents who believed they will retire on this pension: nearly four out of five estimated that they will continue working while drawing a partial old-age pension.

Those with a secondary-level or lowest level tertiary education were more often considering working while drawing a partial old-age pension. The self-employed form a group of their own, in which working while drawing a partial old-age pension is clearly more often considered than among other respondents.

Of the 63–68-year-old retirees drawing a full old-age pension, approximately 10 per cent were working in 2014 (Kannisto 2016). Compared to that, the interest in working while drawing a full pension may be on the increase among those who are approaching their retirement age. As it turned out, it is common for people on a partial old-age pension to work while drawing the pension. Of those who are working and who have begun to draw a partial old-age pension earlier this year, roughly 60 per cent have continued working as before while 30 per cent have cut down on working (Finnish Centre for Pensions 2017).

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