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SUMMARY

Janne Salonen, Mervi Takala,
Mika Vidlund and Niko Väänänen

Part-time Pension in Finland and Partial Pensions in Europe

146,650 persons retired on the part-time pension

The part-time pension was introduced in the private sector as of 1 January 1987, in the public sector as of 1 July 1989 and in the Seafarer's Pensions Act as of 1 January 1994. At that time, together with the individual early retirement pension and the early old-age pension, the part-time pension was part of the Finnish model for flexible retirement. Since February 2017, it has no longer been possible to retire on a part-time pension.

The rules for the part-time pension have remained constant throughout its history. Only age limits and rules concerning accrual rates have been changed somewhat. The qualifying age has varied from 56 to 61 years. Regardless of what the qualifying age has been, most retirees on the part-time pension have retired as soon as they have been allowed to. When the age limit was 56 years, the number of new part-time pension retirees began to grow in all age groups, but even then, the majority belonged to the youngest qualifying age groups.

The number of retirees on the part-time pension peaked in 2003 at 41,000 retirees. 2002 saw a peak in the number of new retirees on the part-time pension since the qualifying age limit was about to be raised by two years. At year-end 2016, roughly 10,000 persons were drawing the part-time pension. Throughout its history, of the part-time pension, a slight majority of its recipients have been women. In the public sector, more women than men have retired on the part-time pension. In the private sector, the ratio between men and women has been the opposite.

Part-time pension experienced as a well-functioning system

Questionnaire surveys to retirees on the part-time pension reveal that they have found the part-time pension system to work well. Very few negative experiences or problems have been reported. Register data has been used to examine how part-time pensions have affected the length of working lives. Several studies have shown that the working lives of retirees on a part-time pension have had less fragmented than of those who continued to work full time. In addition, the working lives of part-time pension retirees were at least as long as, or even longer, than those of full-time workers of the same age. However, it is difficult to say whether the differences in the length of working lives are due to the part-time pension or to other factors such as education, profession or health status.

Retirees on a part-time pension more educated

A comparison (conducted in 2015) of the socioeconomic status showed that those on a part-time pension were more often white-collar workers than those who continued working full time: 68 per cent to 51 per cent. Of the retirees on a part-time pension, 19 per cent were employees while the equivalent ratio among those working full time was 24 per cent. Approximately 11 per cent of the retirees on a part-time pension were entrepreneurs. The ratio was the same for those who continued working full time.

In 2016, the workforce was more educated than at the beginning of the century: approximately 49 per cent of the retirees on a part-time pension had a secondary-level or lower education. The equivalent percentage of those who continued working full time was 62 per cent. The difference is similar also in higher educational levels: 18 per cent of those on a part-time pension had a higher university degree, compared to 12 per cent among those who continued working full time.

In most cases, education and profession are related. Approximately half of those on a part-time pension had a relatively low education, but the group also contained a relatively high portion of highly educated people. 48 per cent of retirees on a part-time pension were working as experts, while the same ratio among those working full time was 30 per cent.

Comparing by gender, there is diversion when it comes to professions. About 55 per cent of the male retirees on the part-time pension worked as managers or experts and one quarter in industrial professions and construction work. About 50 per cent of the women on a part-time pension were working as experts. Around 37 per cent of the women were working in office and customer service and service positions.

Retirees on a part-time pension usually employed by large employers

Most retirees on a part-time pension worked for large companies. In 2016, roughly 54 per cent of the part-time pension retirees worked in companies with more than 1,000 employees. Measured in terms of wage sum, one third of the retirees on a part-time pension worked in

companies with an annual wage sum of roughly 2–10 million euros. Ten per cent of the part-time retirees worked in small companies with an annual wage sum of less than 100,000 euros. Examined by gender, women worked in larger companies than men.

The gender gap is evident when viewed by business field (Standard Industrial Classification). 70 per cent of the women and 42 per cent of the men worked in the public sector. The three most common fields of business in which male retirees (58%) on a part-time pension worked were industry, public administration and national defence, as well as education. The most common fields of business in which female retirees (69%) on a part-time pension worked were public administration and national defence, health and social services, as well as education.

Part-time pensions in more than half of the EU countries

Gradual retirement and combining retirement and work have been discussed in Europe already in the 1980s. Routes to early retirement were cut back and, in many countries, reforms were implemented to support gradual retirement in order to get people to work longer. In the 1990s, international organisations such as the OECD recommended partial retirement as a means to improve employment rates and secure the financing of social security systems. Sweden is a good example of a country in which the part-time pension was introduced – and abolished – at an early stage.

In the 2000s, European countries have moved towards partial old-age retirement. At the moment, more than half of the EU countries have a partial old-age pension that is either statutory or based on an occupational pension system. All schemes combine the employee's opportunity to reduce working hours – at their own expense – with the help of a partial pension. In recent years, many European countries have raised the qualifying age for partial pensions.

The discussions on working lives in Finland resemble those in other countries on several points. For example, the partial pension arrangement is hoped to extend working lives. However, when measured in terms of work input, there is no clear evidence that this has happened.

The Nordic countries, Finland included, are forerunners when it comes to partial pension systems. In these countries, the trend seems to be to increase both the individual's freedom as to the amount of work input and the individual's responsibility as to the costs of early retirement.

Experiences of partial old-age pensions in Sweden and Norway

Sweden and Norway have had an equivalent pension type to the Finnish partial early old-age pension already for some time. In Sweden, the pension type was introduced in 2003 and in Norway in 2011. In Sweden, the qualifying age limit is 61 years. In Norway, it is 62 years. The pension systems in both countries are less strict about how large a portion of the pension can

be drawn and how flexibly that portion can be changed. Unlike in Finland, the early old-age pension can be granted in full in both Norway and Sweden. One feature is common for all three countries: continued working is in no way limited by this pension.

The early old-age pension has proved popular. In Norway, one third of the population aged between 62 and 67 years are drawing an early old-age pension. In Sweden, after the pension's great popularity in the initial years, the share of recipients of an early old-age pension has stabilised at one fifth of those aged between 61 and 64 years. In Sweden, the incentives of social security and taxation do not always favour people who retire early.

In Sweden and Norway, people prefer to retire early on a full old-age pension rather than on a partial one. However, drawing a full pension does not mean, in practice, that people have stopped working. Instead, the majority continue working while drawing a pension. Preliminary data shows that Finns seem to be making the same kind of choices as the Swedes and the Norwegians as far as the pension level and the working ratio while drawing the partial old-age pension are concerned. People take out as large a share of the pension as possible and a great part continue working while drawing the pension.

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Finnish Centre for Pensions
ELÄKETURVAKESKUS

Finnish Centre for Pensions
FI-00065 Eläketurvakeskus Finland
Phone +358 29 411 20
Fax +358 9 148 1172

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 029 411 20
Faksi 09 148 1172

Pensionskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Telefon 029 411 20
Fax 09 148 1172

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