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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Studies on retirees' perceived and overall economic well-being

This study reviews retirees' subjective economic well-being in a multifaceted manner from viewpoints which have seldom been examined in Finland. The retirees' perceptions refer to both difficulties in making a living and a more general financial satisfaction. We also studied life satisfaction, which is one of the most holistic indicators of well-being. In addition to the subjective views, we reviewed the role income plays in their economic well-being.

Until now, the economic well-being of retirees has been measured mainly with income-based indicators. There is less evidence on retirees' perceptions of their economic well-being. That is the focus of our study. We review perceptions through several different indicators. The perceived difficulties are measured with the ability to make ends meet and the ability to cover regular and certain necessary expenses, as well as whether the retirees have been forced to reduce consumption. The perception of a more general economic well-being is measured by how satisfied the retirees are with their financial situation.

Our study offers fresh and versatile observations on retirees' livelihood and, in more general terms, factors relating to their economic well-being. The articles examine perceptions and well-being from the perspectives of retirement route, regional differences, housing satisfaction and home-ownership, income comparisons, working while drawing an old-age pension and inter-household economic and practical help given and received by retirees.

The articles share not only the research theme – the economic well-being of retirees – but also the research data. They are based on a postal survey conducted by the Finnish Centre for Pensions in the autumn of 2017, in which the perceptions of economic well-being were examined comprehensively with a versatile battery of questions. A total of 2,909 retirees responded to the survey. The dataset is exceptionally comprehensive: it represents the entire 55–85-year-old Finnish population who receives an old-age or disability pension. In addition to the survey responses, the dataset has been supplemented with register data from the registers of the Finnish Centre for Pensions and Statistics Finland.

The results of the articles show consistently that income and perceived health are central factors in retirees' perceptions of their economic well-being. Those with a lower income and poorer health more often perceive difficulties in making a living and are less satisfied with their financial situation, and vice versa. In the following, we present the key observations of each article in more detail.

How do the perceptions of economic well-being of pensioners aged 63–74 differ by retirement route?

Anu Polvinen

Life events during one's working life impact later economic well-being. The livelihood of the unemployed and retirees on a disability pension is known to be weaker, on average, than that of those working and retirees on an old-age pension. Fairly little is known, however, on how the retirement route is linked to the subjective economic well-being at retirement age. This article examines how the retirement route is linked to the difficulties of making ends meet experienced by 63–74-year-old retirees on an old-age pension, as well as what the related factors are. In addition, the article examines the difficulties to cover the costs of various necessities, food, living, medication, health care, transportation and the use of a phone and the internet, by retirement route.

Compared to those who have retired on an old-age pension from work, those who have retired from unemployment or after receiving a disability pension more often find it difficult to cover the cost of necessities. Around 60 per cent of those who have received a disability pension and roughly 40 per cent of those who have retired from unemployment, compared to 30 per cent of those who have retired directly from work, find it at least somewhat difficult to cover regular expenses. Retirees on an old-age pension with a disability retirement background struggle particularly much with making ends meet regarding health care, medical and housing expenses.

Regardless of the retirement route, poor health, living alone, living in rental housing, the minor significance of capital income on their livelihood, and having a low pension is linked to difficulties in covering regular expenses for retirees on an old-age pension. The differences between the various retirement routes becomes smaller when these factors are taken into

consideration. This is mainly because the various retirement routes are taken by people with different characteristics. Those who have continued working until old-age retirement age is a selected group of people whose health, socioeconomic status and pension level are better than those who have been unemployed or on a disability pension before they retired on an old-age pension.

Retirees' perceived and overall economic well-being – regional perspective

Satu Nivalainen

The age structure, educational structure and demographic development differ regionally. In rural areas, the population tends to be older and less educated than in urban areas. The rural population also ages faster than the urban one. That means that different regions face different challenges regarding the well-being of the population. Previous studies have shown that people in rural areas have the lowest while those in urban areas have the highest income levels. It has been observed that, in general, people in rural areas more often experience various shortcomings in well-being than do those who live in urban areas.

This article inspects the economic well-being and subjective perceptions of it in different regions. The regional classification used is based on Statistics Finland's division into urban, semi-urban and rural municipalities. Contrary to previous studies, the subject of interest is precisely the economic well-being of retirees. Economic well-being is measured in terms of household income, satisfaction with one's financial situation and difficulties in making ends meet and in covering necessary expenses.

According to the results, measured with any of the indicators of economic well-being, the rural areas are in a weaker position than the urban ones. The regional differences are particularly obvious when it comes to income. The income level of retirees in rural areas is clearly lower than that of retirees in urban areas. Of those living in rural areas, by definition, every fifth individual is a low-income person. In urban areas, only every tenth belongs to this group. In rural areas, the national pension forms a great part of the pension income.

Retirees living in rural areas are less satisfied with their financial situation and find it more difficult to make ends meet and to cover necessary expenses than do those living in urban areas. However, the regional differences in the perceived economic well-being are clearly smaller than the income differences. In practice, this means that making a living on a lower income is perceived easier in rural than in urban areas. The results show that the perceived lower economic well-being in rural areas is due to the lower income level of those areas. When the income levels were standardized, the regional differences in the perceived economic well-being disappeared.

Home, Sweet Home – The connection between retirees' life satisfaction and home ownership, living expenses and housing satisfaction

Kati Ahonen

Housing is an important factor that affects life quality and well-being. This article examines the significance of factors relating to housing – home ownership, covering living expenses and housing satisfaction – with the subjectively perceived well-being of 55–85-year-old retirees. The indicator of well-being used in this study is life satisfaction, one of the most popular and comprehensive indicators of subjective well-being.

According to results, home owners have a higher life satisfaction than others. This is partly explained by the fact that it is, on average, easier for them to cover their housing expenses. Being able to easily cover one's housing expenses is strongly and positively linked to life satisfaction. Housing satisfaction is also positively linked to retirees' life satisfaction. Yet housing satisfaction does not explain the higher life satisfaction among home owners compared to others, because the housing satisfaction among home owners is no different from that of the others when the effect of the other factors (age, gender, perceived health, income, education, household size and type of residence municipality) have been considered.

As far as retirees are concerned, this study confirms the results of previous studies regarding the positive connection between home ownership as well as covering housing expenses with ease and life satisfaction. Considering the results, housing (particularly home ownership) forms an important part of retirees' livelihood and overall well-being. The results support including the financial benefit of home ownership (computational housing income) in the household income when examining questions relating to livelihood.

Subjective income comparisons and financial satisfaction of retirees on an old-age pension – benchmarking with own previous situation or that of others?

Liisa-Maria Palomäki

Subjective well-being is recognized in social and economic studies as a relative phenomenon. Recognizing the relativity of well-being as part of retirees' perceptions of economic well-being deepens our understanding of the subject and provides another viewpoint for discussions on pension adequacy. This article examines the selection of reference points for retirees on an old-age pension, the key income comparisons of retirees according to background factors, and the connections between comparisons, income and financial satisfaction.

The results show that the reference points for income comparisons of retirees are their own, previous situation and, in terms of population groups, that of other retirees. As a rule, income in retirement is perceived to have weakened or remained unchanged. Compared to other retirees, the income is perceived both as lower than, similar or higher than, although the overall picture is tinted with a slight pessimism. A summary of the background factors of

income comparisons yields a conclusion on the multidimensional feature of comparisons. In addition to income, key factors for retirees include the perceived health, the retirement stage, the housing tenure and the household size. In addition to income, particularly comparisons to other retirees are linked to financial satisfaction. An income perceived to be lower than that of others, regardless of income, is linked to lower financial satisfaction, and vice versa. Comparisons to one's previous situation are also significant, but less so.

Based on the results, since other retirees seem to be the central point of reference for retirees, we can discuss the significance of income inequality between retirees' to the perceptions of economic well-being. Since many retirees feel that their income has weakened in retirement, the development of pensions and living expenses are also raised in connection with the evaluation of pension adequacy.

Working old-age pensioners aged 63–74 – motives for working and economic well-being

Anu Polvinen and Susan Kuivalainen

In recent years, working while drawing an old-age pension has become more common in Finland and elsewhere in the world. However, the studies on the subject are relatively few. In this article, we examine how common it is for 63–74-year-old retirees to work while drawing a pension, their grounds for working and their economic well-being.

According to our study, roughly 14 per cent of the 63–74-year-old retirees on an old-age pension work while drawing a pension. Working in retirement is more common for men, for the highly educated, for those who perceive themselves to be in good health, for the self-employed and for those who have retired straight from working life.

Examining the motives for working reveals that many retirees work because they find their work interesting and the social relations connected to their work important. Working for economic reasons is less common. The economic motives relate to living in rental housing and getting a low pension. Nearly half of the working retirees state that they work as self-employed persons.

Working retirees on an old-age pension perceive their economic well-being to be better than those retirees who do not work. This is largely because the retirees who work are a relatively selective group. The health of working retirees is better, they are more highly educated and they have more often continued working until their retirement age than have those retirees on an old-age pension who do not work.

Inter-household help as part of retirees' livelihood – who provide and who get help?

Liisa-Maria Palomäki, Susan Kuivalainen and Jyri Liukko

This article reviews the inter-household help of retirees. We have reviewed the financial and practical help (domestic work, care, transportation, renovation, use of house appliances and dealing with authorities) provided and received by retirees and their children, grandchildren and other near relatives, friends and neighbours. We are interested in how common providing and receiving such help is, what its underlying factors are, whether it is mutual and what the connection between the help and the subjectively perceived economic well-being is.

The results reveal that retirees' most common form of help is the financial help they give to their children. Retirees also often help their children with childcare and transportation. Children also help retirees, but less often than they receive help from retirees and mainly only in practical matters. Help between retirees and other near relatives and friends is minor. Helping is, by far, linked to the resources of the givers and the needs of the receivers. Key factors relating to both giving and receiving help include the number of children, the income level, the health status and whether the retiree has a spouse or not. The most common form of help in terms of its reciprocity is a unidirectional giving of help. An ample one third of the retirees function only as givers of help. Roughly one quarter both give and receive help, while every fourth do neither give nor receive help. The most uncommon form is a unidirectional receiving of help. Receiving financial assistance is linked to the perception of economic difficulty, contrary to receiving practical help, which the households seem to get often for other than financial reasons.

All things considered, the results of this article show that the inter-household receiving and giving of help should be taken into consideration when examining the livelihood of retirees. Getting and/or receiving help is part of most retirees' life, and it is important to have more information on its significance for livelihood.

"Every time you leave the house, it costs money!" Retirees' perceptions of factors that hinder or facilitate making ends meet, based on open-ended responses

Jyri Liukko and Carita Mustonen

In this article, we supplement the quantitative results of the survey on retirees' subjective views on their economic well-being by examining which factors are highlighted in the open-ended survey questions on the difficulty or easiness to make ends meet. Of all 55–85-year-old respondents, 22 per cent (or 637 persons) replied to the open-ended questions at the end of the survey.

The comments in the open-ended responses emphasised the perceived economic difficulties and concerns about their current or future situation. The respondents mentioned, among

other things, being forced to cut consumption, having an inadequate pension and the costliness of living and using private services. The replies to the open-ended question also included many themes which were not dealt with in the multiple-choice questions. The themes included, for example, the inadequacy of one's pension (regardless of the income of the household or spouse), various perceptions of injustice, and anxiety about prices rising more than one's income. The comments about financial satisfaction emphasised factors such as getting financial and practical help from next of kin (particularly from the spouse), good health and a frugal lifestyle. All-in-all, the most common themes in the responses concerned health and health services, housing and living expenses and social relations.

Particularly taking care of the future livelihood and the financial relation to the spouse were themes which would not have been brought up without the open-ended question. The time perspective in this section of the questionnaire study expanded from the current situation to the future and to the related uncertainty. Concern about the future livelihood was expressed, for example, as a worry about one's own health and the poor health or death of the spouse.

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