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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Studies on the dynamics of low income and economic well-being of pensioners in Finland in 1995–2014

This dissertation examines the development of pensioners' economic well-being and poverty during the process of retirement and in retirement. Particular focus is put on the effect of pre-retirement income, the composition of income in retirement and socio-economic and demographic background factors on the economic well-being of pensioners. The income mobility of pensioners is examined in the light of two central social objectives set for pension policy: maintaining an adequate, customary pre-retirement consumption level and preventing poverty.

The dissertation contains four peer-reviewed articles. In the first two articles, the economic well-being and changes in the income of pensioners a few years before and after retirement are examined. In the two latter articles, the attention is paid to disability pensioners and 75–84-year-olds, that is, to groups in which poverty has been found to be a more serious problem than on average.

The study utilizes unique panel data sets based on Statistics Finland's registers of persons residing in Finland for various lengths of time during the period 1995–2014. The definition of economic well-being, or income, is generally household equivalent money income. The definition of poverty is the poverty rate.

According to my research, the pension policy objectives have been mainly successful. Pensioners' economic well-being does not drop dramatically at retirement, and the income of low-income people even slightly improves. After retirement, incomes remain fairly stable. The importance of statutory pensions for the level and maintenance of the economic well-being of pensioners is remarkable. In addition to pensions earned and property income, financial security through family members is particularly important. The income differentials among retired persons are often explained by other income than pension.

The biggest challenge is long-term poverty, which for many has been a problem already before retirement. The risk of long-term poverty is highest among those pensioners who live alone. Statutory pension is based on a traditional, full-time and long working career. If the accrued income from work is low, the pension – and often also the other income – is low.

KEYWORDS: Economic well-being, equivalent money income, income mobility, poverty, poverty rate, retirement, pensioners.

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