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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Changes in retirement intentions in 2008–2018 and retirement intentions in 2018

In this study, we examine retirement intentions. They allow us to study now how future retirees have adapted their retirement behaviour in light of changes to pension rules following the 2017 pension reform. Assessing the effects of the reform based on realised retirement behaviour is possible only much later, when more time has passed since the pension reform. To assess the impact of the pension reform on retirement behaviour, we explore changes in the intended retirement age from 2008 to 2018. In addition, we investigate how the rising old-age retirement age affects the intended retirement age. We are also interested in the underlying factors of the intended retirement age in 2018. We examine the intended retirement age in two ways: at what age people intend to retire and what the relation of the intended retirement age to the cohort-specific retirement age for the old-age pension is. The focus in this study is on employees aged 50 to 62 years. The data come from Statistics Finland's 2008 and 2018 Quality of Working Life Surveys.

The intended retirement age has increased at the same pace as the retirement age for the old-age pension

First, we examined the changes in the intended retirement age that have occurred between the years 2008 and 2018. The results show that retirement intentions have been clearly extended over the review period. In 2008, 70 per cent of the respondents intended to retire before reaching the age of 64 and only 30 per cent at age 64 or older. The average intended retirement age was 62 years and 8 months. In 2018, the

situation was the opposite: only slightly under 30 per cent intended to retire before turning 64 years and 70 per cent at age 64 at the earliest. The average intended retirement age in 2018 was almost two years higher: 64 years and 7 months.

The modelling results show that, after controlling for other factors, the intended retirement age has increased by nearly two years (1 year 9 months) from 2008 to 2018. We also observed that the intended retirement age has risen at the same pace as the retirement age for the old-age pension. This means that, in practice, an increase of one year in the retirement age has raised the intended retirement age by one year. Therefore, one of the goals of the 2017 pension reform – to postpone retirement – seems to be realising as planned. When assessed from this point of view, the 2017 pension reform appears to be quite successful.

Own retirement age clearly defines the intended retirement age

To investigate the underlying factors of the intended retirement age in 2018, we examined the intended retirement age relative to one's own retirement age. We looked at which factors were linked to the intentions to retire at least three months before one's own retirement age, around one's own retirement age or no sooner than at least three months after one's own retirement age. Of the respondents, 25 per cent intended to retire before their own retirement age, 45 per cent at their own retirement age and 30 per cent after their own retirement age

Next, the intended retirement age was divided into four categories: under 64 years-of-age, 64 years, 65 years and 66 years or older. For example, the group with the intended retirement age of 64 years included those whose intended retirement age was at least 64 but less than 65 years. Of the respondents, 30 per cent intended to retire before the age of 64, 20 per cent at the age of 64, 30 per cent at the age of 65 and 20 per cent at the age of 66 years or older.

According to the results, one's own retirement age strongly determines the intended retirement age. Those whose retirement age was 64 years intended more often to retire at age 64, compared to those whose retirement age was 63 years. The same phenomenon was observed among those whose retirement age was 65 years: they intended more often to retire at age 65. On the other hand, both groups also included those who intended to retire later than most, at age 66 at the earliest.

It was also observed that those whose retirement age was 64 or 65 years more often planned to retire before and more seldom after reaching their retirement age, compared to those whose retirement age was 63 years.

Those who intend to retire later and those who intend to retire earlier stand out as their own groups

Those who intend to retire later included more often men, highly educated people, upper-level employees and those with a good work ability. Those who did not have a spouse and who considered work to be very important also planned to retire at a later age, whereas those for whom hobbies were very important intended less often to work longer.

Those belonging to the group who intend to retire earlier than usual were more often people working in the private sector and those who did not have a good work ability or who had been on long periods of sickness absence. Those who considered work to be less important and those who felt that their employer does not support continued employment of older people also planned to retire earlier.

Men intend to retire later than women

Men intended more often to retire only after their own retirement age. They also intended more often to continue working longer, at least to the age of 66 years. In other words, women seem to plan to retire at a younger age than men and more often at their own retirement age.

The highly educated and those in higher positions intend to postpone retirement

Education did not significantly explain the intentions to continue working past one's retirement age. Nevertheless, those with a upper tertiary education were more willing to postpone retirement until age 66 or older.

Upper-level employees intended more often than others to retire after their own retirement age. They also were more interested than others in retiring at age 66 or older. It should be noted, however, that those in a higher labour market position also tended to intend to retire before their own retirement age more often than others.

Private sector employees intend to retire at a younger age than public sector employees

Employees in the private sector intended to retire early more often than employees in the public sector: before reaching one's own retirement age and at age under 64. In other words, it was less common among public sector employees to intend to retire early and before reaching one's own retirement age. One of the underlying factors may be the public-sector individual retirement ages (63–65 years), which have been observed earlier to strongly steer retirement decisions of public sector employees. However, the individual retirement ages currently tend to be closer to 65 years and their role in the public sector has been reduced. In 2018, only four age cohorts (1956–1959) were able to have an individual retirement age. Despite this, the work sector (public or private) seems to continue to affect the intended retirement age to some degree.

Retirement intentions postponed by good work ability and brought forward by sickness absences

Those with good work ability intended more often to retire after their own retirement age. They also intended to retire later than others, at age 66 at the earliest. On the other hand, those who lacked a good work ability intended more often to retire early, before their retirement age. In addition, long sickness absences increased the intentions to retire before one's own retirement age and earlier than usual, under the age of 64.

Those who consider work as very important intend to retire later while those who find their leisure time hobbies to be important are less motivated to work longer

Those who were single intended more often to work past their own retirement age and longer than usual, at least to age 66. For those who consider work to be very important, the plans to continue working past one's own retirement age grew. In addition, the intentions to continue working longer, at least to age 66, increased. On the other hand, those for whom work was less important intended to retire earlier and before reaching their own retirement age. Those for whom leisure time hobbies were very important intended less often to work past their retirement age or longer than usual.

Employer's support for continued employment of older employees impacts the intended retirement age only slightly

Experiencing that the employer supports continued employment of older employees seems to prevent early retirement to some extent and to increase the tendency to retire after reaching one's retirement age. Compared to previous research, the impact was slight. This may be because support for continued employment of older employees has not become more common over the last decade, despite a rising retirement age.

The Publication is available only in Finnish:

Eläkeaikeiden muutos vuosina 2008–2018 ja eläkeaikeet vuonna 2018.

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