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# Summary

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## **Socio-economic differences: retirement and working lives in 2006, 2011 and 2017**

In this study, we examine changes in the transition to old-age pension after the 2005 pension reform and before the changes to the retirement age agreed in the 2017 pension reform came into effect. The study looks at retirement routes, the age at which people retire from work and the length of their working life at retirement, as well as related socio-economic differences. Two groups of new retirees on an old-age pension are considered. First, we look at all those whose old-age pension started in 2006, 2011 or 2017. Then we focus only on those who retired from gainful employment in the years in question.

The study focuses on retirement via seven different routes: gainful employment, part-time retirement, disability retirement, unemployment, unemployment pension, farmer's special pension and other. In addition to the prevalence of these retirement routes, we examine socio-economic differences in old-age pension retirement routes across years. As a rule, socio-economic differences are examined by the retiree's highest level of education and socio-economic status. In addition to retirement routes, we examine the length of working lives and trends relating to it among people who have retired via different routes and from different socio-economic groups. We

also examine the age at which people retire from work, as well as trends and socio-economic differences relating to it. We also provide an overview of the length of working lives and related trends over the years among those who have retired from work.

### **Working until retirement increasingly common in all socio-economic groups**

Working until retirement has clearly become more prevalent during the review period. In 2017, nearly three out of five people retired from work, compared to slightly more than one in three in 2006. Retirement from work has become more common in all socio-economic groups.

The socio-economic differences in the routes to retirement are large, although they have decreased over the review period. In 2017, around 45 per cent of low-educated and blue-collar workers retired from work. Half were unemployed or on a disability pension before retiring on an old-age pension. At the same time, around 75 per cent of the high-educated and upper white-collar employees were working until retirement.

As recently as 2006, almost 75 per cent of the low-educated and blue-collar workers exited working life before reaching their retirement age. This was due to both unemployment and disability. Only slightly more than one quarter retired from work. The high-educated and upper white-collar employees were the most likely to retire from work also in 2006: two out of three, or more, were working before retiring on an old-age pension.

### **Unemployment among those approaching their retirement age decreased markedly**

The abolition of the unemployment pension, as well as increases in the age limit of the unemployment tunnel, has reduced the transition to old-age pension via unemployment for the low-educated. Unemployment before retirement has almost halved. At the same time, unemployment among the high-educated has reduced only slightly or not at all. In 2017, around 16 per cent of those with basic education and 9 per cent of those with higher tertiary education retired from unemployment, compared with 31 per cent and 8 per cent respectively in 2006.

Retirement through disability has also declined somewhat over the review period. In relative terms, disability among the high-educated has declined the most. In 2017, around 7 per cent of those with tertiary education transitioned to an old-age pension from a disability pension, compared to 12 per cent in 2006. By contrast, disability has not decreased among the low-educated: of persons with basic education, over 30 per cent retired on an old-age pension via disability both in 2017 and in 2006.

### **Working lives extended particularly among those who have retired from gainful employment**

The working lives among those who retired on an old-age pension in 2017 were an ample four years longer than among those who retired in 2006. This increase has occurred mainly among those who retired from work and due to an increase in the number of working years among those aged 53 or older.

The longest working lives were among those who retired from work in both 2017 and 2006, especially among those who were on a part-time pension before retiring on an old-age pension. In 2017, the median length of working life for those transferring from a part-time pension to an old-age pension was 41 years. For others in paid employment, working lives were less than six months shorter. The working lives of those on part-time pension had increased by only about one year, but the working lives of those who had transferred from gainful employment to retirement were three years longer in 2017 than in 2006.

Throughout the review period, the working lives of those who transferred to an old-age pension from a disability pension were the shortest - less than 30 years. For those on an unemployment benefit before retirement on an old-age pension, the median working life was 36 years at the most. Part of the increase in the length of working lives observed over the period under review can be explained by the abolishment of the unemployment pension. In 2006, the working lives of people retiring on an old-age pension via an unemployment pension were only about 31 years long. This reduced the total number of years in working life in 2006 by more than one year.

### **Socio-economic gaps in length of working lives narrowed**

The length of working lives of new retirees on an old-age pension varies according to education and socio-economic status. The median working lives of those retiring on an old-age pension were shortest for those with basic education and those in blue-collar occupations. However, in these groups, working lives have lengthened more rapidly than in others.

In 2017, median working lives were around 37 years for those with basic education and slightly less than one year longer for those with higher tertiary education. As recently as 2006, the median working life for those with basic education spanned 32 years, almost three and a half years less than for those with higher tertiary education.

In 2017, the median working lives of blue-collar workers spanned 37.5 years, which is only one year shorter than for persons in upper white-collar occupations. In 2006, the median working lives of blue-collar workers spanned 32.5 years, which is three years less than for those in white-collar occupations. For blue-collar workers, especially the working life in the age range 53–62 years had increased.

Although women's working lives were shorter than men's, women's working lives have lengthened clearly more than men's. In 2017, the median length of men's working lives was 38.5 years and for women only one year less. In 2006, on the other hand,

men's working lives were nearly three years longer than women's. In all years under review, men's working lives were longer than women's in the age range 23-52 years.

### **Deferred retirement from work in the public sector and for women**

The transition from work to old-age pension has been slightly deferred over the period under review. In 2017, one in three retired immediately after turning 63 years. Two in five continued to work until age 64 or over, and nearly one in ten retired as late as at age 66 or later. In 2006, nearly one in three retired on an old-age pension before age 63. Only slightly more than one in three continued to work until age 64 or over. Retirement at age 66 or older was very rare.

In the public sector, retirement has been clearly deferred. There is no similar trend in the private sector. In 2017, public sector employees continued working for a longer period more often than private sector employees. This is true regardless of education or socio-economic status. In the public sector, 64 was the most common retirement age, with half continuing to work until the age of 64 or older. In the private sector, the most common retirement age was exactly 63 years, with just less than one third continuing to work until at least age 64.

In 2006, private sector employees retired on an old-age pension from work at a later age than public sector employees. This was observed at all levels of education and regardless of socio-economic status. In the public sector, half retired before the age of 63. Only just over one fifth continued to work until at least 64. In the private sector, retirement was most common either immediately after the age of 63 or at 65. Almost half continued to work until at least 64.

The public sector retirement age is also reflected in the retirement age of women. Women retiring from work have deferred their retirement. In 2017, women retired later than men; in 2006, the reverse was true.

### **Continued working among the high-educated on the increase but not among the low-educated**

Over the period under review, retirement from work has been clearly deferred for the high-educated and those with a high socio-economic status. However, the same is not true for the low-educated and those in blue-collar occupations, where retiring at older ages has become less common.

In 2017, the low-educated or blue-collar workers retired earlier than others. Their most common retirement age was exactly 63 years, and only about one third continued to work until they were 64 or older. By contrast, half of the high-educated and upper white-collar employees retired at age 64 or older. These groups typically continue to work for a long time. More than one in ten of those with a higher tertiary degree continued to work until the age of 66 or older, and almost three in ten of those with a doctoral degree.

In 2006, two in five or more of the low-educated and blue-collar workers retired at age 64 at the earliest. For those with basic education, retirement at age 65 was more common than at any other level of education. Only around a quarter of those with a higher tertiary degree and upper white-collar employees continued to work until at least age 64.

### **Those with a basic education and blue-collar workers have the longest careers among those who retired on an old-age pension from work**

The median working lives of those who retired on an old-age pension from work spanned 40.5 years in 2017, which was an ample two years more than in 2006. During the period under review, the number of years worked increased in the age ranges 53–62 years and 63–68 years.

The median working lives among those who retired from work were the longest for those with a basic education and blue-collar workers and shortest for those with a higher tertiary education and upper white-collar employees. In 2017, the median working life of those with a basic education was 43 years, which is over four years more than of those with a higher tertiary education. In 2006, the median working life of those with a basic education spanned 40 years. It was three and a half years less for those with a higher tertiary education.

For blue-collar workers, the median working life was 42 years in 2017. For upper white-collar employees, it was around two years less. In 2006, the difference was two and a half years. The length of working life for upper white-collar employees at age 53–62 and 63–68 had increased over the review period. For blue-collar workers, there was practically no change in the length of working lives at these ages since 2006.

### **Working lives extended in the age ranges 53-62 and 63-68 years in the public sector but not in the private sector**

The working lives of public sector wage-earners were shorter than of private sector wage-earners throughout the review period although working lives have extended more in the public than the private sector. In 2017, the median length of working lives of persons retiring on an old-age pension from work was 40 years in the public sector and around 41.5 years in the private sector. In 2006, the corresponding figures were nearly 37.5 years and 40.5 years.

In the public sector, extended working lives were a result of increasing working lives among the 53–62- and 63–68-year-olds. Extending working lives at higher ages reflects that early retirement (before the age of 63) in the public sector has largely been replaced by continued working until age 64 or older. In the private sector, working lives have virtually not extend at all since 2006 in the age ranges 53–62 and 63–68 years.

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