

Effective Retirement Age in 2019

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Finnish Centre for Pensions
ELÄKETURVAKESKUS

Content

- Number of new retirees on an earnings-related pension
- Development of effective retirement age
- Employment
- Expected length of working life



Drive to postpone retirement monitored by means of

- Expected effective retirement age:
 - corresponds in principle to life expectancy,
 - describes average effective retirement age if retirement and mortality rates remain unchanged at the level of the statistical year, and
 - is unaffected by demographic age structure.
- Employment rate of older people
- Expected length of working life:
 - depicts the number of years that a person at a certain age can be expected to be in an employment relationship or work as a self-employed person during their remaining life span, and
 - based on a method that uses cross-sectional data on mortality risk rates, labour force participation rates and employment rates.



Effective retirement age in 2019

(1/2)

- Expected effective retirement age
 - 61.5 years (for 25-year-olds)
 - 63.4 years (for 50-year-olds)
- Clear rise in effective retirement age
 - 25-year-old's expected effective retirement age was up 0.2 years from the year before
 - 50-year-old's expected effective retirement age was up 0.3 years from the year before



Effective retirement age in 2019

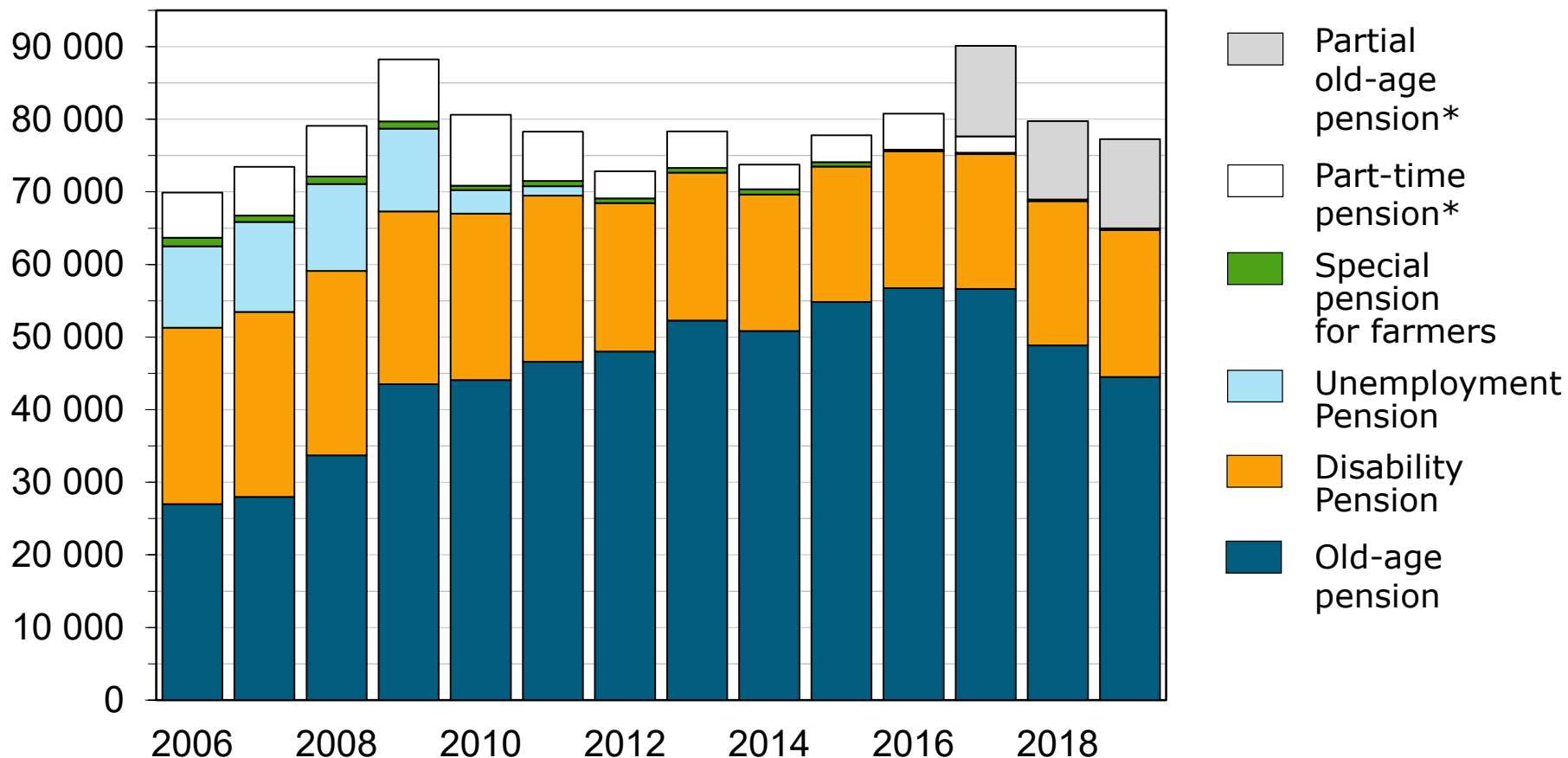
(2/2)

- Retirement rate declined especially among 63-year-olds
 - Persons born in 1955 are the first age group whose retirement age was raised in connection with the 2017 pension reform. Their retirement age is now 63 years 3 months. For those born in 1956, the retirement age is 63 years and 6 months.
- Number of new retirees on an old-age pension declined clearly while the number of new retirees on a disability pension rose slightly



New retirees on an earnings-related pension 2006–2019, by pension benefit

Persons



64,940 persons retired on an earnings-related pension in 2019

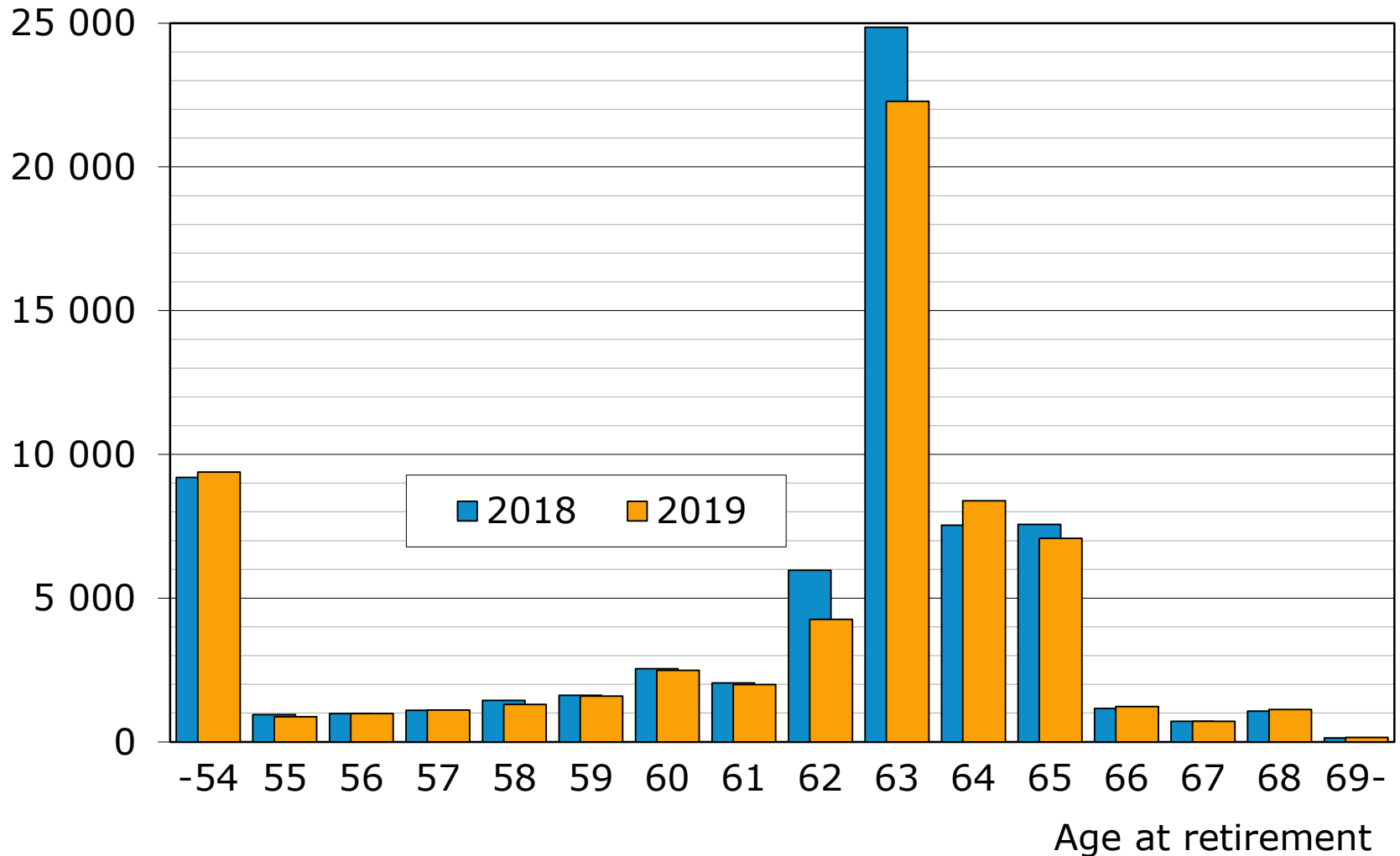
68,910 persons retired on an earnings-related pension in 2018

* The number of new retirees does not include people who retired on a part-time pension or a partial old-age pension.



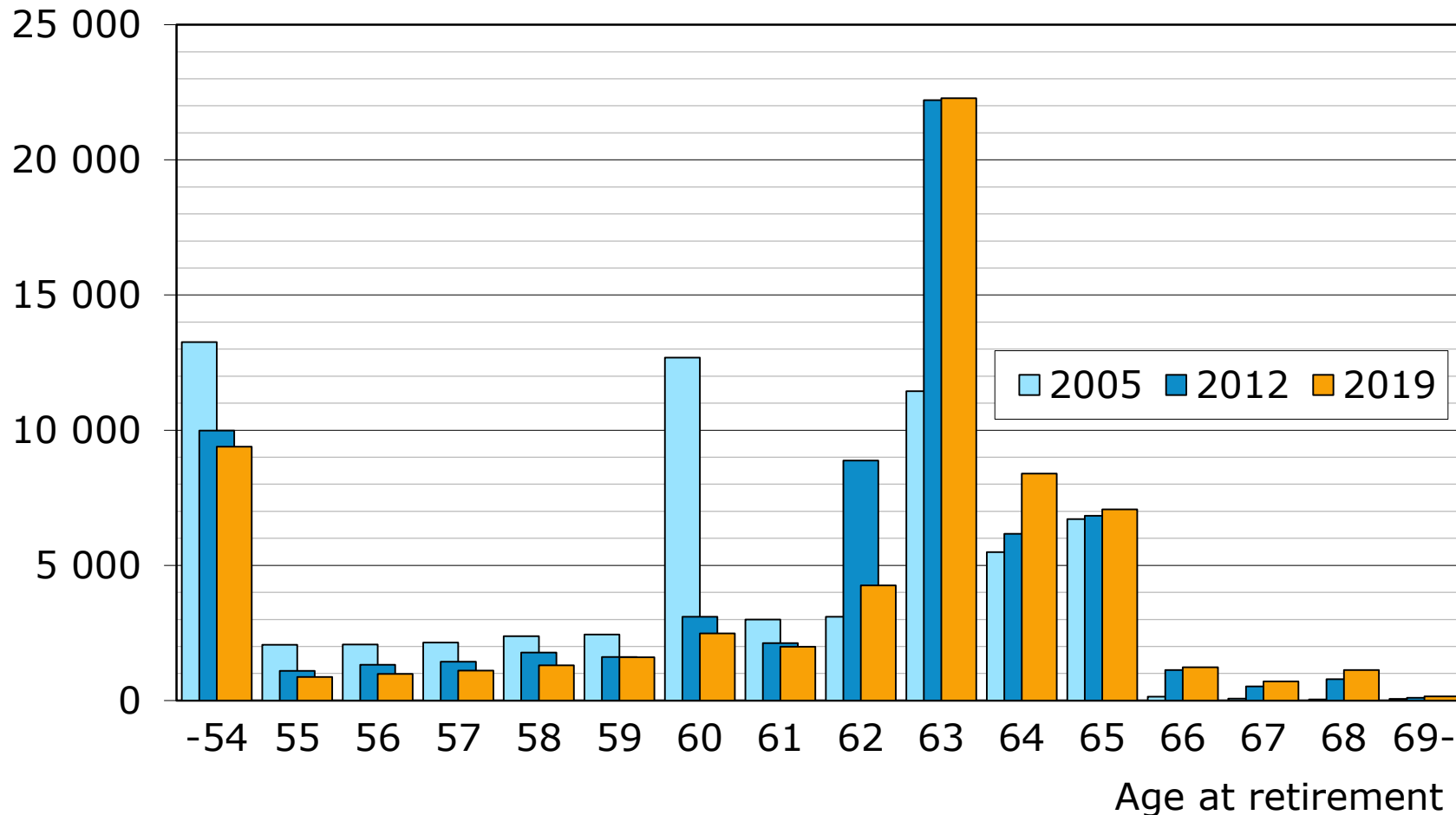
New retirees on an earnings-related pension, by age

Persons

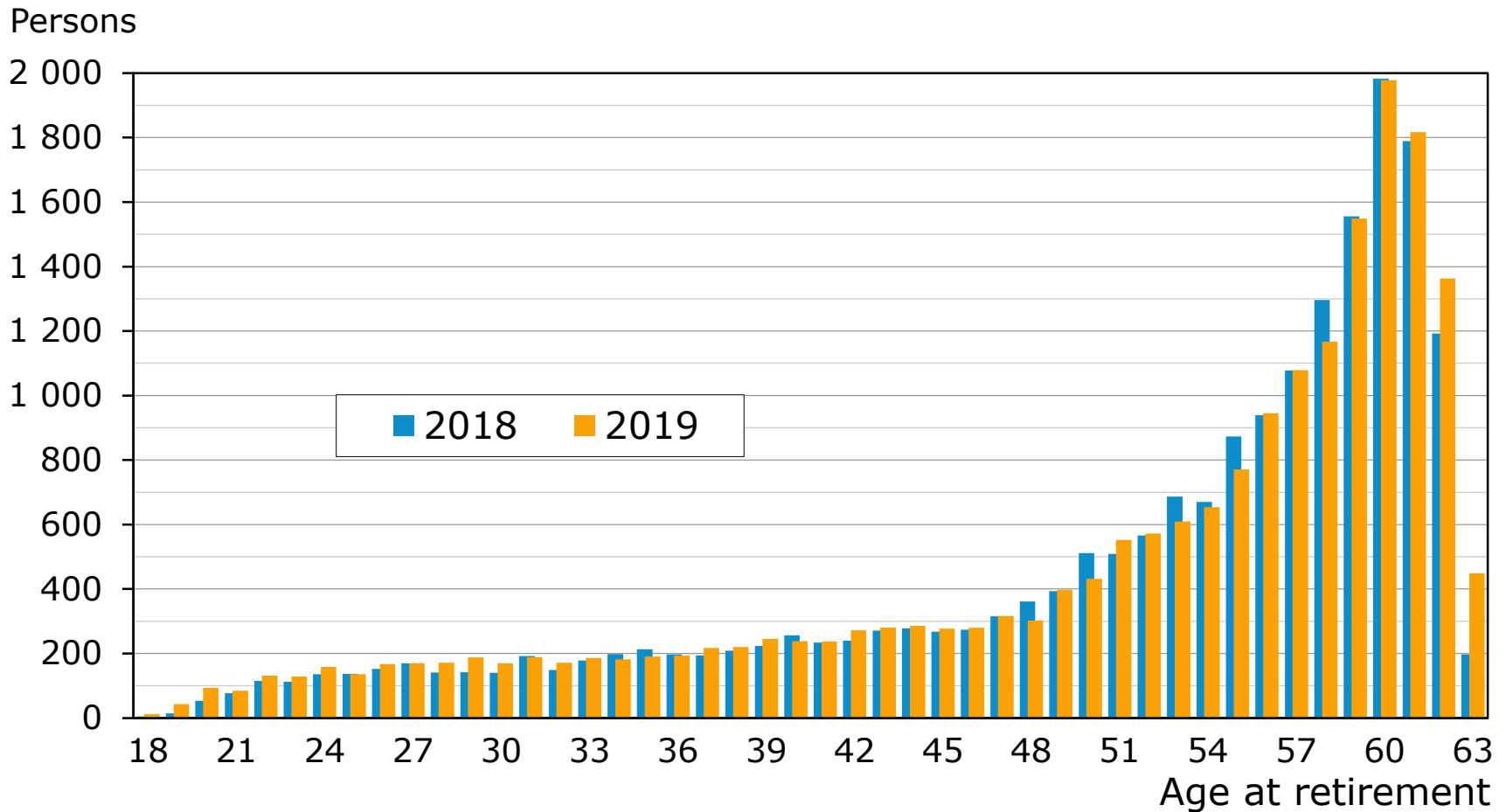


New retirees on an earnings-related pension, by age

Persons

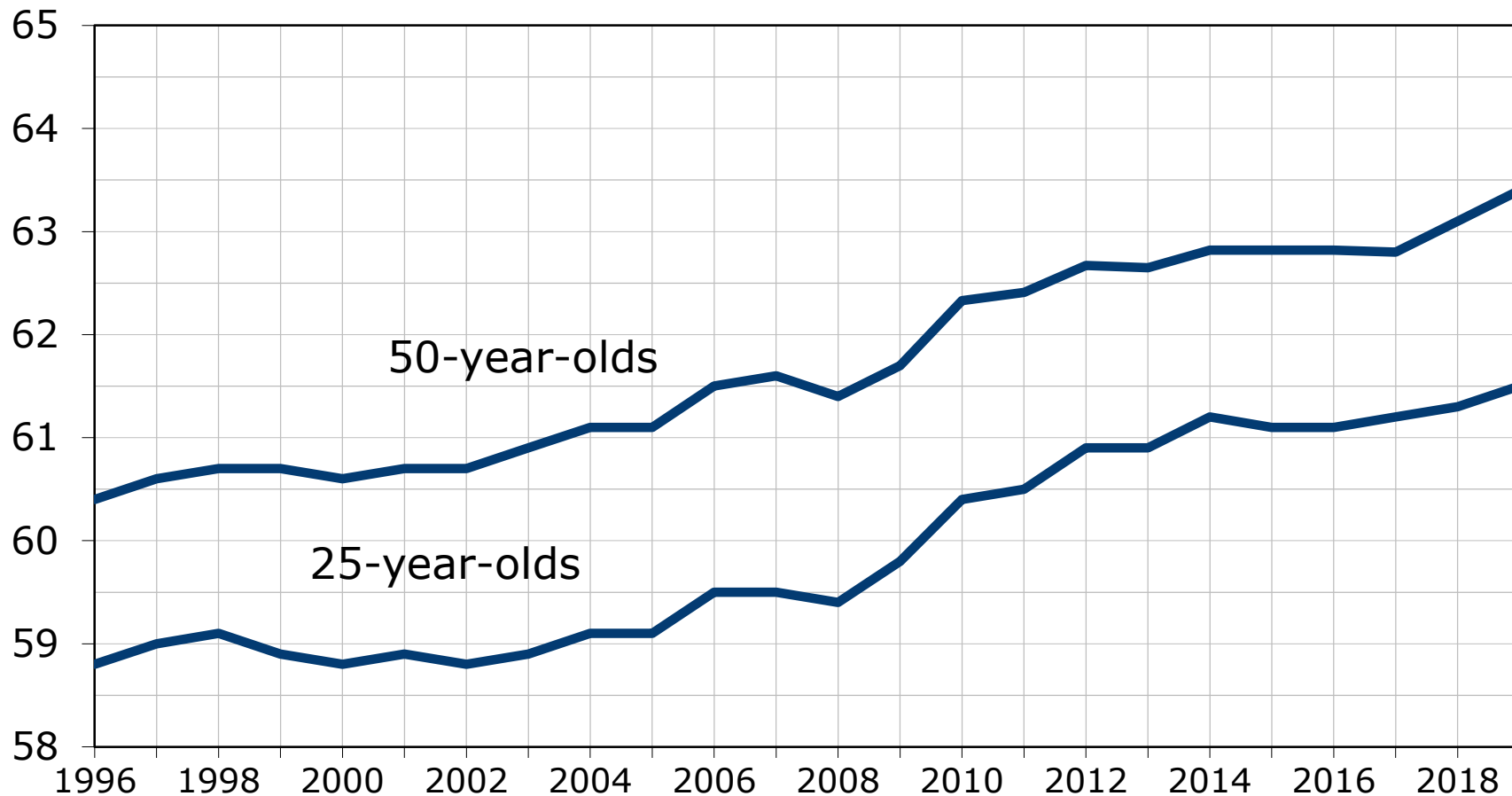


New retirees on an earnings-related disability pension in 2018 and 2019

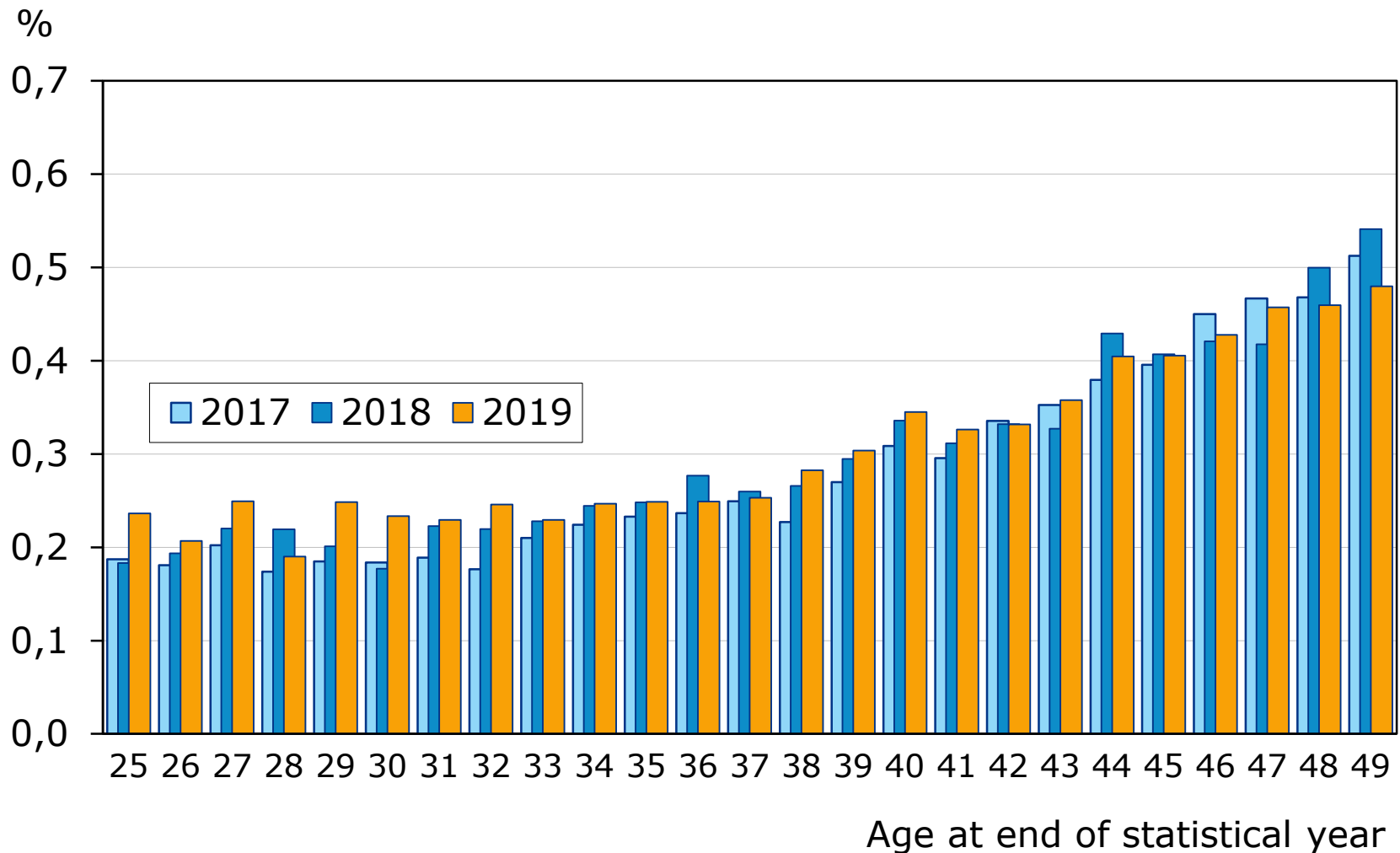


Expected effective retirement age, all new retirees on an earnings-related pension

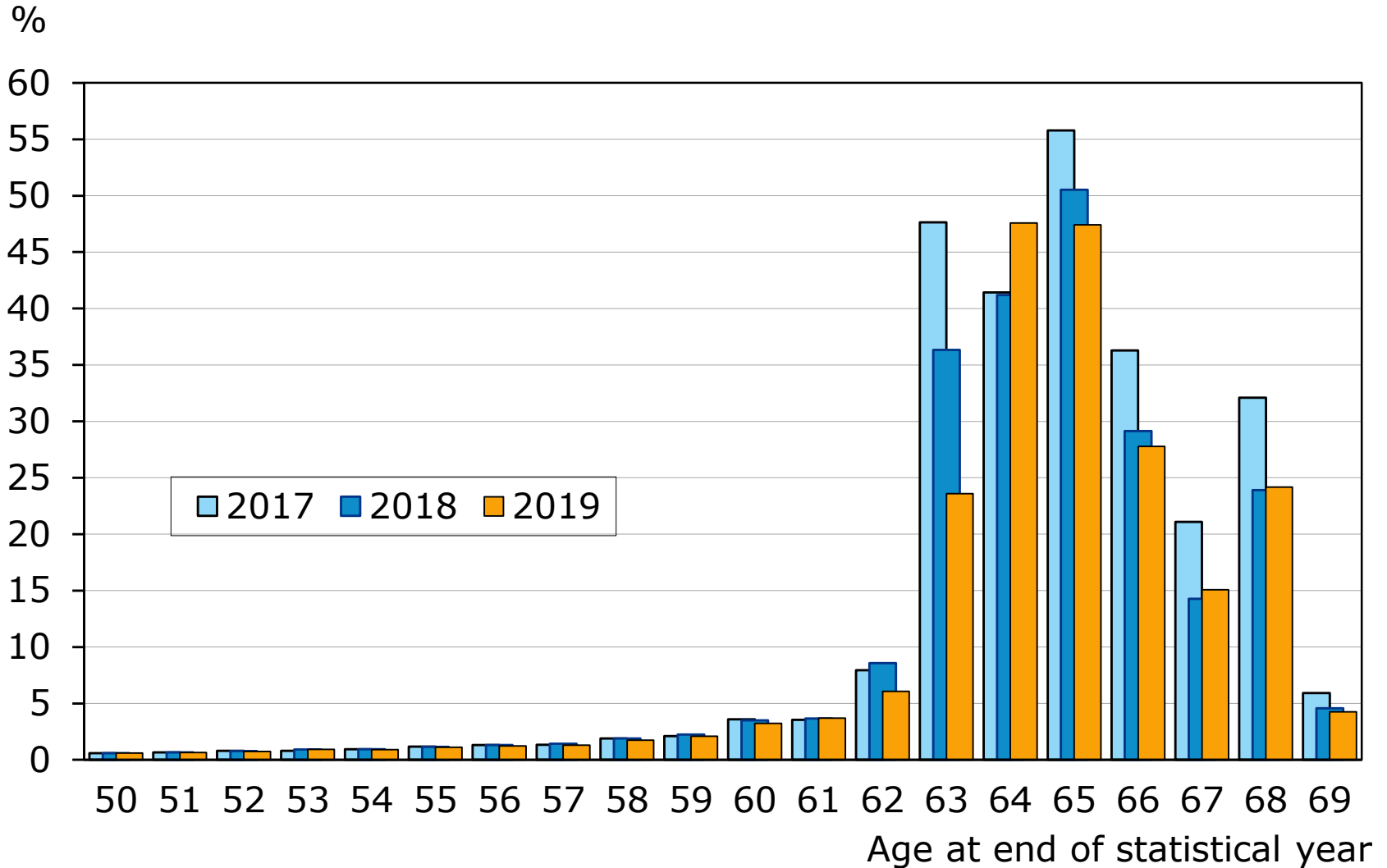
Expected effective retirement age



New retirees on an earnings-related pension as a proportion of all insured persons, 25–49-year-olds



New retirees on an earnings-related pension as a proportion of all insured persons, 50–69-year-olds



Changes to retirement on an earnings-related pension

- Number of persons retiring on an earnings-related pension was 64,940 in 2019, down by 4,000 from 2018 and 10,000 from 2017
- Number of persons retiring on an old-age pension fell by 4,400
 - 9% drop from 2018: largest drop among the 62-year-olds (-1,900) and the 63-year-olds (-2,800); increase among the 64-year-olds (+900)
 - 44,500 persons retired on an old-age pension
 - 71% of all new retirees retired on an old-age pension



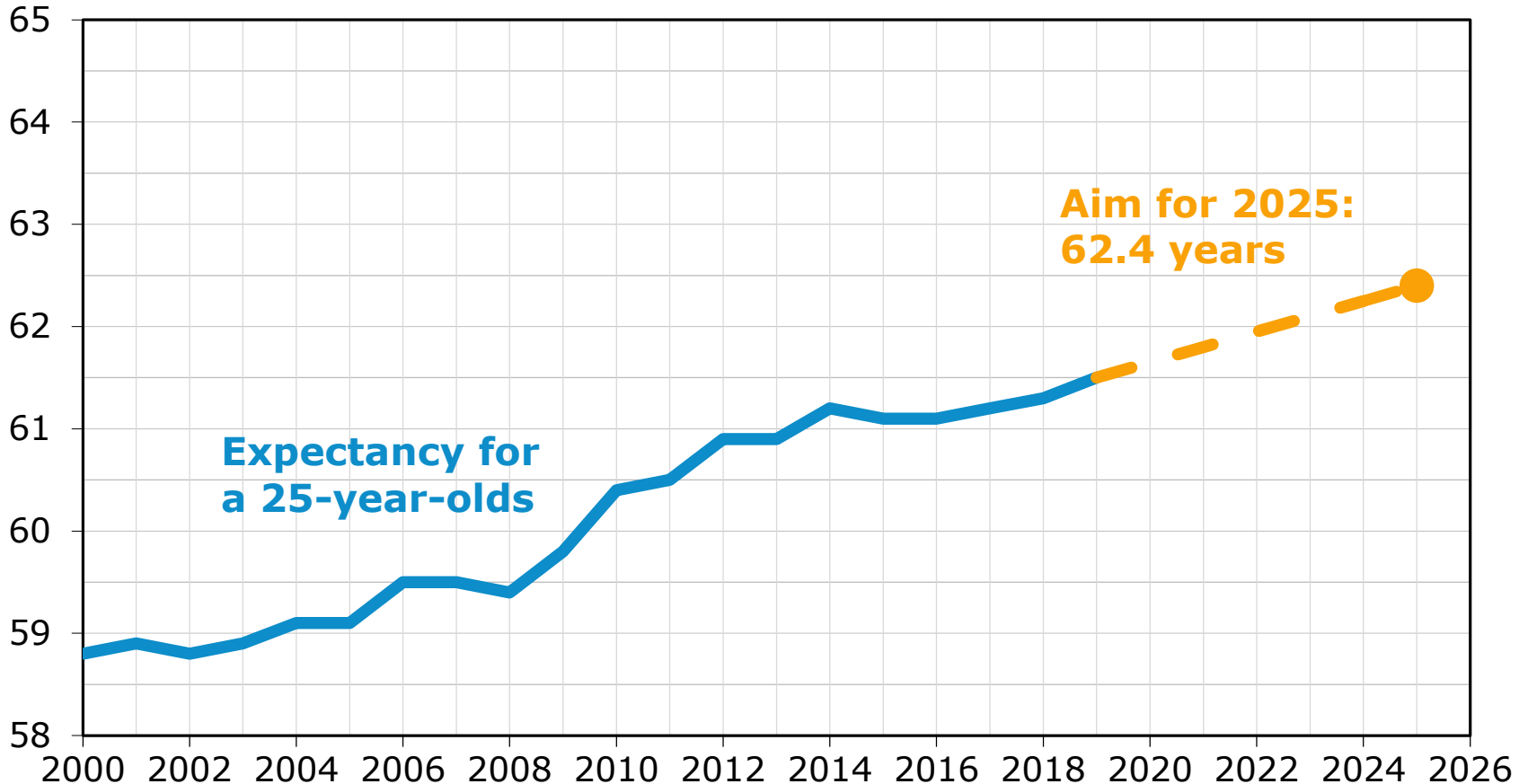
Retirement on an earnings-related pension: some changes

- Number of new retirees on a disability pension up by 2% from the year before
 - 20,300 new retirees on a disability pension
 - Almost 30% of new disability pensions started as partial pensions
- Minor changes in retirement rates
 - Women's rates higher than men's in younger age groups and among those over 63
- 12,300 persons took out a partial old-age pension in 2019



Expected effective retirement age: Aim and realisation

Expected effective retirement age



To achieve the goal at an even pace, the effective retirement age needs to rise each year by 0.15 years.



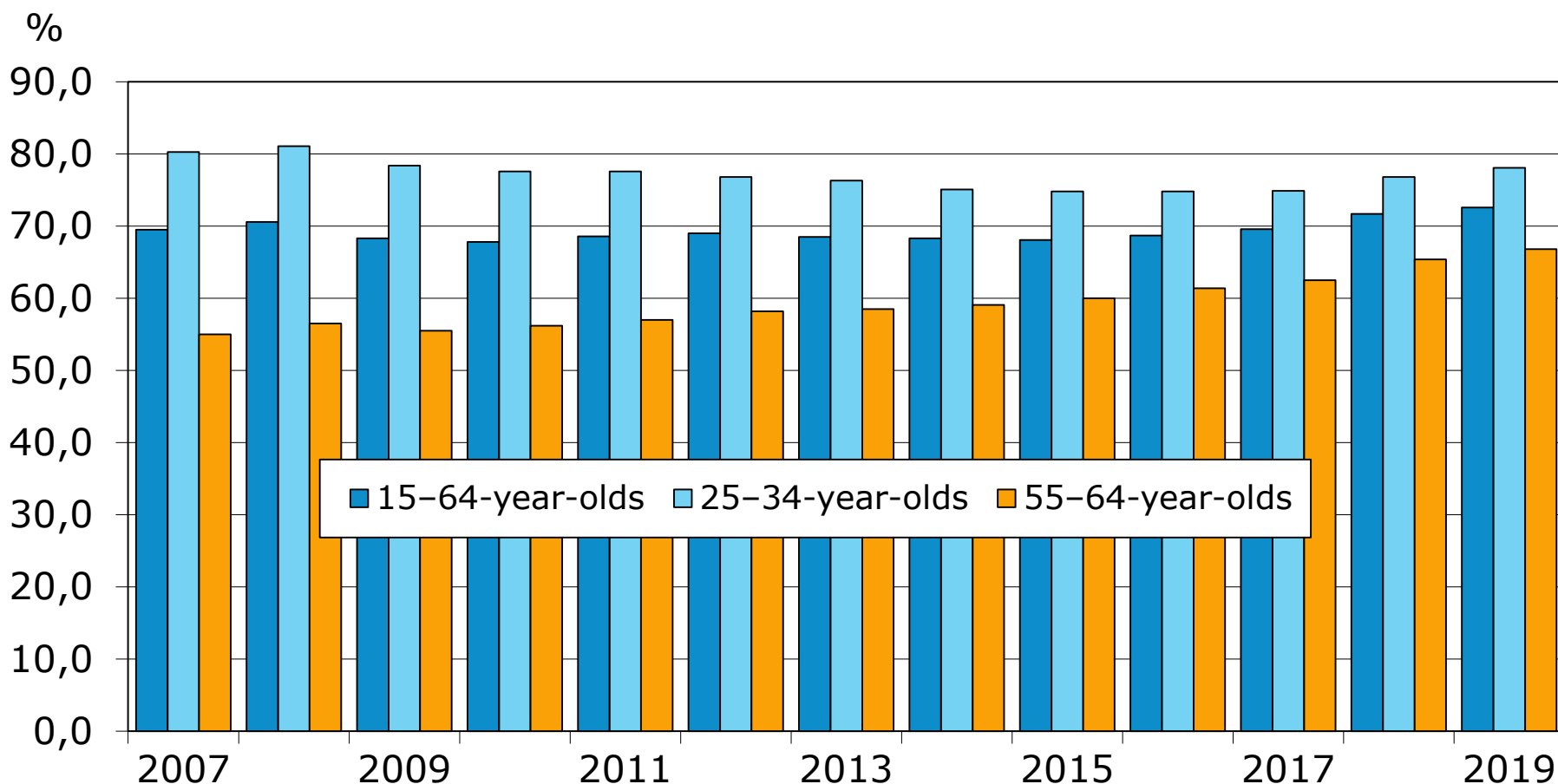
- The 2005 pension reform has clearly increased the effective retirement age
- The 2017 pension reform will further push up effective retirement age
 - Raising the old-age retirement age reduced the number of new retirees on an old-age pension particularly in 2018,
 - The number of new retirees declined also in 2019,
 - The number of new retirees on a disability pension rose slightly,
 - The overall number of new retirees has declined significantly.
- Future trends will depend on changes in behaviour
 - Intended retirement ages have risen
 - Retirement decisions influenced by multiple factors



- Future trends will depend on economic outlook and changes in working life
- In 2020, the number of new retirees is expected to decline from that in 2019 (to an estimated 63,000 persons)



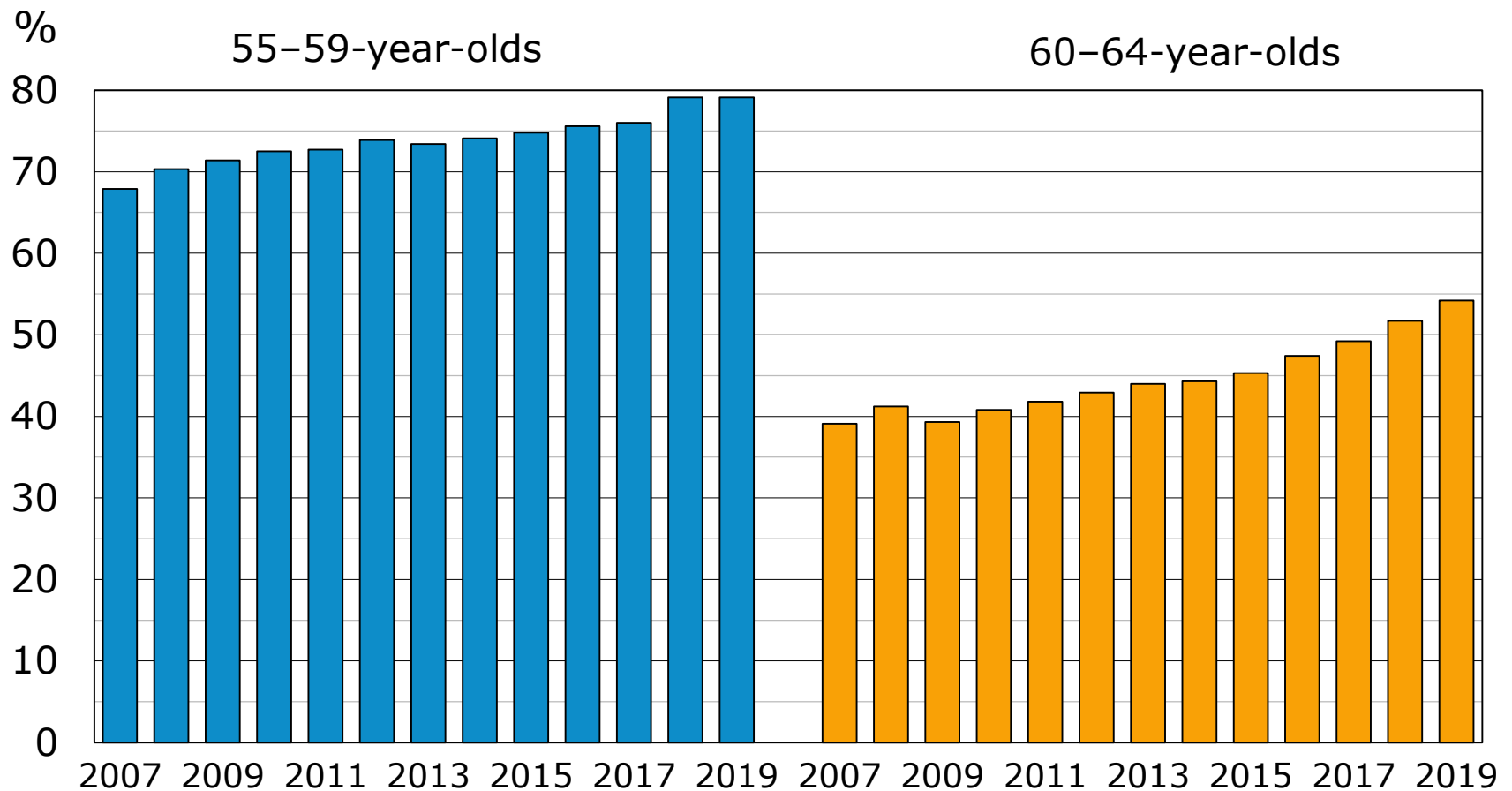
Employment rates for the working-age population (15–64 years), younger people (25–34 years) and older people (55–64 years) in 2007–2019



Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



Employment rates for persons aged 55–59 and 60–64 in 2007–2019



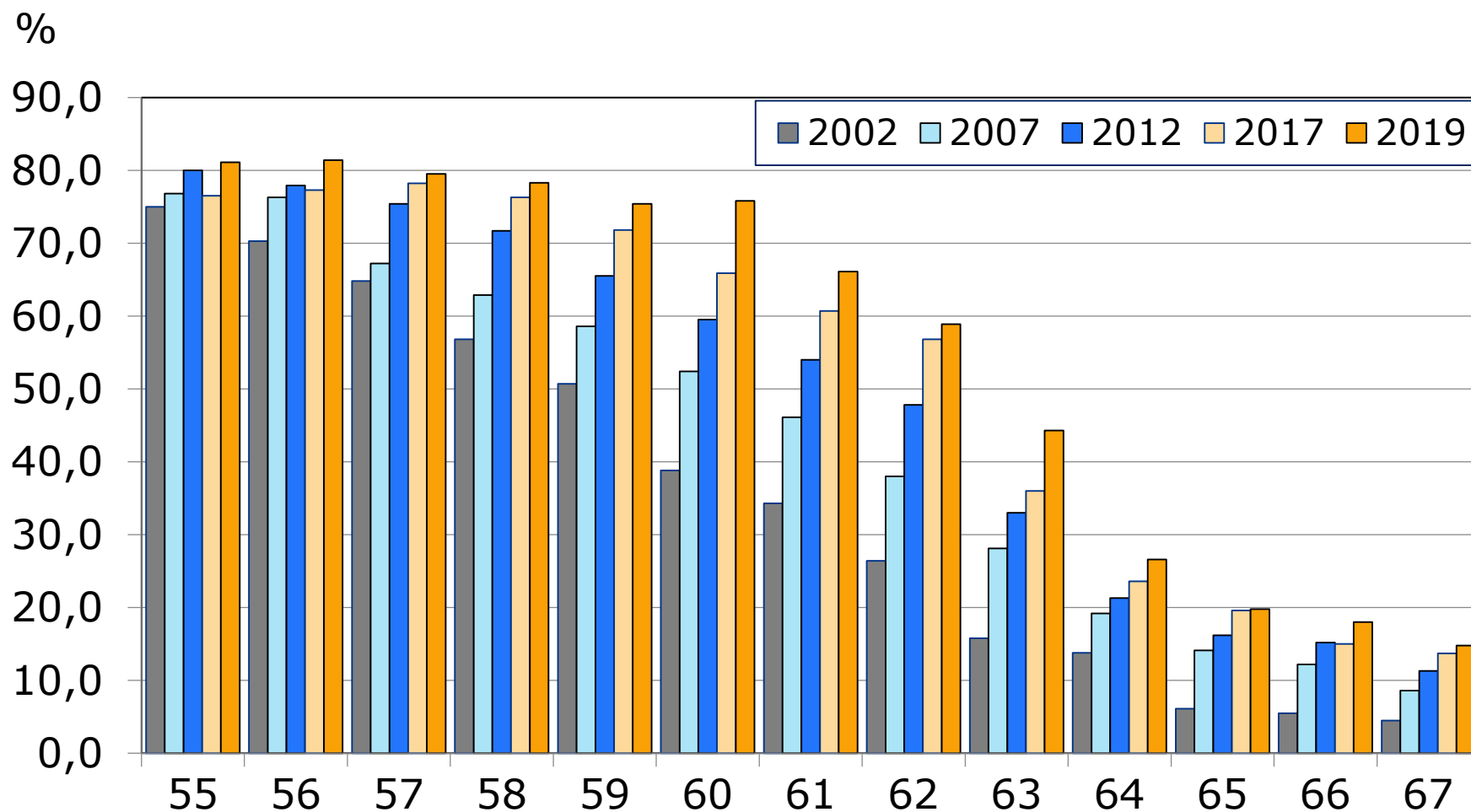
Employment rates in 2019: 55-59-year-olds 79.1% and 60-64-year-olds 54.2%

Employment rates in 2018: 55-59-year-olds 79.1% and 60-64-year-olds 51.7%

Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



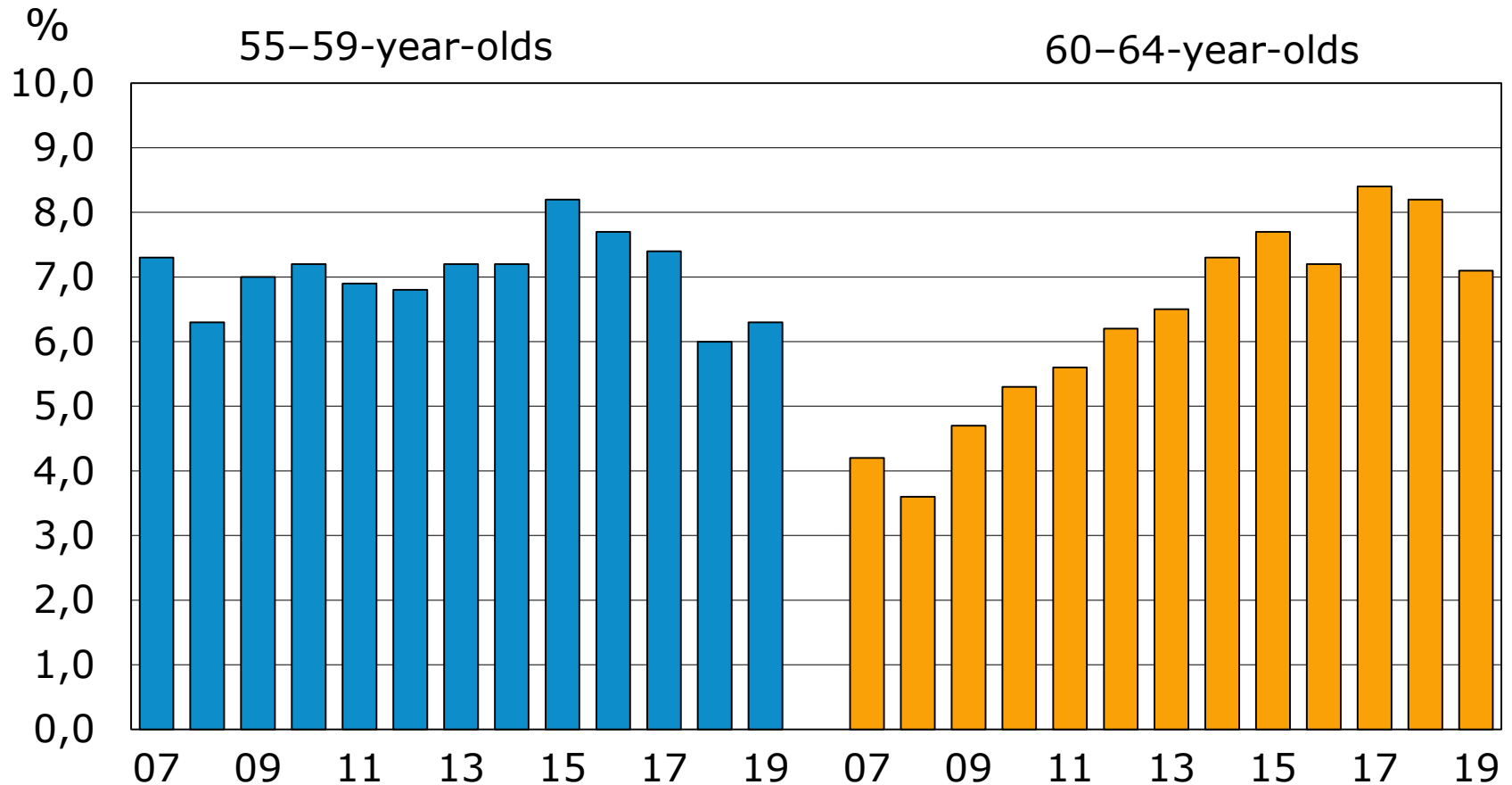
Employment rates for persons aged 55–67



Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



Unemployment rates for persons aged 55–59 and 60–64 in 2007–2019

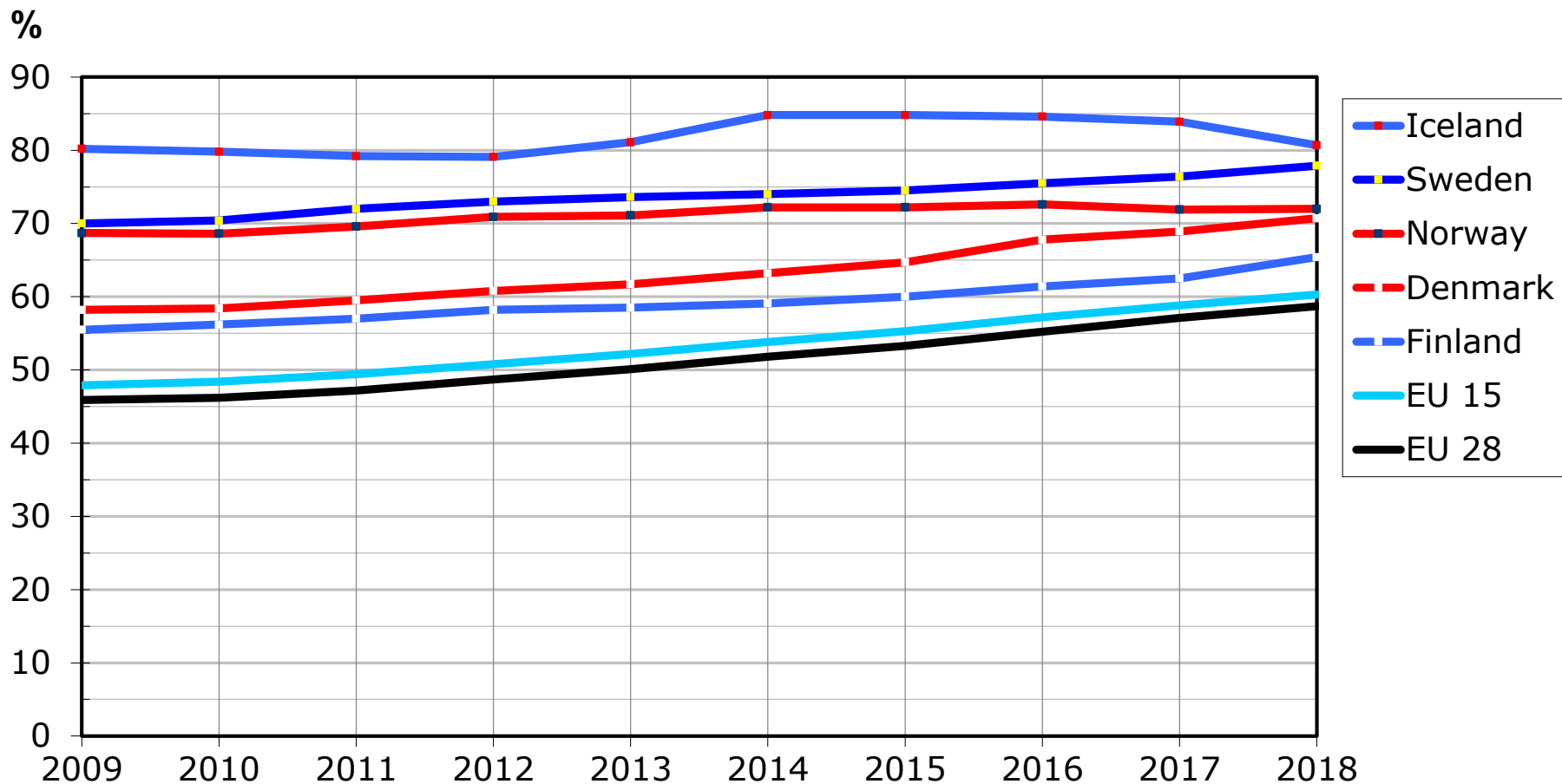


Unemployment rates in 2019: 55–59-year-olds 6.3% and 60–64-year-olds 7.1%
Unemployment rates in 2018: 55–59-year-olds 6.0% and 60–64-year-olds 8.2%

Source: Official Statistics of Finland (OSF): Labour force survey, Statistics Finland



Average employment rates of 55–64-year-olds in Nordic and EU countries in 2009–2018



Source: Eurostat, Employment, Labour force surveys



Age group differences relative to employment trends among older people aged 55–64 (1/2)

- Employment rate improved in 2019 and was at its highest since 1990
 - employment rate for working-age population 72.6% in 2019 (up by 0.9 percentage points since 2018)
 - older people's employment has developed favourably in the 2000s
 - employment rate in age group 55–59 stopped at statistical record-high of 79.1%
 - employment rate in age group 60–64 rose steeply in 2019 and reached statistical record-high levels (54.2%, up by 2.5 percentage points since 2018)
 - employment rate in age group 25–34 fell by 6.3 percentage points in 2009–2016, but following turnaround in 2017 reached 78.1% in 2019, up by 1.3 percentage points since 2018 - but still 3 percentage points lower than the 2008 record of 81.1%

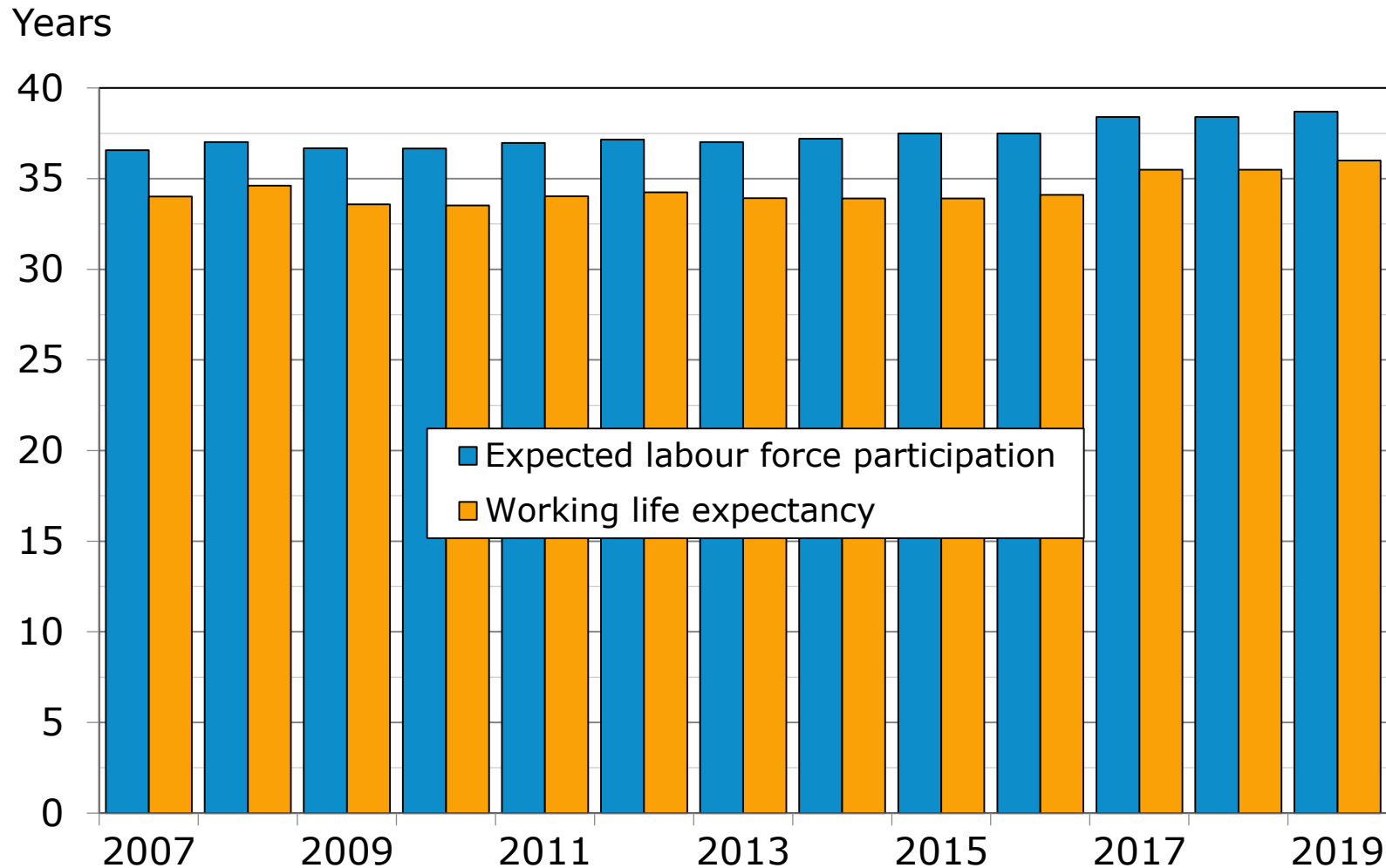


Age group differences relative to employment trends among older people aged 55–64 (2/2)

- Employment rates for older people in Finland remain lower than in other Nordic countries in 2018
 - Second lowest Nordic figure recorded for Denmark, which is more than 5 percentage points ahead of Finland (gap closing in slightly in 2019)
 - EU15 countries lagging behind Finland by 5.1 percentage points



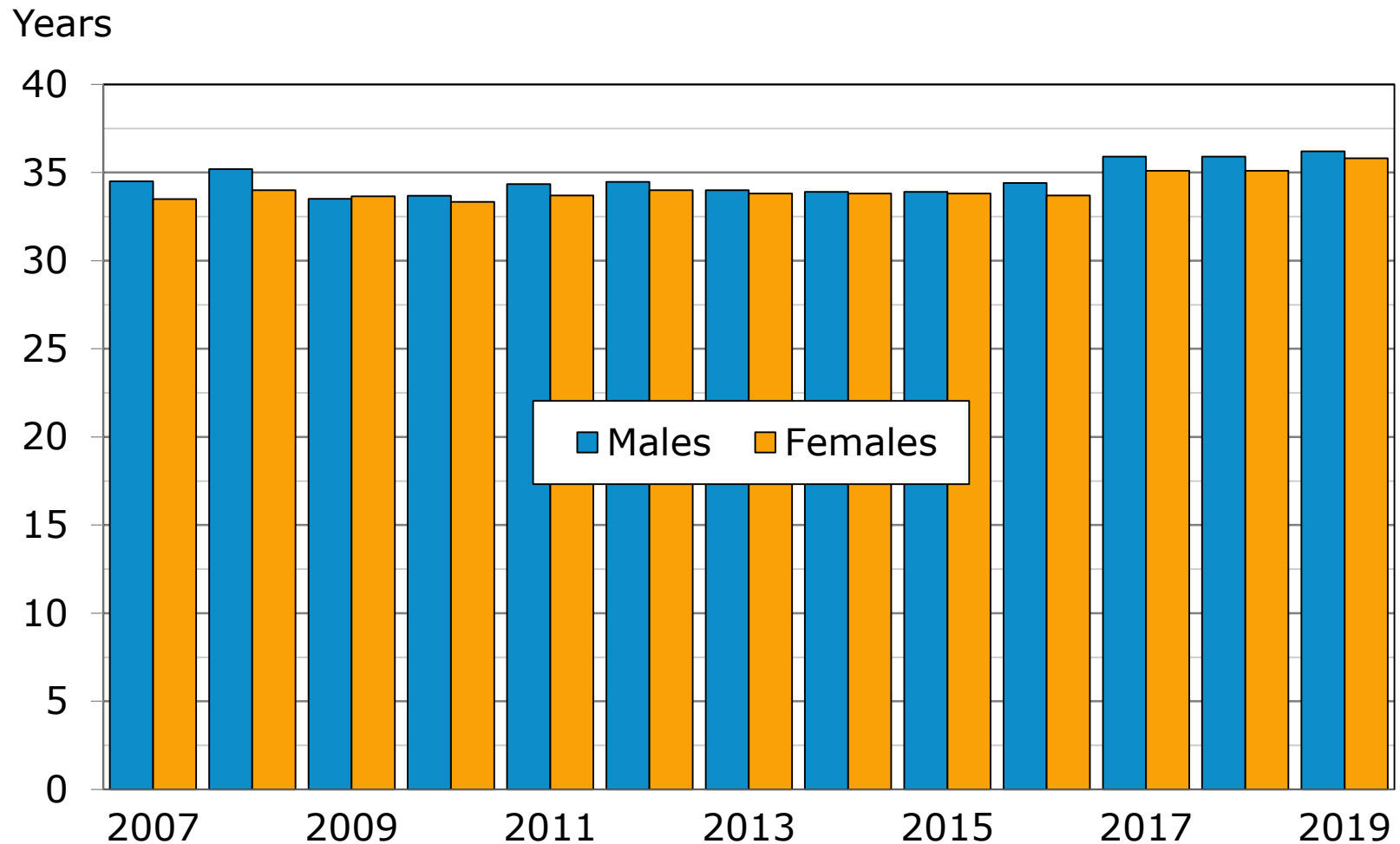
Expected length of working life for a 15-year-old 2007–2019



Calculation, source: Official Statistics of Finland (OSF), Labour force survey, Statistics Finland



Working life expectancy for a 15-year-old 2007–2019



Calculation, source: Official Statistics of Finland (OSF), Labour force survey, Statistics Finland



Length of working life in 2019

- Expected labour force participation in 2019 was 38.7 years
 - increase of 0.3 years from previous year
 - increase of 3.7 years in the 2000s
 - increase for men 3.4 years in the 2000s
 - increase for women 3.9 years in the 2000s
- Working life expectancy in 2019 was 36.0 years
 - increase of 0.5 years from previous year
 - increase of 4.5 years in the 2000s
 - 36.2 years for men (up by 3.8 years in 2000s)
 - 35.8 years for women (up by 5.2 years in 2000s)

