

## EXTENDING WORKING LIFE IN FINLAND

MARTEN VON WERDER AND ANNA-ELISABETH THUM

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### Abstract

This report reviews national and private initiatives to allow the elderly to continue their participation in the Finnish labour market and provides an analysis of the labour market and living conditions of seniors. We are interested in how those over 50 can be engaged in various forms of employment and lifelong learning. We find strong evidence that Finland generally provides good institutional conditions for active ageing. The quick and early ageing process was tackled by the fundamental pension reform that already prolonged retirement substantially and will probably facilitate later retirement as the attitudes concerning retirement change. On the other hand, Finland still seems to lack behind the other Nordic welfare states, has considerable problems in providing the same health conditions to low educated people in physically demanding occupations and could - with respect to family pension in particular - invest further effort in reforming the pension system. While many of the reforms Finland has conducted seem to be favourable and transferable to other European countries that still face the steepest phases of ageing in their societies, a reluctance towards changing attitudes that we observe in Finland, shows that organizing active ageing is a long-term project.

**MoPAct**

Mobilising the Potential of  
Active Ageing in Europe



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# Extending Working Life in Finland

Marten von Werder and Anna-Elisabeth Thum\*

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## 1. Introduction: The current situation

*“Active ageing means helping people stay in charge of their own lives as long as possible as they age and, where possible, to contribute to the economy and society.”<sup>1</sup>*

Finland is a remarkable case of implementing measures to foster active ageing. In the early 1990s, despite an excellent integration of women in the labour market and the generally well educated workforce, Finland was a country with only average success in integrating older people in the labour market. But awareness of the early and rapid ageing of the Finnish society forced the government to introduce extensive pension reforms in the mid-1990s. These reforms lifted country’s position in Europe to the top rungs in only about a decade.

A main element of this success was the high female labour market participation (section 2) and the implementation of stronger monetary incentives for postponing retirement through national programmes aiming at changing the habits of the elderly (in section 3). Nevertheless, the Finns only rarely make use of their flexible retirement age and still retire earlier than their peers in the other Nordic countries (section 4). It turns out that pressure arising from the gap between competences and labour market requirements, lingering age discrimination and narrow mindsets seem to be the main obstacles for a further expansion of the employment rate among the elderly. However, the Finns are generally prepared for an extension of working or active lives. According to data by Eurostat, Finland ranks second in the European Union when it comes to the formal and informal education of elderly and programmes such as ‘liberal adult education’ have been launched (section 5). Furthermore, Finnish people tend to be relatively active after retirement and show a high degree of well-being (sections 5 and 6). These conditions should suffice to overcome the obstacles found in section 4 in terms of working conditions, workability and employability.

In this report, we review measures – both national and private initiatives – to activate the elderly and analyse the labour market and living conditions of the elderly in Finland. We are interested in how those over 50 can be engaged in various forms of employment and in participation in lifelong learning. The report contributes to a series of country reports that are being used to design a conceptual framework for developing standards for identifying innovative, effective, sustainable and transferable strategies in age-related employment and lifelong learning. Approaches from different countries to overcome known limitations of individual initiatives will be integrated. Employer and employee involvement is seen as a key to successful active ageing strategies. In researching practices to achieve active ageing in Finland a special focus is put on practices that can be grouped under the term ‘social innovation’.

The remainder of the report is organized as follows: Section 1 reviews recent developments and the current situation of the elderly in the Finnish labour market and sketches the main

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<sup>1</sup> European Commission, DG Employment, social affairs and inclusion (<http://ec.europa.eu/social/main.jsp?catId=1062&langId=en>)

demographic trends. Section 2 focuses on the high share of women in the Finnish workforce by assessing education and family policy as policies that may favour the integration of women. Section 3 provides a detailed view on the organisation of the Finnish pension system, the reform effort taken during the late 1990s and in 2005 and its positive effects on the older workforce. Section 4 focuses on recent studies that assess the working conditions in Finland. An integral part of active ageing is the possibility of lifelong learning, voluntary or paid work and active participation in society, which were assessed in Section 5. Section 6 sheds further light on health and well-being of the elderly in Finland and the final section offers conclusions.

The report is mainly based on recent literature on the topic, the evaluation of data provided by the European Labour Force Survey (2010) and by personal interviews with experts on active ageing and the employment of elderly people from the Finnish Institute of Occupational Health (FIOH), the Labour institute for Economic Research (LER), the Ministry of Employment and the Economy (MEE) and the Finnish Confederation of Salaried Employees (STTK).<sup>2</sup>

## 1.1 The Finnish labour market and the elderly

Finland is a country facing severe population ageing. It has witnessed a pretty short and very pronounced baby boom from 1945 to 1950 but did not witness a comparable peak in the fertility rate that would be due to an “echo generation”, i.e. the offspring of the baby boomers, as some other European countries did. It did also lack positive constant net-migration until the early 80s which could have compensated for the dropping fertility. All this sums up to Finland ageing noticeably earlier and slightly more intense than most European countries (Karisto, 2007; Piekkola, 2004a; Piekkola 2004b; Hytti and Nio 2004). The baby boomers, i.e. the biggest cohorts, are quitting the labour force and are entering retirement now. Therefore the Finnish society faces the quickest phase of ageing now.

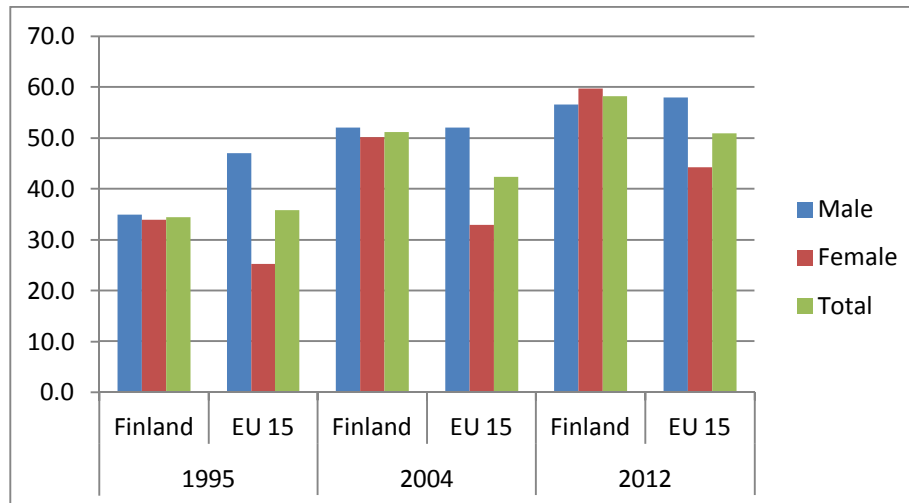
This development was foreseeable and the starting position of Finland in the 90s rather difficult: As *Figure 1* indicates, only 48% of the Finnish population between 50 and 64 years was working in 1995, which placed Finland at the average EU 15 level while facing the societal ageing earlier. Furthermore, in stark contrast to the official retirement age of 65, the effective retirement age decreased constantly since 1981 to equal only 60 in 1995 (OECD, 2011). The country also just came from a severe economic downturn in the early 90s when the GDP dropped by 10% within 3 years. The resulting tax losses and the increasing welfare expenses turned the differentiated welfare system to a financial burden relying on prosperous times (Forssen et al., 2002). The depression particularly had consequences for the older workers: First, the risk of unemployment rose disproportionately for employees that were eligible for extended unemployment benefits. Indeed, employees getting unemployed at least at 55 could receive earnings-related unemployment benefits until 60, after which they were entitled to receive unemployment pension which in turn bridged to the regular old-age pension from 65 onwards. The LER’s expert talks of a mutual agreement between employer and employees to end the employees’ career soon after 45 years of work. Secondly, increasing skill mismatch on the labour market bedevilled the re-integration of older employees in the labour market and caused persistent unemployment among elderly (Ilmakunnas and Takala, 2005). Eurostat data<sup>3</sup> shows, that long-term unemployment among 55 to 64 year-olds in Finland skyrocketed to 71.6% in 1996, thereby surpassing the EU 15

<sup>2</sup> This report refers to the experts’ statements only in an anonymous way.

<sup>3</sup> When referring to Eurostat data, then we refer to the Eurostat online database: [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

average by 10%. The Finnish state had to launch a set of reforms and programs which already have to prove now whether they are effective or fizzling out. To put it simply, Finland could be considered to be somewhat of a blueprint for the changes most of Europe is about to face in a couple of years.

Figure 1. Employment rate of the age group 55-64



Source: European Labour Force Survey (2013).

Despite these harsh conditions in the early 90s, Finland excelled in the last 20 years compared to most of its European peers. Finland witnessed an expansion of the elderly workforce since the mid 90s (*Figure 1*). While being at an average position in 1995 compared to the EU 15, Finland overtook and extended its advantage within 9 years by almost 10% - despite a considerable increase in elderly employment for the EU 15 by almost 7%. The most significant expansion in Finland was witnessed by females between 55-59 years with upper secondary education<sup>4</sup> whose employment rate rose by almost 18% points. A similar soaring was observed for the tertiary educated females between 60 and 64 years, whose employment rate increased by 16% points. Less impressive in numbers but of equal significance is the increase in the male labour force where Finland ranked far below average and where it almost managed to catch up to the EU 15 average.

There are at least two apparent drivers for this positive development. First, a constantly high capacity to integrate women of all age groups and all educational levels in the labour market translates into an outstanding female workforce in the age group between 55 and 64 which is even compensating for the male workforce in that age group that is of rather average size. Sweden is the only country even surpassing the Finnish success in that regard, why one may conclude that the Nordic welfare system somewhat accounts for these findings. It is argued that the *life course* perspective and in particular the educational success and the family policy account for the outstanding rate of female employees. *Chapter 2* will shed further light on this issue. The former leads a very high share of females into tertiary education<sup>5</sup> while the latter may explain the comparable high fertility rate of the Nordic countries and Finland in particular.

<sup>4</sup> Secondary education here relates to the ISCED levels 3 and 4.

<sup>5</sup> Tertiary education here is measured according to the ISCED classification that contains ISCED level 5 to 6.

*Box 1. Social Innovations and their Preconditions*

Social innovations are products, services or models that meet both, social needs and economic requirements (European Commission, 2013). They are also an important mean to improvements in the institutional setting of the ageing workforce: The FIOH's expert identifies the grassroots-character of most social innovations and is of the opinion that a culture of participation and dialog on the firm level is most important for the creation of such innovations. In such an environment worker can share their ideas that might stem from long standing experience and the daily interaction with stake holders. Social innovations are demand-led and create new relationships and collaborations and therefore need openness and multidisciplinary thinking.

Hence, in particular top managers are responsible to encourage employees to participate actively in the organization of the work instead of reacting only passively. The FIOH's expert understands such action as in investment into the company that will pay-off as workers have knowledge they can contribute.

Second, the reasons for the remarkable development in active ageing in Finland may also be related to the increase in part-time employment and the restructuring of the pension system that will be assessed in *Chapter 3*. Even though there is considerable ongoing change in Finland, there are also obvious reasons why Finns from a certain age onwards prefer to retire instead of working. *Chapter 4* discusses a couple of studies investigating the motives for retirement.

## 1.2 The demographic development of Finland

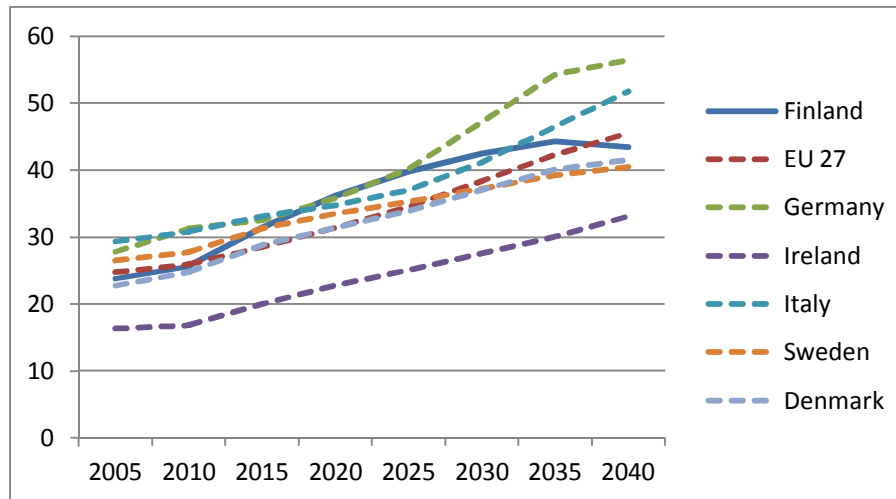
One potential problem of societal ageing is the risk of skyrocketing costs for the state: A higher share of the population is passive and depends on the tax payments of a smaller number of tax-paying workers. Plus, the expanded life expectancy results in a longer retirement that has to be financed by a proportionally shorter part of life spend with work. An indicator that outlines the risk for a state of encountering these potential costs, is the (projected) old-age dependency ratio shown in *Figure 2*<sup>6</sup>. It is defined as the number of persons aged 65 and over expressed as a percentage of the projected number of persons aged between 15 and 64 years. It is visible that Finland ages earlier than all of the countries and reaches its projected highest share of elderly around 2035 while most Europe will still face increasing shares of elderly. The comparably huge baby-boom cohorts are now on the edge to retirement or mostly already retired and currently cause the steepest rise in the share of elderly. In fact, the Finnish old-age dependency rate will be the highest in Europe in 2020.

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<sup>6</sup> The selection of countries composes as follows: Germany and Italy present most extreme ageing processes while Ireland stands out for its young population. Sweden and Denmark are also countries with Nordic style welfare states and will be compared to Finland more often in the report. The EU 27 holds as general benchmark.



Figure 2. Age-dependency ratio for a selection of European countries (from 2015 onwards: projections)



Source: European Labour Force Survey, 2010.

The Finnish birth rate (*see also Chapter 2*) is among the highest in Europe, but does not, with currently about 1.8 children per women, provide a stable development of the population. In fact, according to Eurostat projections the Finnish population would start decreasing around 2030 if there was not a constant stream of net migration: The Finnish population nowadays amounts to 5.4 Million and will indeed grow to 5.7 Million until 2030. Already in 2012, 87% of the population increase was due to people whose native language was another than Finnish, Swedish or Sami (Statistics Finland, 2012). The by far biggest share of foreign citizens migrates from Estonia and particularly from Russia. The group of foreign citizens is on average 10 years younger than the average Finn (Statistics Finland, 2010) and by this, migration tends to cushion the ageing of the Finnish society.

As third characteristic of demographics, the life expectancy has been constantly rising in Finland. Between 1975 and 2001 it rose by about 6 years for people at the age of 65 (Piekkola, 2004b). Most recent data predicts that men at the age of 65 in 2012, which would be representatives of the baby boom generation, have a life expectancy of another 17 years. The corresponding women face an expected further life lasting about 21 years (Statistics Finland, 2013; European Commission, 2013). Between 1975 and 2001 these values rose by 6 years, hence, people live on average 6 years longer now than they did in the 70s (Piekkola, 2004b). It is worthwhile to add here, that data of the OECD<sup>7</sup> (2011) shows that the effective retirement age in Finland equaled almost 65 years across gender in 1975 and decreased to almost 62 years in 2011. Hence, earlier retirement on the one hand and longer lives on the other lead to a prolongation of the length of retirement by more than 9 years. I. e. people spend a considerably smaller share of their life working while spending much more time in retirement.

Piekkola (2004b) predicts that from 2020 onwards social and health care cost will increase due to the needs of the growing numbers of elderly while the expenditure for pension payments already rose since 2010. These higher costs have to be seen in the context of future GDP growth: The workforce shrinks since 2010 which means that future growth in total productivity solely relies on the growing productivity of the shrinking workforce. The Finnish ministry of finance (2006) speaks of a “severe test” for the funding of the welfare

<sup>7</sup> OECD estimates based on the results of national labour force surveys, the European Union Labour Force Survey and, for earlier years in some countries, national censuses

state and estimates that pension and care service costs will increase by 6-7% in relation to total production by 2040. This is also the time around the old-age dependency ratio will reach its maximum and by this will announce improvement of the situation. In any way, it is clear why Finland had to react. Before having a closer look on the specific reactions, the life time perspective will be assessed that might explain the high share of female employment. Because a first and simple mean to extend average working careers in other countries, would be to integrate females in the labour force at all.

## 2. A more structural success factor: The unexpected direction of the gender gap

This chapter seeks to explain the Finnish success in terms of female labour market participation. The chapter focuses on education and family policy that both might be key in contributing to the high female employment rate. While here only these two policy fields are assessed, there is a more detailed analysis of the integration of females in the workforce in the literature.<sup>8</sup> The comprehensive approach of the Nordic welfare state surely plays a role here, since labour market integration is considered an individual right and labour generally is at the centerpiece of state policies (Sainsbury, 1997). This chapter cannot provide a detailed analysis of this comprehensive approach and will only pick the family policy and the educational policy from the broad set of welfare policies.

### 2.1 Education policy: A key to labour market integration

Successful and equal labour market integration of older males and females in Finland can perhaps be attributed to the equal or even pro-female skewed educational attainment rates. Among the Finns between 55 and 64 years, 29% of the males and 33% of the females have gained tertiary educational attainment. In contrast to that, only 24% of the males and 19% of the females of this age group gain equally high education in the EU 15. In Finland only 27% of the females between 55 and 64 years have remained on a low educational level compared to 45% in the EU 15. For men the difference is smaller, but still with 30% in Finland and 36% in the EU 15 significant.<sup>9</sup> However, the employees that are currently between 55 and 64 were educated some decades ago. It is therefore worthwhile to see that this finding is not due to cohort effects. Also over all potentially working ages (15-64 years) the Finnish educational system leads more females into tertiary education than the EU 15: Across gender Finland surpasses the share of people with tertiary education in the EU 15 by 7%, for females even by 12%. Hence, Finland's educational system does both: It provides a generally higher level of education and apparently somewhat favours women over men. While this favouring might be considered equally unfair as favouring men over women, it does not level out the still existing gender wage gap in favour of men in Finland.<sup>10</sup>

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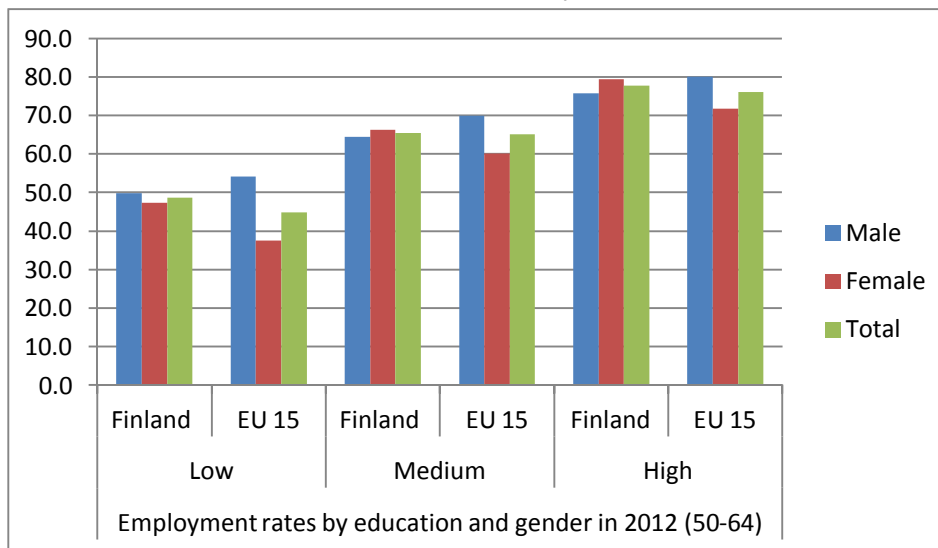
<sup>8</sup> Gosta Esping-Andersen (2005) discusses the different impacts of different welfare state types on the female employment rate. For a detailed analysis of the differences within the group of Nordic welfare states see Diane Sainsbury (1997).

<sup>9</sup> The numbers in this paragraph stem from the Eurostat online database and refer to 2011.

<sup>10</sup> Despite the high female employment rate in Finland, there is still a significant wage gap between genders. Korkeamaeki and Kyrae (2002) show that most of the gap stems from an unequal segregation of men and women in certain occupations that differ systematically in terms of wages. However, a fraction of the gap in pays may be due to discrimination. There is no further discussion of this point. The effects, however, might be twofold: deterrence is conceivable but also that females work longer in order to gain equally high pensions as men.



Figure 3. Employment rate by education and gender in 2012 for the age group between 50 and 64 years



Source: Eurostat (2012).

High education is profitable in a twofold way for active ageing: First, it may explain why women of all working ages are well integrated in the labour market. Women are generally very well educated in Finland which may facilitate their labour market integration and keeps them in the labour market also in higher ages. Second, irrespective of the gender, higher education correlates with longer working careers. This is also revealed by *Figure 3*: While less than 50% of the low educated people between 50 and 64 years work, almost 80% of high educated persons of that age group do. Correspondingly, Järnefelt (2010, p. 155) finds empirical evidence, that higher educational attainments lower the hazard of early exit from the labour force through disability or unemployment schemes (see *Chapter 3* for a more detailed consideration of these early retirement schemes). On the other hand, Järnefelt finds at least for men with a high educational attainment a slight tendency to voluntary early exit. *Chapter 4* deals in a more detailed way with the reasons for voluntary early exit which apparently have to be addressed by other means than involuntary ones. It is also interesting to mention that the male employment rate generally is lower in Finland than in the EU 15 despite the slightly higher education of Finnish men. However, this finding does not contradict the positive effects of education but only reflects the more equal labour market integration over genders.<sup>11</sup>

## 2.2 Family Policy: Reconciliation of work and family?

We see three main reasons for why family policy in Finland plays a major role in labour market integration of elderly. First, *Figure 3* shows that across all educational levels women are better integrated on the labour market in Finland than in the EU 15. Second, the exceptional rate of well educated women may be attributable to the family policy, i.e. institutions that help to reconcile family and work may to certain extent be a precondition of the educational success which in turn guarantees the good integration. Third, Finland educates women better than the EU 15 while having a relatively high birth rate that only is outdone in Europe by the Swedish and the Irish birth rate. It may be therefore the case that

<sup>11</sup> This finding boils down to a trade-off between male and female employment: Above average employment of women then entails below average employment for men as the total employment is limited.

lifting the educational level of women in other countries would reduce the birth rate. Hence, family and educational policy are understood as complementary policies providing integration of women in the labour market in Finland. If it is the conflict between career and family that either drives females out of the labour market or lowers the fertility rate, then this conflict is well solved in Finland.

The Finnish state provides much to make parenthood as easy as possible for parents: The costs of having children are levelled out by different benefit schemes; mother-child clinics are free of charge and several institutions were set up to escort parents in all health related questions; there are different parental leave schemes in order to support young parents; day-care is provided for children under school age and since 2004 also after-school-care for children younger than 10 years. Some of these institutions were already established in the 20s and 30s of the 20<sup>th</sup> century and, as Forssen et al. (2003) point out, provide a reliable environment for raising children<sup>12</sup>. Forssen et al. (2003) stress that all child-related benefits are provided irrespective of the income level of the parents which underlines the generally accommodating character of the Finnish family policy.

Next to these schemes of public support, Finland also enhanced reorganization in favour of parents: According to a study of the European Commission (2009), Finland is among the leading European countries in terms of work-related gender equality and work-time flexibility. Working time banking e.g. became a part of collective bargaining in 2000 and the high level of trade union membership in Finland safeguards that most parents benefit from such agreements. That flexibility matters is also confirmed by Cipollone et al. (2012) who find empirical evidence that *flexicurity*<sup>13</sup> plays a significant role for integrating women in the labour market. Next to Denmark, which excels in *flexicurity* measures, Austria, the Netherlands and Finland belong to the few countries that seem to provide both, a flexible labour market whose downsides are tempered by public support. The authors also find that the negative impact of young children on the labour market involvement of women particularly decreased between 1994 and 2009 in Social Democratic welfare states like Finland. Since Finland excelled in female employment already before 1994, this finding just confirms the course the family policy has taken.

The success in Finland however, is not encompassing: The number of Finnish families having children is decreasing while the number of children per family slightly increased (Forssen et al., 2002). Data from 2011 (Statistics Finland, 2002) shows that for more than 50% of the families with children under 3 years only one parent is working. By far it is still the women that relinquishes to work. Maron and Meulders (2008) find that in particular in Sweden and Finland having a child – *ceteris paribus* – leads to more labour inactivity. Even though this high fraction may misleadingly refer to the extensive leave schemes for parents, it is obviously still hard to combine work and parenthood. But even when child-rearing requires an interruption of the career, Järnefelt (2010) for Finland points out, that child-rearing is least likely to affect the course of a women's career for more than a few years. Therefore, women are not more likely than men to drop out of the labour force due to persistent unemployment.

However, the LER identifies wage punishments after parental leaves and even argues that women would therefore tend to stay longer in the workforce in order to attain equal pension

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<sup>12</sup> Compare Forssen et al. (2003) for a brief overview of the history of the Finnish family policy.

<sup>13</sup> Flexicurity as promoted by the EU combines elements to simultaneously enhance a flexible and secure labour market. Cipollone et al. (2012) name three pillars: First, generally flexible job contracts, secondly, an active labour market policy and third, modern social security systems that provide adequate support in case of unemployment.

claims than men. This is why the STTK's expert suggests to offer training and re-education to mothers that have taken a child leave. In Liljas (LER) opinion, the extensive public child care services generally would allow women to work and to raise children. She points out that gender discrimination in Finland simply does not translate into unequal employment rates but rather in wage differences: Finland has a highly segregated labour market (for empirical evidence: Korkeamäki and Kyyrä, 2002) with clearly gender dominated sectors. Women tend to work in public services where employers more easily can take the "risk" of employing a potential mother. In the private sector women in the relevant age group tend to get employed by fixed term contracts. Employers try thereby to circumvent the risk of employing women that soon could use their right of a child leave. Child leaves can be extended to 3 years and employers are obliged to re-employ women in their old job or an equal one. Hence, women indeed do not face a higher likelihood of unemployment due to child-rearing but indeed have a less stable career than men and earn less money than.

An instrument that is not contributing to the high employment rate of women in the labour market in Finland is atypical employment. Even though the number of temporary employed for the 15-64 years old is higher in Finland than in the EU 15, the gap narrows since the mid 90s and equals today eventually 4% points. For the female age group from 55 to 64 Finland has been and still is only slightly above (1%) the average of temporary employment in the EU 15. Also part-time employment does not account for high female employment: Part-time employment is traditionally low compared to the EU 15 and also far lower than in the other Nordic welfare states. 14.1% of the Finnish female employment between 15 and 64 years in 2012 is part-time employment while Sweden, Denmark and the EU 15 list at least 10% points *more* than that. Maron and Meulders (2008) then also find no significant relationship between parenthood and part-time employment in Finland. According to Cipollone et al. (2012) the increase in female employment in the Nordic States during the last decades, as depicted in *Figure 1*, is due to risen full-time employment. For the LER's expert part-time employment is even the main reason why Sweden, where a considerably higher share<sup>14</sup> of women works part-time, still shows higher female employment rates.

According to the LER's expert, the family pension system in Finland is a more severe obstacle for female employment. It provides disincentives as it entitles widows for lifelong payments that equal half of the difference between the wife's and the husband's pension. The family pension still bases on the idea of lifelong marriages and classical role models. Nowadays the system would even allow widows to receive multiple family pensions if a widow marries again and survives her husband again. The LER's expert also underlines the extensive costs that amounted to 1% of the GDP in 2009. The other Nordic countries reformed or even abolished similar pension schemes and spend much less on them.

The female employment rate in Finland is relatively high just as the fertility rate is. Females are therefore obviously less in a conflict than in most European countries with combining work and motherhood. Cipollone et al. (2012) found empirical evidence that instead informal elderly care increasingly depicts an obstacle for labour market engagement. The LER's expert, however, explains that by law the municipalities are responsible for the care of elderly. Finns tend to be quite mobile and it is rather common that children do not live in the same cities as their parents. Hence, if employees take care of their relatives they do so by choice and not because they would have to.

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<sup>14</sup> In 2012 in Finland 13.8% of the total female employment for the age group 25-54 years was part-time employment. For Sweden it was 34.2%. The corresponding numbers for the age group 55-74 years are 24.4% for Finland and 44.7% for Sweden (Eurostat, 2012).

Policies enhancing female labour market participation are not the only measure that the Finnish state has in place to foster employment of the elderly. Pension policies and other government schemes are reviewed in the subsequent section.

### 3. Success through actions taken: Finns shall work longer

As noted in the introduction, Finland has witnessed an exemplary increase in employment of the elderly during the last two decades – irrespective of gender. While the last chapter was intended to clarify, why the female employment rate is comparably high in Finland, this chapter shall shed light on the reform effort taken by the Finnish state that may partly explain the cross-gender increase in employment rates. The reader should keep in mind, as *Figure 1* shows, that Finland was ranked quite average before expanding the employment rate of the elderly.

#### 3.1 The Finnish pension system: Postponing retirement

Most of the change in employment rates among elderly occurred between 1996 and 2004 (*Figure 1*), i.e. before a general reform of the pension system was conducted in 2005. The increasing employment of the elderly, nevertheless, was accompanied by a number of gradual reforms in the pension system that probably account for the more significant change. Back in the 90s, the Finnish state provided quite extensive schemes permitting early retirement in several ways. The gradual reforms before 2005 anticipated the fundamental principles of the 2005 reform and can be understood as a paradigm shift away from common early retirement towards intended prolongation of retirement.

##### 3.1.1 The Finnish pension system before the reforms

The Finnish pension system before 1996 consisted basically still of two statutory schemes established in the 50s and 60s: First, the so called *National Pension* which was a guaranteed, equal pension for everybody above the age of 65. Beside that, the *earnings-related pension* existed which initially was a kind of top up to the national pension scheme but over the years evolved to a potentially sufficient pension: During every year of gainful employment or self-employment pension rights as of 1.5% of the pensionable income accrued. The pensionable wage was the aggregated average of wages earned during the last four years of each employment relationship. After 40 years of employment a full earnings-related pension with the target level of 60% of the pensionable wages could be reached in this way. Simultaneously, 60% of the highest pensionable wage served as upper limit for earnings related pension. The indexation was “50/50” which meant that the pension level was adjusted to general wage level changes by 50% and to 50% by the changes in consumer prices.

In addition to that, the earnings-related scheme encompassed certain pension types that were supposed to provide income security also to long-term unemployed and workers who became incapable to work. The depression lifted the popularity of these early-retirement schemes from which in particular four options made early retirement simple and caused significant costs:

- **Unemployment pension:** Initially granted to long-term unemployed over 60 years, the unemployment pension became increasingly popular among older workers during the recession. In fact, workers who became unemployed at the age of 55 years could receive earnings-related unemployment benefits until the age of 60 years, after which

they could have received unemployment pension until being eligible for the regular old age pension with 65 years.<sup>15</sup>

- **Disability pension:** Was granted to people between 16 and 64 who lost their capacity to work. The level of benefit based on the already accrued pension rights while the years between occurrence of disability and regular retirement age also credited pension rights: the regular 1.5% until the age of 50, 1.2% points between 50 and 59 and 0.8% points from 60 to 64 years.

**Individual early retirement:** This pension is a sub-type of the disability pension created in the late 80s and was granted to people between age 58 and 64 whose working life has been long and whose working capacity has been fallen significantly. The benefit levels are the same as in the regular disability pension while the award criteria are less strict.

- **Part-time pension:** By leading older worker into part-time employment, this scheme was supposed to keep people working who cannot work in full-time jobs anymore. It does so by compensating 50% of the loss of income that occurs when people between 58 and 64 change from full- to part-time employment. Pension rights, however, accrue at the same rate than in full-time employment.
- **Early old-age pension:** Introduced in 1986, it allowed people to already retire in the regular old-age pension from 60 years onwards. However, each month one wants to retire before the regular age of 65 for old-age retirement diminishes the pension claim.

The Statistical Yearbook (2011) of Finland shows that in 1995 31.3% of the 55-59 year old and even 81.8% of the 60-64 year old people were already pensioners and most of them in one of these schemes. This relatively high share implicitly explains the low employment rate of these age groups as depicted in *Figure 1*. The shares of pension recipients decreased after the first wave of reforms – which is the topic of the following sub-Chapter – took effect in the late 90s (see for this *Figure 4* in *sub-Chapter 3.2.2*).

### 3.1.2 *The first wave: reforms before 2005*

The first wave of reforms was launched in the 90s: In 1996 the *National Pension* became a minimum pension which only was granted when the benefits from the earnings-related pension scheme were under a certain threshold. This reform in particular put financial pressure on the early old-pension recipients whose losses in the earnings-related pension were not cushioned by the national pension program anymore. This type of early retirement was anyhow only popular among employees of almost 65 and the absolute number of recipients remained quite stable until 2005 (KELA, 2011, p. 43). In the *earnings-related pension scheme* the indexation of wages was reduced and the calculation of the pensionable wages started to take the wages into account that were earned during the last 10 - instead of only the last 4 - years of each employment relationship (Uusitalo et al., 2007). These reforms were accompanied by criticism, as the “‘promised’ pension benefits” were cut (Hannikainen and Vauhkonen, 2012) and employees felt stronger financial incentives to engage in employment. Already in 1994 the accrual rates for the pensionable wage was increased from 1.5% to 2.5% for wages that were earned in the ages between 60 and 64. Hence, a stronger incentive for postponed retirement was given.<sup>16</sup>

<sup>15</sup> Compare Ilmakunnas and Takala (2005) and Koskela and Uusitalo (2002).

<sup>16</sup> Detailed explanations about the Finnish employment schemes prior to the reform in 2005 can be found in Lassial and Valkonen (2007), in the Statistical Yearbook 1996 named KELA (1996) in the references, in Uusitalo et al. (2007) and OECD (2004).



Further effort concerning the early-retirement schemes was taken:

In 1996 the conditions for eligibility of *the unemployment pension* became stricter as the period of time one had to be employed before getting unemployed were extended. Moreover, the lower age limit of the unemployment pension was shifted upwards from 55 to 57 years in 1997. Ilmakunnas and Takala (2005) point out that this reform in particular revealed that the sheer existence of the unemployment pension increases the probability of getting unemployed for potentially eligible employees: After the reform, the risk of getting unemployed increased for 55 year old persons. On account of the pension reform in 2005, the unemployment pension was gradually abolished. The share of people between 55 and 64 relying on this pension is only decreasing significantly since 2008.

The *disability pension* was the most popular form of early retirement and still is. But reforms on the individual early retirement have been undertaken and have strongly decreased the number of number of Finns retiring by this mean. Its popularity peaked in 1995 when more than 15% of the 55 to 64 year olds retired on the individual early retirement option (KELA, 1996). In 1994 a reform took effect aiming at raising the limit age gradually from 55 to 58 years. Moreover, the accrual of pension rights in case of disability was decreased. Yet, according to data from 2001 by the OECD (2004), Finnish men between 55 and 59 just as between 60 and 64 listed the highest proportion of inactive people due to illness or disability among all OECD countries. Following on that, the individual early retirement scheme finally was abolished in 2005 while the regular disability scheme even gained relevance and in 2011 slightly 20% of the Finnish population between 55 and 64 received disability pension (KELA 2011). Nowadays, a full retirement award requires a reduction of the workability by at least 3/5<sup>th</sup> and for a partial retirement by 2/5<sup>th</sup> for at least 1 year (Lahelma et al., 2012).

*Part-time pensions* were already introduced in 1987 but only soared in popularity from 1994 and 1998, when the age limit were reduced to 58 and to 56 years respectively. Two things are remarkable concerning the part-time pension: As Hakola (2002) presents empirical evidence for the danger to reduce the workforce by part-time schemes instead of keeping potentially inactive workers in the labour market. According to his analysis the part-time pension program extended the years of work for about half of the part-time retired. By the same token, about 50% of the new occurred part-time employees would have continued working full-time if the part-time pension scheme would not have been available. Secondly, according to the OECD (2004), the part-time pension accounts for 85% of the part-time jobs that evolved between 2002 and 2004. Taking these findings together suggests that this pension scheme indeed helped to keep a certain extent of people in the labour market. Hytti and Nio (2004) even estimate that 50% of the increase in elderly employed can be traced back to the increase in part-time work. The share of people between 55 and 64 working part-time increased between 1996 and 2004 by 7%. In 2004 23% of this age group were working in part-time jobs.

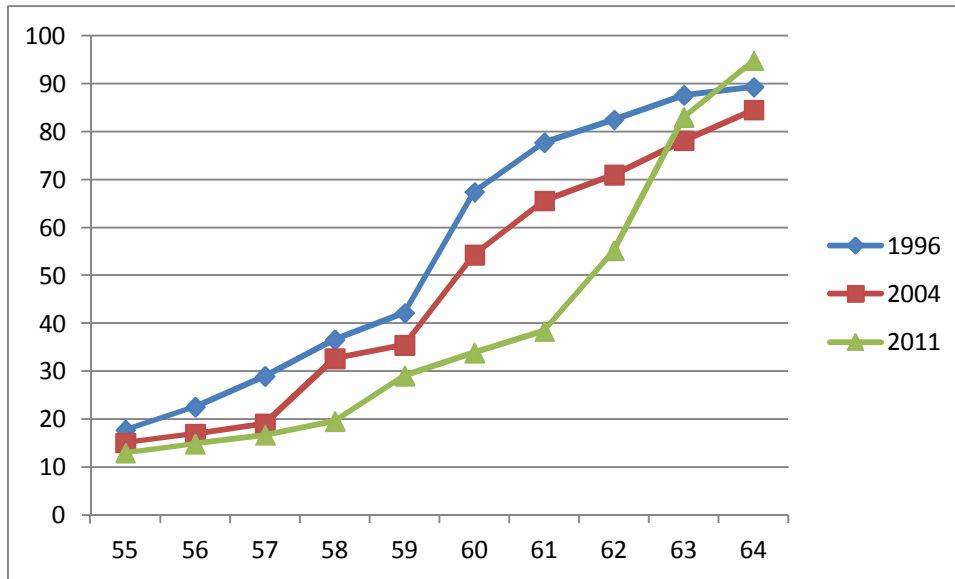
### 3.1.3 Labour market consequences of the first wave of reforms

After reforms took effect, the shares of pension recipients decreased to 19.4% for the 55-59 year-old (1995: 31.3%) and to 64.5% for the 60-64 year-old (1995: 81.8%) in 2004 (KELA, 2011, p. 46). *Figure 4* depicts the pension recipients as share of the population aged 55-64 by age in the respective years. The dots plot the aggregated percentage shares of recipients of disability pension, unemployment pension, ordinary old pension, early individual pension and part-time pension. The shape of the lines stresses the significance of the two reform waves: The first wave started in the second half of the 90s and its effect is depicted by the difference in shape between the blue and the red line. Then in 2005 the major pension reform



took effect and accounts for a further flattening of the share among the younger of the elderly.

Figure 4. Share of pension recipients of total population by respective age for the years 1996, 2004, 2011

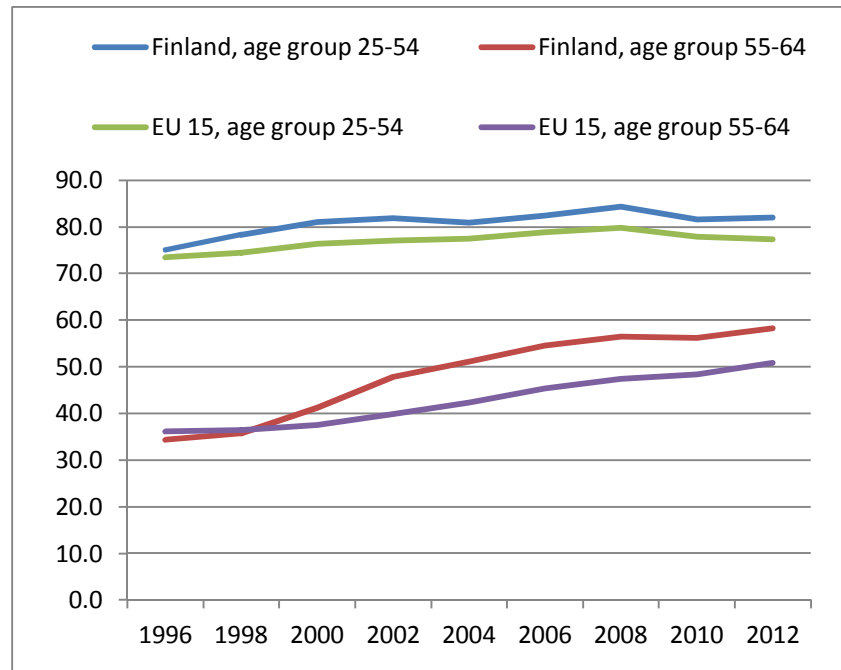


Source: Finnish Statistical Yearbooks KELA 1996, KELA 2004, KELA 2011.

It is noteworthy, that the impact of the pension reforms was most significant in the age group between 60 and 62. Decomposing this effect shows that the abolishment of the individual unemployment scheme will account for a drop in the share of pension recipients in this age group by roughly 15% points until 2011. A similar effect is attributable to the postponing and gradual abolishment of the unemployment scheme. The percentage share of the regular disability pension remains almost on the same level in 2011 than it has been in 1996. Only a small effect stems from a slightly lower share of the early old age pension.

Indeed, the most significant rise in the employment rate of the elderly took place between 1996 and 2004. It was in this period of time when the Finnish elderly surpassed its European peers and – in terms of employment rate gains after the big recession – also their countrymen and countrywomen in a supposedly better working age. The OECD (2004) stresses that the good general economical conditions and the improved demand side conditions contributed to the success but could not fully account for the increase in employment, as the employment rate of older employees rose stronger than the one for employees at the prime-age to work. Figure 5 shows the case in detail:

Figure 5. Employment rates of different age groups in Finland and the EU 15

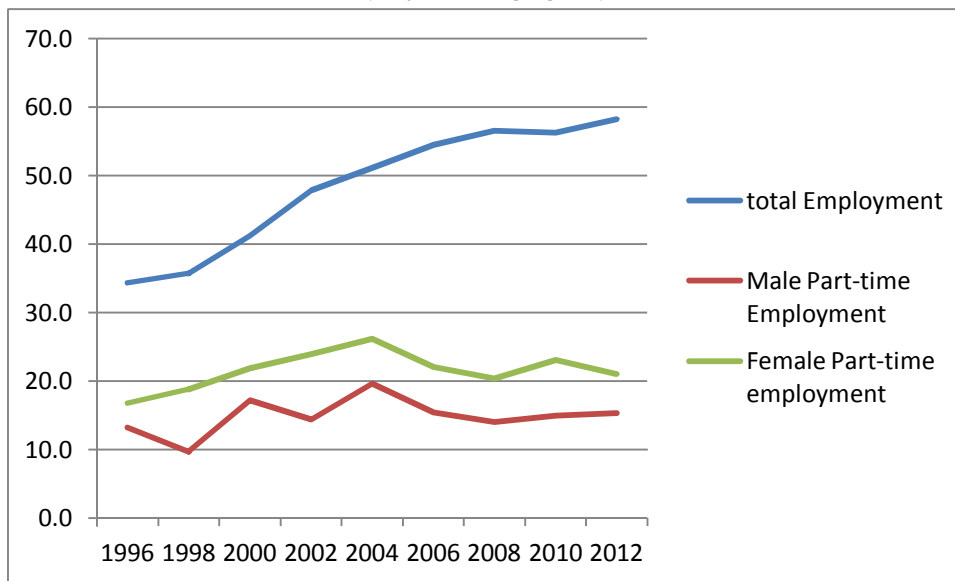


Source: Eurostat (2012).

In fact, the employment rate of the age group from 55 to 64 soared between 1996 and 2004 by 17% while the employment of 25 to 49 year old only increased by 6%. The reforms, hence, had their impact:

For instance, they spurred the part-time employment rate which apparently was related to a corresponding rise in part-time *pension* claims. The subgroup of female employees between 55 and 64 witnessed with 10% points the most significant growth in part-time employment between 1996 and 2004 when more than a quarter of all females of this age group were working part-time (see Figure 6). Their male counterparts expanded their engagement in part-time work by 6.4%. These findings also explain, why the major *increase* in employment between 1996 and 2004 does not coincide with the major *decrease* in the share of pension recipients between 2004 and 2011 (see Figure 4). Part-time employment served as buffer because people were drawn from early retirement while also receiving pension payments.

Figure 6. Gender decomposed development of part-time and employment and total employment (age group 55-64)

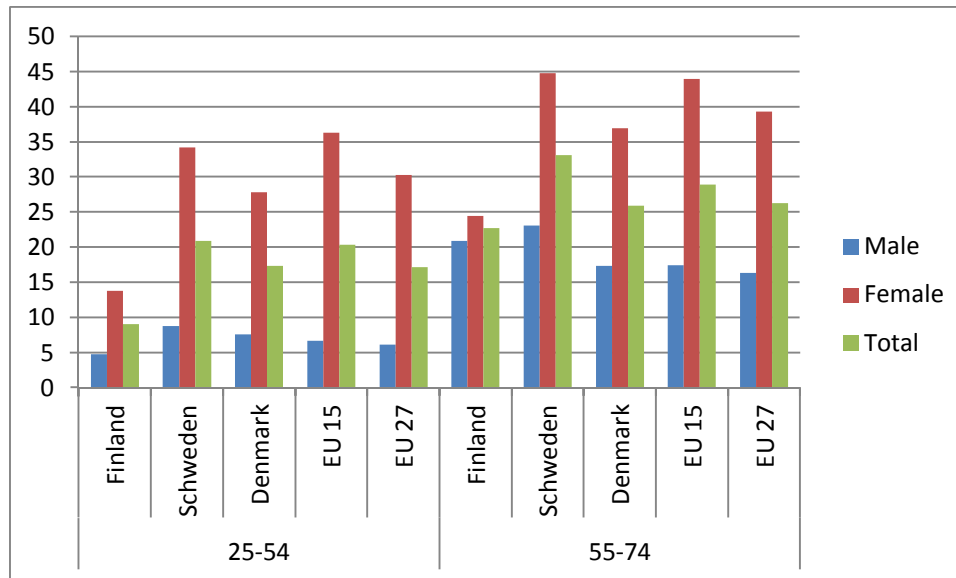


Source: Eurostat (2012).

Even though the rate of involuntary part-time work is traditionally high in Finland, it even slightly decreased during the expansion period and listed in 2004 just as in 2012 16% which is in line with the European average. However, *Figure 6* also shows that the success of part-time employment only lasted to the pension reform in 2005: Considering the whole period until 2012, the employment rate of Finns between 55 and 64 across gender and educational attainments soared in 16 years by 24%. The part-time boom stopped in 2005 and its expansion eventually shrinks to 3% in these 16 years. This development somehow makes the first wave of reforms a separate test of part-time employment as tool for integrating elderly into the labour market. Another glance at the current role of part-time is taken:

As *Figure 7* shows, part-time employment currently accounts for 22% of employment among elderly. This is still far under the level part-time employment reached in the peer groups of Nordic countries and the European Union. Despite that three features are remarkable: First, part-time employment appears as an instrument suiting particularly older worker as the share here is much higher than in the lower age group. And even though it is less represented in Finland, Finland integrates a fraction of older people in the labour market via part-time that is of similar or of bigger size than in the other countries. E.g. the difference between the two age groups is 8 to 9% points for Denmark, the EU 15 and EU 27. Sweden and Finland stand out with 13% points. Apparently, in both countries it is a relatively equal instrument for integrating older people in the workforce conditional on the part-time culture of the country.

Figure 7. Part-time employment as percentage of total employment (2012)



Source: Eurostat (2012).

Secondly, even though Finland also shows a gender bias for part-time employment in the prime-age to work, it is quite equal in this regard for the older wage group and even lists above most of its peers concerning the male part-time employment. Hence, it may be that the other Nordic countries just as most European countries push females into part-time employment that would not have to work there. Instead the female part-time culture – as it is exemplary shown in the 25-54 age group – just reduces the general workforce and possibly excludes people in real need for part-time employment. The fraction of involuntary part-time employment may be an indicator for this reasoning: While in 1996 involuntary employment among the 55 to 64 year old people was about 6% points higher in Finland than in the EU 15, it is now the other way around: More people are involuntarily part-time employed in the EU 15 than in Finland. While the elderly Finnish females are as unsatisfied with part-time as their European 27 peers, among Finnish men only 11.4% state to be involuntary in part-time employment while the corresponding rate for the EU 27 amounts to 21.3%. Third, keeping in mind that Finland surpasses the EU 15 and EU 27 in the employment rate of old people by 8 and 10% points respectively, clarifies that pronounced part-time employment among elderly does not necessarily provide a generally higher employment rate among them. The constant rise in employment after 2005 even proves that the part-time boom in Finland was not as important for the development as earlier studies (e.g. Hytti and Nio, 2004; OECD, 2004) concluded. It rather suggests that the concerns part-time employment might merely reduce the workforce than extending it are justified. Nevertheless, there remains an uncertain role played by culture and it remains possible that the success of the gradual reforms before 2005 was preparing the way for the 2005 reform.

Hytti and Nio (2004) review the reforms in another way: They consider the risen employment rate after the reforms as proof “that the European social models work” and that “economic development and social security are not opposites, but (...) support each other” (p. 12). In order to back this statement the authors argue that the increase in employment enabled employees to age without utilizing the usual measures of social protection: The number of individual early retirements has fallen between 1997 and 2001 by 41%. According to Eurostat data the long-term unemployment rate among 55 to 64 year old constantly decreased from 71.6% in 1996 to 45.4% in 2004.

### 3.1.4 *The pension reform in 2005*<sup>17</sup>

The declared goal of the 2005 reform was to postpone the average retirement age and to lower the increasing pension costs (Tuominen, 2013; Lassila and Valkonen, 2012). And as *Figure 4* reveals, most Finns still do not work until the traditional retirement age of 65. The reform of 2005 basically follows the same logic of the previous reforms by strengthening monetary incentives for later retirement but comes across as a more comprehensive and thought out reform.

- **Flexible retirement age:** While the retirement age for the national pension scheme remains the age of 65, the earnings related pension nowadays has a flexible retirement age: Employees can decide freely when to retire between 63 and 68.
- **Accrual of pension rights:** The rates of accrual were adjusted to the flexible retirement age and nowadays provide a stronger financial incentive to employees to retire later. The accrual rate equals 1.5% between the age of 18 and 53, 1.9% between 53 and 62 years and even 4.5% between 63 and 68 years.
- **Pensionable wage:** Not only the wages of the last 10 years of each employment relationship are taken into account but the earnings from the entire working career.
- **Longevity adjustment:** After the Swedish idol, monthly pensions will be cut for all cohorts reaching the age of 62 after 2010 depending on the increase of the life expectancy.
- **Earlier retirement:** As mentioned above, the early individual early retirement scheme and the unemployment pension were abolished. The early old-age retirement effectively was abolished since its entering age was lifted to 62 and therefore almost to the new regular retirement age.
- **Part-time pension:** The required age for entering part-time pension has been lifted to 62 years.

The 2005 reform package is of a more comprehensive nature than the several small and consecutive reforms in the late 90s. It follows the same approach of previous reforms by using particularly financial incentives to postpone retirement while still granting a high flexibility to its people. Uusitalo (2007) describes the reform as compromise that tries to deal with the changes caused by ageing instead of just passing on the emerging burden.

### 3.1.5 *General evaluation of the labour market reforms*

Over the period of pension reforms between the mid 90s and 2011 the average retirement age has increased by 2 years according to OECD data (2011). It equals roughly 62 years for both, men and women. The employment rate of the elderly has significantly increased (*see Figure 6*) while the number of pension recipients decreased in particular for the age group between 57 and 62. The duration of the working life has increased for men by 2 and for women by 3 years during the 2000s. The corresponding gap between men's and women's working careers is the smallest among all EU countries (Vidlund and Kivelä, 2012). The long-term unemployment of Finnish people between 55 and 64 years equaled 43.7% in 2012 and is 15% well below the EU 15 average and only outdone by Sweden (36.4%). These numbers draw the picture of a sharp change. And even though there is a positive cohort effect on the employment rate, since later born cohorts are better educated and healthier (Hytti and Nio, 2004), there is a consent on the additional positive effect of the reforms: The first wave

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<sup>17</sup> Detailed descriptions can be found in Tuominen (2013), Hannikainen and Vauhkonen (2012), Lassila and Valkonen (2007)

already spurred the employment rate among elderly by e.g. part-time employment; the comprehensive reform of 2005 then brought the several pension schemes in order and accounted for the decrease in early retirement. The lowering of the lower age limit for regular retirement made most of the early retirement schemes obsolete that were abolished correspondingly. The lifting of the lower age limit for the part-time pension then seems to interact with the flexible age of regular retirement and accounts for the dropped significance of part-time employment and for the prolongation of regular employment. At the same time temporary employment among the workers between 55 and 64 only increased very slightly. So, both reforms in sum contributed to a slightly longer working life in regular employment and therefore lowered the net cost (more contributors, fewer recipients) of the ageing population.

But despite the considerable progress the reforms have brought and might still bring as habits change, the absolute numbers still demand further change: The lowering of the lower age limit for regular retirement also facilitated early retirement and even led to a slight increase in the share of people retired with already 64. So, to a certain extent the early retirement habit of Finns was just pushed from early retirement schemes to regular retirement. The shift in the effective retirement age is significant but still lacks behind: For the age group between 55 and 59 years the other Nordic countries and Germany did better in 2012 and in the age group from 60 to 64 also the Netherlands, the UK and Estonia did integrated a higher share of elderly in the labour market than Finland did. Most Finns still retire in the very early 60s and few take advantage of the monetary benefits to stay in work. Moreover, there may be physically demanding occupations where it is hard to reach these ages in the job. But there are more problems left: The relative median income of Finnish people older than 60 indeed recently rose to 84% but still is lower than the EU 15 and EU 27 averages (92% and 93% respectively). The risk of poverty for Finns older than 60 years is with 17.4% lower than the average value for the EU 15 and EU 27, but the highest among the Nordic welfare states. Vidlund and Kivelä (2012) stress that Finland has with 27% an above EU 15 average risk of poverty for the age group over 74 years. While this characteristic of the Finnish system may change by time as the increased accrual rates will lift the general pension provision later, there are other measures that require further engagement by the government.

The LER's expert points to the low chances for unemployed people between 60 and 64 years. In fact, the probability to find a new job within 12 month is less than 10%. While this may be due to the close potential retirement age that deters employers from employing unemployed of that age, the chances for the re-employment of older workers drops much earlier: Already with 45 years the probability equals less than 50%. LER stresses that this problem exists over all educational levels and is not explainable by deteriorating productivity measures.

The FIOH's expert sees mainly three remaining problems for the employment of the elderly: First, she still sees possibilities in the legal extension of the flexible retirement age. Albeit probably a rather small number, there are people that would like to work longer than 68. Although this could be easily changed, the current government is reluctant due to a political promise not to expand working in this legislative period. Secondly, she adds that it is still a problem of the mindsets of particularly the employers. Time by time, the better educated and the healthier the cohorts are, that approach retirement, the longer they want to stay in work. However, there is still a kind of common attitude among employers that the retirement age of 63 is appropriate. But also in parts of the labour unions, the FIOH expert adds, it seems as if the financial situation of Finland has not become sufficiently clear yet. Thirdly, she supposes that Finland is still behind in providing sufficiently flexible work conditions on the one hand and in taking benefit from the existing flexibility on the other. It has been



traditionally the case in Finland, that one either works full-time or not at all. Besides these three points, the expert is somewhat helpless, as “all on earth” has been done during the last 20 years to prolong careers.

### 3.2 Culture matters: Further effort by the government

The Finnish government was well aware of the fact that incentive schemes will not necessarily change the habits, attitudes of older people and the public opinion and that the pension reform could just fizzle out. Several initiatives therefore were launched as soft measures to back the change in the institutional setting. The following ones were most significant or exemplary in the way they were conducted:

- The *National Programme on Ageing Workers* was launched in 1998, lasted until 2002 and was intended to shift the issue of ageing workers, their needs and their integration in the labour market more into the centre of public interest and action. The approach of the program was comprehensive and contained a broad set of action sets reaching from funding research projects on the maintenance of work ability towards legislative acts that aimed at committing codetermination bodies to the needs of elderly and adjusting the legislation on occupational safety. The program furthermore contained training programs for occupational health care staff, occupational safety authorities, administrative staff, workplace communities and individuals with the aim to enhance workplace health promotion and maintain the capacity of ageing workers (Ministry of Social Affairs and Health, 2002). The comprehensive approach was completed by an extensive information campaign (slogan: “*experience as a national asset*”) that targeted the general public, doctors, workers and companies. In an ex-post analysis Sterdyniak (2007) identifies the general objective to “breach the vicious circle” of companies on the one hand that were reluctant to employ and invest in elderly and doubtful older workers on the other hand, not striving for employment and ongoing education. Considering all programs that were launched until 2007 Sterdyniak (2007) concludes that they contributed “to create a new social culture” in which ageing workers should have a job instead of feeling they should pass on their job to younger people. Also the external evaluation of the program draws a positive picture of the effects: Arnkil et al. (2003) state that the homogeneous character of the Finnish society, just as its long standing tradition in Nordic welfare state policies and tripartite agreements (*see below*) just as the at the time of the campaign existing strong political consensus over the whole range of political parties, were the preconditions for the success of a nation scale program. The authors suggest by this that the success, whatsoever its specific magnitude was, partly relies on the characteristics of Finland. A point that is also brought up by the MEE’s expert who lines out that the in Finland common cooperation of different ministries is easier to conduct in a country of smaller size.
- The *National well-being at work programme* (2000 - 2003) just as the *National workplace development programme* (1996-2003) both intended to promote good practices and innovations that were capable to enhance the quality of work particularly with regard to a prolonged career. The *well-being programme* e.g. evaluated 173 projects that tackled the problems of too early retirement, the relatively low educational level of the aged and work exhaustion (Piekkola, 2004).
- Exemplary for the Finnish way to tackle the ageing-issue is that almost all initiatives follow the tripartite approach: Tripartite agreements were in charge for the development of the pension reform in 2005 and e.g. for the *National well-being at work* and the *National workplace development programme*. This proceeding provides a broad

approval to government action as Finland has with 69% one of the highest trade union densities in Europe.<sup>18</sup> By not integrating the social partners when proposing another rise in the retirement age in 2009, the Finnish government provoked severe opposition by the trade unions and changed its mind by appointing two tripartite working groups. The so-called *Ahtela*-group was one of those and suggested some measures for improvement in the working life as e.g. the setting-up of “well-being at work service counters” run by the Centre for Occupational Safety.<sup>19</sup> Tripartite agreements occur to be fruitful at the moment because of a relatively broad consensus among trade unions, business associations and the government (FIOH).

#### 4. Workability and Employability: Why Fins do not work longer

Fins retire at roughly 62 on average despite high pension accruals starting from the age of 63 onwards. The reason may be that working conditions may not favour a long working career. To shed light on this question, we analyse employers’ and employees’ attitudes, workability and employability in this section.

##### 4.1 Attitudes of employers and employees

Tuominen (2013) assesses the attitudes towards the flexible retirement age and finds still some reluctance to the new system. While 86% of the employees and 70% of the employers find the lower age limit of 63 years “acceptable”, only 58% of the employers think that employees can continue working until 65 in most jobs and only 26% think that this is possible until 68. While 44% of the employees think the upper age limit is too high, even 66% of the employers think so. Hence, employers appear much more doubtful than employees about later retirement. Despite that, Tuominen’s study shows that in most cases it is the will of the employee to retire: 71% of already retired say that they believe their employers would have agreed on a later retirement.

Tuominen (2013) also assesses the reasons for relatively early retirement and finds that for 65% of the employees that retired before 63, health conditions had no impact on their decision. This share, however, rises with decreasing educational levels so that the level of physical demand of the occupation may have an important impact (*see chapter 6*). Generally, the work and working conditions, just as the leisure time and hobbies turn out to be with more than 60% much more relevant for the decision to retire. In particular time pressure at work, changes in work tasks and inflexible working hours were reasons that advanced the decision. Retired employees also named lacking the feeling of doing meaningful work, poor atmosphere at work and uncertainty of the future of work as reasons for not prolonging the work career. Tuominen also points out that the employer’s effort to support employees with continuing their career has not changed since the introduction of flexible retirement.

The outlined findings provide evidence for scope of extending the labour market for the elderly: Employers would further employ elderly employees and indeed, elderly employees could continue working. However, neither are employers depending on the work of elderly since they would have probably extended their effort to keep workers in charge otherwise. Nor do older employees try hard to stay in their jobs. Instead, poor working conditions and the temptation of hobbies draw older workers from the workforce.

<sup>18</sup> Only Sweden and Denmark reach comparably high trade union densities (OECD, 2011).

<sup>19</sup> Since the Finnish health care system sometimes is seen as to be too bureaucratic and scattered, these counters shall serve as a central spot for health services (Jokivuori, 2013).

The extensive study of Järnefelt (2010) about the relationship between education and labour market exit somewhat confirms Tuominen's (2013) findings: Järnefelt initially finds a strong positive relationship between educational attainment and the length of the working career. Much of this education-related difference in labour exit, however, is driven by structural and contextual factors of working life and not that much by individual characteristics like the health condition or the family status of the employee (p. 158ff). Hytti (2004) relates the desire for early labour market exits to highly competitive sectors and Järnefelt somewhat confirms that finding by pointing out that state and local government jobs were most favourable to late exits. High degrees in education also insure against redundancies during occupational restructuration as these degrees were likely to lead to jobs in growing occupations. Moreover, stable working careers keep people in the labour market, also high occupational positions and high incomes. The author finally concludes, that the "factors favourable for late exit tend to cluster with higher levels of education, whereas the unfavourable experiences tend to cluster with lower levels of education" (Järnefelt, 2010, p. 165).<sup>20</sup>

*Box 2. The Program "Towards Successful Seniority" – A Method for maintaining Workability*

Age is considered to be an obstacle for the ageing population for staying active in the workforce. The health condition or a lack of competence may more and more hamper ageing people to carry out their initial jobs. However, the FIOH's expert points out that often narrow mindsets are rather the problem than a factual incompetence to prolong the career. Therefore this program is aimed at preparing workers for a potential career transition.

Together in a group workers discuss and think about their work life goals. The program is understood as a break from the everyday life course in which workers shall think and discuss freely about their career, their wishes, things they would enjoy to work with. They are encouraged to think about talents, personal interests and knowledge they gathered about their life course that could potentially be combined and implemented in their future career. Reflecting about their strengths shall also help to develop a certain self-efficacy to be able to change things. The interaction with peers shall connect employees in different situations, with different resources at hand and experiences so that in a confident interaction ideas come up, that might appear crazy in the first place, but turn out to be a first step to cope with the challenges of ageing.

As an example mothers are named who were raising children and could take advantage of the organizational skills in their future career. In particular people prone to mental illness can benefit from this scheme. Detailed information can be found in (FIOH, 2007).

The results outlined show that mainly *soft* reasons such as organizational issues and reasons concerning *pressure* to keep up with the skill standard reduce the utility of work sufficiently to drive employees out of the labour force.

However, the disability pension in Finland still remains the most common way of exiting workforce before reaching the regular age for old-age retirement. In 2011 more than 20% of the 61 year old receive disability pension (compare KELA 2011, p. 43, p. 55). This observation points to health being also an important factor to ensure active ageing. The next section will shed light on this issue.

<sup>20</sup> The data set of Järnefelt does not contain data concerning the physical or psycho-social conditions of the workplace.

## 4.2 Workability: The health condition

Health is often a reason for not participating in active ageing but innovative solutions can enable persons of different health conditions to be active. In this section we outline workability can be enhanced in Finland how despite health issues. In section 7 we analyse the health situation in more detail.

Lahelma et al. (2012) assessed a sample of 6525 participants with 525 cases of disability retirement that occurred between 2000 and 2008 and before the participants turned 63. 41% of those happened to be due to musculoskeletal diseases, 27% due to mental disorder and the remainder to several other causes. The authors assessed the impact of work arrangement, physical working conditions and psychosocial working conditions by calculating hazard ratios indicating the risk of disability retirement. An (unadjusted) increased risk was detected for workers doing shift work, suffering from hazardous exposures, doing physical demanding work or having low job control. However, after adjusting to all working conditions only physical work load and low job control were associated to a considerably increased risk of disability retirement. No statistically significant impact at all was found for characteristics as high job demands or temporary work contracts while “support at work” at least for women lowered the risk of entering disability pension. In general, the occupational class was strongly associated with all-cause disability: Routine non-manual workers and particularly manual workers list unadjusted hazard ratios of 3.35 and 3.1 respectively. Hence, the working conditions in physically demanding occupations may still be an obstacle for late retirement. This is in particular a problem since people who were working in physically demanding occupations will have a lower chance to reach the working years between 63 and 68 where pension accruals rise to 4.5%.

The STTK’s expert says that workplaces are regularly checked by the occupational health service that gives free advice how good working conditions can be maintained. She also mentions that suggested improvements in the workplace have to be paid by the employer which raises the cost of employing elderly or prevents employer from improving their employees working conditions.

The FIOH’s expert adds to this point that people with health problems do not necessarily have to quit work and probably do too often. Instead, they simply rely much more than healthy persons on an accommodating organization of work. Often disabled people could stay in the workforce when tasks were rearranged and the full potential of an employee would be taken into account by an attentive employer. She also clarifies that the Finnish state tries to relieve employers with employees that face health problems. The employer pays the full salary of an ill employee only for 9 days. After that 60% of the salary is paid by the social insurance institution and only 40% by the employer. Narrow mindsets turn out to be the main obstacle for workability. And according to Lillja (LER) employers would have an incentive to prevent their employees to retire on disability pension. Until they enter regular retirement employers have to contribute to the disability pension of their former employees.

Moreover, the FIOH reminds that health problems often also stem from other causes than physically demanding work: The nowadays fast ongoing skill transition that results from the technological change, causes stress and feelings of excessive demand and can manifest in mental or physical health problems. Hence, early retirement due to health issues may actually be a consequence of a lack in competences. Lifelong learning (*see chapter 5*) therefore plays a meaningful role for the complex of workability and health. A most simply way to reduce health problems would be to involve employees in the organization of their work. According to LER, there are examples of municipality workers, which were more involved in

the organization of their work and could e.g. determine their own working time which lead to a significant reduction in their health complains.

Another mean of keeping elderly in the workforce is self-employment: Eurofound (2012a) shows that 16.8% of the Finnish workforce between 50 and 64 are self-employed. In EU 27 (19.2%) terms this value is rather average and it is comparably high among the Nordic states. Sweden listed 13.2% and Denmark 11.7% in 2011. But the self-employment rate in Finland is higher in this age group than in the age group of 15-64. Almost 50% of the employment over 65 years is self-employment in Finland. The STTK's expert also remarks that self-employment might provide potential for enabling elderly to work.

#### *Box 3. Health care innovations to maintain workability*

Since many health care services in Finland are linked to the occupation, unemployed employees may receive less attention by the health care system in Finland. It is also known, that after 3 month of unemployment the employability starts to decrease due to a deterioration of the health. Therefore, some projects started to provide occupational health service to the unemployed in order to maintain their employability and to keep the cost of finding new jobs low.

So called “*age bus stops*” in the occupational health centers in certain municipalities provide a free of charge full medical screening for everybody over 45 years including check-ups for the blood work, blood pressure, body mass index, squeezing strength, muscularly strength etc. These additional health check-ups are particularly important for the early recognition of diseases that are not conspicuous due to obvious symptoms. In particular Men tend to go to the doctor irregularly why these check-ups often pay off.

### **4.3 Employability: Having the right skills**

The apparent discrimination of ageing workers as such seems to be a mistake: The LER's expert quotes studies suggesting that the productivity of employees at the age of 60 is as high as their productivity at the age of 40. Productivity actually peaks between 50 and 55 - dismissing older employees is simply a waste of resources and not justified by workability concerns. She also provides a possible reason why older worker do not try harder to stay in the labour market: Contrary to the course of productivity, the average wage peaks at the age of 40. I.e., wages already start to decrease while the productivity still increases. This kind of age discrimination might deter elderly workers from a further commitment to employment.

The STTK's expert, however, assumes a decreasing productivity of elderly workers in many professions and supposes that wage subsidies could be an appropriate measure to keep them employable: Subsidies would relieve employers who are employing elderly by allowing them to pay systematically lower wages to elderly. These lower wages could be evened out by public wage subsidies so that the elderly still face sufficient financial incentives to work. But similarly to any other idea that resorts to lowering wages or alternatively the employer's social security contributions for elderly, the STTK's expert says, ignore the fact that the social security system is slightly underfinanced in face of the ongoing ageing process. Lower wages or reduced social security contributions could therefore worsen the situation. She therefore is more of the opinion that pushing the employer's attention to elderly more to the public space might be a promising mean: If consumers would prefer employers who employ and care for elderly exemplary companies would get compensated for potentially higher costs by outlining their practices and increasing their sales. The STTK's expert refers here to the recent development concerning environment-related company behaviour which receives much public attention.



The employment rate among older workers, however, is highest among the well-educated. The LER therefore stresses the relevance of lifelong learning institutions and the positive impact of late education on wages and the probability to stay in the job. She concludes that the Finnish system of elderly education is working well and also claims that Finns “want to learn”. The STTK’s expert however, concedes that the attitude of elderly towards learning could be improved. She also implies that financial resources are lacking and that often the methodology in professional educational institutions does not meet the requirements of the elderly. She also adds, that employer often underestimate the pay-off of investing in the education of older workers. Since younger workers, who benefit often from additional training, are more mobile and change employers often and quickly. Older workers instead, would be more grateful to further training and would pay back in extended careers and loyalty to the employer.

The educational activity, however, plays a significant role for the employability of ageing employees. Therefore, the next chapter will take a closer look at the state of lifelong learning in Finland and the activity of the elderly in general.

## 5. Lifelong learning and activity

### 5.1 Participation in formal and non-formal education

Lifelong learning is favourable for active ageing as it becomes more and more a precondition for an economic integration of elderly as the STTK’s expert puts it. Lifelong learning can happen on a formal, informal or non-formal level<sup>21</sup>.

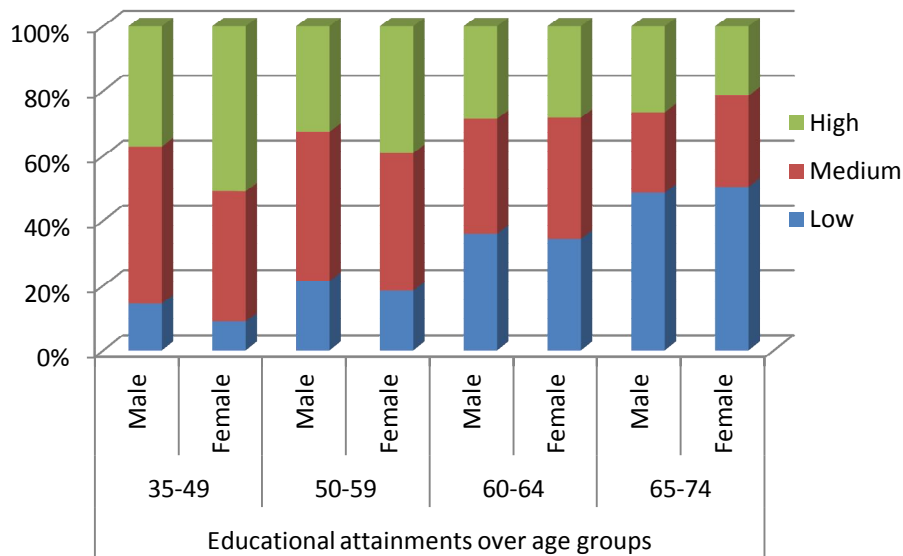
First, the formal level of education is high in Finland (see *chapter 1*) and can increase the probability of a natural active ageing: If the already identified trends, that (1) a high educational attainment guarantees good labour market integration and (2) high educated employees tend to stay longer in the workforce because of having, e.g. better working conditions (see *chapter 4*), continue, then an expansion of working lives should happen due to ongoing positive cohort effects facilitating active ageing (Hytti and Nio, 2004), in other words due to the cohorts entering pension age being more educated. *Figure 7* gives an overview of the formal education structure of the Finnish society and reflects the generally observed pattern that younger cohorts are better educated than older:

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<sup>21</sup> Field (2005) classifies lifelong learning as formal, informal and non-formal education over the life course. Formal learning happens in institutions designated to education, non-formal education is given by institutions that are not specifically designated to education (e.g. trade unions) and informal learning takes place in the gathering of experiences during regular course of life (e.g. reading a book).



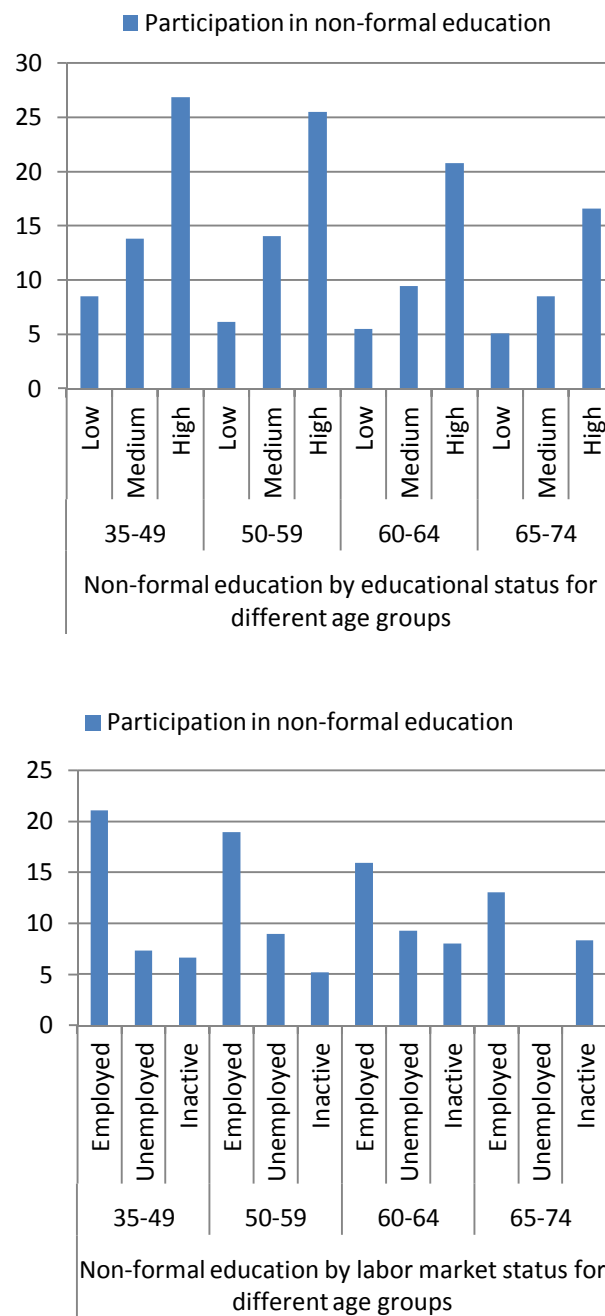
Figure 8. Educational attainments for different age groups in Finland



Source: Labour Force Survey 2010, own calculations.

Second, beside cohort effects, it is of interest whether people spend time on their education in later phases of their life. In particular since *chapter 4* showed that new tasks in the job tend to leave older employees feeling overtaxed which apparently played in some cases a role for the decision whether to prolong the career or retire. *Figure 8* plots the engagement of age groups in non-formal education by their formal educational status while *Figure 9* classifies the participation in non-formal education according to the occupational status.

Figure 9. a) Participation in non-formal education; b) Participation in non-formal education



Source: European Labour Force Survey 2010, own calculations.

Figure 8 stresses the strong positive relationship between the formal educational level and the participation in non-formal education. It is nonetheless unclear, if later cohorts are more engaged in non-formal education because their pay-off from investing in their education is higher due to the longer time they will still stay in the workforce. Or if later cohorts are generally more interested in further education and will keep up this habit also in higher ages.

Figure 9 plots the relationship between non-formal education and labour market status. The Figure clearly shows that the willingness to attend non-formal education over all age groups is lowest for inactive employees and highest for employed people. However, the causality

behind these two figures is not all straightforward since a level of high formal education also correlates with good labour market integration. Hence, it could be either the high formal education or the status of being employed that keeps people participating in non-formal education. Either way, the good performance of the Finnish educational system seems to pay off here as well. People stay active by working and learning once they were well educated.

According to data by Eurostat, Finland ranks second in the European Union when it comes to the formal and non-formal education of elderly. The most recent data for Finland stems from 2007, when 37.8% of the Finns between 55 and 64 years were participating in such programs. Sweden surpasses Finland with more than 60%. The EU 27 average, however, is only 20%, the share for the Euro-area is even smaller. A remarkable statistic is provided by the OECD (2004b): 44% of the Finnish 50-64 year old reported that their training resulted in a higher probability to keep their job and 32% stated the training increased their chances on higher pay. Hence, educational training plays a significant role for the employability of the elderly and according to Eurofound data (2012c) Finnish employees understood that well: Over the half of the Dutch, Slovenian, Swedish and Finnish had participated in some kind of employer-paid training during the last 12 month. Employees in the Nordic states and the Netherlands were also more likely to demand for training. In fact, over 70% of the employees in these countries participated or asked for employer paid training during the last 12 months. It is also interesting to see, that Finnish employees stand out in having requested employer-paid training while not getting it. .

In order to improve the conditions for adult education the Finnish ministry of education has launched a program for “liberal adult education” in 2008. A committee proposed a number of amendments (e.g. the status of the authorisations to provide liberal adult education will be raised, liberal education will more focus on multiculturalism and global thinking in order to meet changes in the society). A study published in 2008 evaluated the effect of adult education in Finland and found adult education to promote well-being, self-confidence and communality (Ministry of Education, 2009). Finland also tries to provide higher education to elderly: On the one hand, it has 9 “universities of the third age” (U3A), whose programs are very popular. Hebestreit (2006) lines out that the Finnish model of U3A is a hybrid between the French and the British model, being well connected to the regular university facilities. Moreover, Finnish universities offer extensive “open university” courses: In contrast to the U3A, in open universities degrees can be attained. The “open university” program aims at providing education to everybody irrespective of the educational background of the people.

## 5.2 Activity after retirement: Spare time activities and paid work

It is difficult to measure the informal learning of the elderly. But it is of big interest to see how the activity of them changes when they retire in particular since spare time activities turned out to be a significant concern when the decision of retirement is taken.

Hiking, which is supposed to be the most popular hobby of Finns by the Ministry of Education and culture (2012), is a good example of an activity after retirement that enhances health and well-being: According to Eurostat data (2000) retired persons on average spend 24 minutes on walking and hiking - which is three times as much as the full population. Retired persons also spend 85 minutes a day more on household and family care than full-time employed people. However, they do not spend significant time on child care and they also only spend 6 minutes a day on the general help of family members. Compared to the small number of other European countries for which these data are available<sup>22</sup>, however, they are

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<sup>22</sup>Belgium, Germany, United Kingdom, Italy, Norway, France, Estonia, Spain, Bulgaria, Latvia, Lithuania, Poland, Slovenia

very engaged in organizational work (9 minutes a day, only surpassed by Germany with 11 minutes) and sports outdoor activities (except walking and hiking) where Finnish Pensioners lead the ranking with 21 minutes a day. Finland ranks fourth for “reading books” and first for “reading (except books)” with 16 min and 57 minutes respectively. At the same time they rank very low for time spent on “household and family care” and any kind of child care. All in all it seems that Finnish pensioners indeed tend to focus on hobbies and stay active. In fact, asked after the “attitude to time spent on own hobbies and interests”, 81.5% of the Finns over 64 say, that they would like to spend as much time as they currently do. With this value, the Finnish elderly in this matter rank among the most satisfied in Europe (Eurofound, 2012b).

Finland also made considerable advances in terms of paid work after retirement. Together with Austria, Germany, the UK and Lithuania it witnessed the biggest increase in the employment rate in the age group from 65 to 69 between 2005 and 2011 and nowadays lists an employment rate of 11.7% for that age group.<sup>23</sup> This value is quite average in European terms where Romania and Portugal with more than 20% have the highest employment rates and the EU 27 average equals 10.5%. (Eurofound, 2012a). In Finland it is also possible to receive the regular pension after retirement and work. Then the pensioner is accumulating further accrual rates of 1.5% per year until being 68.

Eurostat (2012) provides data for the age group between 70 and 74. The Finnish employment rate equals 5.4%, the Danish and Swedish rates are slightly higher with 7% and 8.3% respectively. The EU 15 average equals 4.8%, the EU 27 equals 5.3%. These shares are small but increasing. Still in 2004, the Finnish employment rate only equaled 2.4%. Since the pension reform took effect in 2005, these numbers may suggest that the reform helped to keep this small share of people longer in the labour market where they even stayed after the statutory retirement.

All these numbers back the impression from chapter 4: Finns could work more, but they prefer to do not. They read and hike over average but – even though there is current progress – work less than they seemingly could if they wanted to. The reason for this may be a considerable gap in the Finnish population that will be tackled in the next Chapter.

## 6. Health and well-being

### 6.1 Health differences between social classes

A finding of *Chapter 4* was that the occupation of a person has a strong impact on his or her age of retirement. One factor in this context were the working conditions that affect the health condition of workers of different occupations very differently. It is therefore that the the National Institute for Health and Welfare in Finland identifies the socio-economic inequalities in health and well-being currently as one of the main problems. Mackenbach et al. (2008) show that educational attainment and occupation are related to the difference in mortality, which here is understood as an indicator for health: The absolute inequality in mortality (all causes) among men between at most primary educated people and tertiary educated people equals 1255 per 100 000 person- years, after adjusting for age. The same value for the top ranked Sweden is only 625. *Figure 10* plots these data for the Nordic

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<sup>23</sup> As the study also elaborates, these numbers may include workers that have not retired so far. Finland introduced the flexible retirement in 2005 which permits to stay regularly employed until 68 and in particular could have witnessed the considerable increase since 2005. Denmark, Ireland and Sweden also have flexible retirement schemes that allow to work beyond the age of 65.

countries and the European countries Mackenbach et al. assess in their paper.<sup>24</sup> Two issues are here of major interest: First, it stands out that education only has an average effect on the health inequality among women but – across all death causes – a very high impact on men’s health. Finland showed through almost all statistics a remarkable equality between genders, with this exception. Indeed, there is a large degree of sex segregation among industries and occupations (from the context of the wage gap: Korkeamäki and Kyrrä, 2002). Apparently, this segregation sorts low educated men much more often in jobs with health-harming working conditions than women. Secondly, the significance of education is much more relevant in Finland than in Sweden or Denmark. Hence, either there are major differences in the industries low educated men work in, or Finland falls short in providing equally safe working conditions.

Figure 10. Absolute Inequality in overall mortality rates between persons with the lowest and the highest level of Education



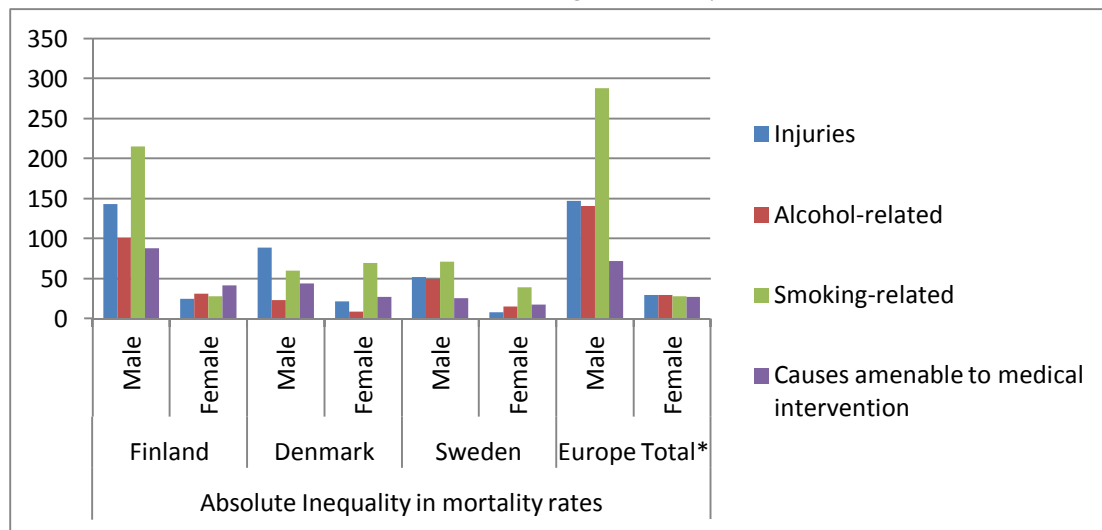
Source: Mackenbach et al. (2008).

The findings of Mackenbach et al. (2008) also decompose the reasons of death to a couple of groups from which *Figure 11* depicts a selection: On the one hand, the education-driven difference in addiction-related death causes is much bigger in Finland than in Denmark or Sweden. Also, the inequality concerning deaths caused by injuries and causes amenable to medical intervention are comparably high which somewhat suggests institutional flaws. The LER’s expert e.g. identifies as one reason that health care in Finland is strongly linked to the occupation. People with lower educational attainments have a less stable career and are more often exempted from the careful occupational health care system. Unemployed people still have access to the best medical treatment but are less flexible than employed people in terms of choosing their doctor or have to wait longer for meeting specialists.

The Finnish state launched a 2 years program assessing the health inequality and aimed at finding relieving policies in 2008. The evaluation of this program concludes that prompt action has to be taken as the “worrying trend in social determinants of health may further intensify health inequalities”. The report also identifies poor working conditions and tobacco and alcohol as important factors in the development. Moreover, it demands a follow-up system for the health and well-being of immigrants and blames the “fragmentary” health service system (Rotko et al., 2011).

<sup>24</sup> Finland, Sweden, Norway, Denmark, UK, Belgium, Switzerland, France, certain areas in Italy and Spain, Slovenia, Hungary, Czech Republic, Poland, Lithuania and Estonia.

Figure 11. Absolute Inequality in selected cause-related mortality rates between persons with the lowest and the highest level of Education



Source: Mackenbach et al. (2008).

These findings also explain the high share of employees retiring early on disability pensions. The absolute number of pensioners of that kind between 55 and 65, while decreasing, is still higher than in 1995.

Chapter 4 also pointed to the working conditions of rather regulated and inflexible jobs associated with lower education that deter elderly Finns from staying in the labour force. And here again, education and the occupations it is leading to occur as crucial measure: This time for the individual health condition. Apparently, health is underestimated as obstacle for the employment of elderly.

## 6.2 Self-reported indicators of health and well-being

The numbers by Mackenbach et al. (2008) also somehow rise the question of the mental well-being of Finnish people. Compared to their generally high level of health care, education and their seemingly relatively free choice for retirement or work, the addiction-related inequality in death rates appears high. The self-reported well-being on the WHO-5 mental well being scale shows that Finns between 50 and 65 generally belong to the most satisfied people in Europe with a mean score of 66.5 and the 4<sup>th</sup> rank. The highest score has Denmark with 71.3, the lowest Latvia with 52. Finnish people over 65 are comparably happy in both relative and absolute terms (Eurofound, 2012b: *see also Table 1*). There is also no evidence that the level of well-being decreases with lower incomes. In full contrast to this supposition, the lowest income class in Finland ranks better compared to other European countries than the highest income class in Finland<sup>25</sup>. Hence, the alarming health findings of Mackenbach et al. (2008) do not translate into disturbing self-reported well-being measures.

The Quality of Life Survey also suggests that Finns generally profit from a better health care system than most Europeans. The other Nordic countries, however, are usually even more successful: Only concerning the quality of the pension system, Finns between 50 and 64 years of age are substantially more satisfied than their Danish or Swedish counterparts. In the EU,

<sup>25</sup> However, the Eurofound homepage does not permit to control for an interaction between high ages and low income. But according to the data, it does not seem likely that Finns with low income in high ages are less satisfied with life.



merely the people from Luxembourg and Malta tend to be more satisfied with their pension system. Access to medical care through doctors obviously is widely available. The waiting time scores may be even overrated for Finland: The statement of the LER's expert suggests that employees can freely chose between public and private doctors and most usually have quick access to surgery. Unemployed and retired people, however, depend on public doctors only and therefore may sometimes face longer waiting times.

Table 1. Self-reported indicators about the health care system

	Health system indicators by country and age group							
	Finland		Sweden		Denmark		EU 27	
	50-64	>64	50-64	>64	50-64	>64	50-64	>64
Perceived Health Status*	55.5	34	59.3	47.3	58.9	38.7	53.4	38.5
WHO-Mental well being	66.5	68.3	65	71.2	71	75.2	63.1	61.1
Difficulty seeing doctor due to distance**	9.4	14.4	8.1	10.9	14.5	14.7	22.4	30.6
Difficulty of seeing the doctor due to costs**	9	11	8	6.9	3.5	5.7	30.7	29
Difficulty seeing doctor due to waiting time**	17.8	18.1	11.6	11.6	21.3	10.2	40.8	40.1
Rate the quality of health care system***	7	7.1	7.6	7.6	7.5	7.9	6.2	6.5
Rate the quality of the long term care services	6.2	6.2	5.5	5.8	6.7	7.1	5.7	6.1
Rate the quality of the state pension system	6.7	6.8	5.1	5.6	6.2	7	5	5.5

\* percentage of people that answered with "good" or "very good"

\*\* percentage of people that answered "very difficult" or "a little difficult";

\*\*\* highest score is 8 (Austria), lowest is 4.3 (Bulgaria)

Source: European Quality of Life Survey (2012b), Eurofound.

*Box 4. Kotitori in Tampere: Providing health care easily*

An innovative concept in the health care sector is the so called “Kotitori” approach running in Tampere. The Finnish health care system, after going a “marketization of social care” has become increasingly complicated (OECD, 2012). The city of Tampere nowadays provides easier access for people in need to the complex variety of public, private and third sector providers through case management. The basic idea is a “one-stop shop” solution. Table 1 will give an overview:

The services organized via Kotitori:

<b>Integrator services</b>	<b>For whom?</b>	<b>Financed by</b>	<b>Provided by</b>
Needs assessment and advice	All senior citizens living in Tampere	The city of Tampere	Kotitori case managers
Service planning for the senior citizens	All senior citizens living in Tampere	The city of Tampere	Kotitori case managers
In-home care services and support services, e.g., cleaning, shopping, security, social activities, catering, etc.	All senior citizens living in Tampere	The customers themselves	Private providers in the provider network of Kotitori
<b>Municipal in-home care services</b>	<b>For whom?</b>	<b>Financed by</b>	<b>Provided by</b>
In-home care belonging to the responsibility of the city and provided by the legislation	The senior citizens who live in the responsibility area <sup>2</sup> of Kotitori and are eligible for publicly subsidised in-home care	The city of Tampere and user fees	Kotitori contractors Mediverkko & Palvelutähti
Support services: Security services	The senior citizens in Tampere who are eligible for the services paid by	The city of Tampere and user fees	Kotitori contractors

*Source: OECD (2012).*

The OECD (2012) acknowledges the generally high standard of the Finnish health care system and mainly criticizes its inefficiency. The Finnish system, according to the OECD, lost recently productivity, gives too few incentives to doctors and is too decentralized.

This section has shown that there is a somewhat ambiguous health situation in Finland: While people appreciate the quality and availability of the health care system, education and occupation occur as strong determinants of health. According to research done by Eurofound (2012c) Finnish employees (29%) together with Swedish employees (28%), show the highest share of employees which state that their work improves their health. While this last number sounds promising, it apparently fails to recognize that the prolongation of working careers has not yet succeeded in addressing the needs of all employees. These employees cannot take benefit from the generally reformed institutional background for late retirement.

## 7. Conclusion

There is strong evidence that Finland generally provides good institutional conditions for active ageing. The quick and early ageing process was tackled by the fundamental pension reform that already prolonged retirement substantially and will probably facilitate later retirement as the attitudes concerning retirement change. The expected trends will even improve the situation as cohorts that are approaching retirement age are healthier, better educated and most likely to work longer than previous cohorts. These cohorts already can rely on a comprehensive set of institutions that will enable them to age actively.

On the other hand, Finland still seems to lack behind the other Nordic welfare states, has considerable problems in providing the same health conditions to individuals with low education in physically demanding occupations and could – with respect to family pension in particular – invest further effort in reforming the pensions system. Much of the possible improvement in active ageing, however, still relies on the change in attitudes. Even a homogeneous and relatively small country like Finland which has put effort into changing attitudes with several comprehensive national-scale programmes, still suffers from reluctance and narrow mindsets at the grassroots level. While many of the reforms Finland has conducted seem to be favourable and transferable to other European countries that still face the steepest phases of ageing in their societies, this persistent reluctance shows that organising active ageing is a long-term project, i. e. health provision over the entire life-cycle and fundamental changes of attitudes are necessary.

As Lijla (LER) points out, employers who often speak of a ‘balanced’ age structure in their company actually do not aim at bringing the age structure in their company in line with the age structure of society but usually mean to disproportionately employ more younger employees. This shows that solving the problems of active ageing is still not understood to be a project that requires everyone’s commitment, but at least Finland does much better than most other countries. The Global Age Watch Index, which takes income security, health status, employment and education as an enabling environment for the elderly into account, ranks Finland as number 15 out of 91 evaluated countries. Despite the vast array of reforms, the advanced stage of ageing will oblige the country to continue its efforts in extending working lives.

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**MOPACT is a four year project funded by the European Commission under the Seventh Framework Programme to provide the research and practical evidence upon which Europe can begin to make longevity an asset for social and economic development.**



**T**o achieve this aim, MOPACT concentrates the highest possible quality of scientific analyses into the development of innovative policies and approaches that can assist public authorities and other key actors, at all levels in Europe.

MOPACT starts from the conviction that Europe requires a new paradigm of ageing if it is to respond successfully to the challenges of demographic change. Ageing is currently understood as a time of decline, frailty and dependence and policy responses to it still reflect the historical era when retirement took place for a majority at state pension ages and post-retirement years were relatively short. Changes in the labour market and social behaviour coupled with a remarkable extension in longevity have transformed the experience of later life. The boundaries of frailty are being pushed back and, for a growing number of older Europeans, 70 is the new 50.

A multi-disciplinary team will target the key challenges of ageing:

- The continuing longevity revolution
- A shrinking and ageing labour force
- The fiscal sustainability of pensions, welfare systems and health care
- The structural lag between changes in society and subsequent changes in societal institutions and attitudes
- The rising need for long-term care
- Changing social and political roles

MOPACT brings together 29 partners from 13 countries across Europe in a unique collaboration of leading researchers to address the grand challenge of ageing.

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The MOPACT project aims:

- To conduct the most comprehensive review to date of the social and economic challenges of ageing
- To collect and analyse social innovations and policy initiatives
- To map the steps required to realise active ageing in Europe and to propose innovative ways of doing so
- To involve key end-users and stakeholders, such as policy-makers, practitioners, product producers, designers and older people in all project activities
- To undertake the wide and effective knowledge transfer and dissemination of the work of MOPACT

MOPACT's core theme is focused on realising active and healthy ageing as an asset. This will be supported by eight scientific themes:

- **Economic consequences of ageing:** Understanding and alleviating the economic effects of population ageing
- **Extending working lives:** Raising the employment of older workers, aided by lifelong learning
- **Pension systems, savings and financial education:** Ensuring pension adequacy and pension system sustainability
- **Health and well-being:** Driving healthy life expectancy and the social engagement of older people
- **Biogerontology:** Delaying the onset of frailty, dependence and age related diseases
- **Built and technological environment:** Shaping housing, mobility, transport and ICT to support an ageing population
- **Social support and long term care:** Matching supply and demand for long-term care and social support
- **Enhancing active citizenship:** Enhancing the political participation of senior citizens and improving the capacity for adapting to societal change



## ABOUT CEPS

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is widely recognised as the most experienced and authoritative think tank operating in the European Union today. CEPS acts as a leading forum for debate on EU affairs, distinguished by its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world.

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- Carry out state-of-the-art policy research leading to innovative solutions to the challenges facing Europe today,
- Maintain the highest standards of academic excellence and unqualified independence
- Act as a forum for discussion among all stakeholders in the European policy process, and
- Provide a regular flow of authoritative publications offering policy analysis and recommendations,

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- Multidisciplinary, multinational & multicultural research team of knowledgeable analysts,
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