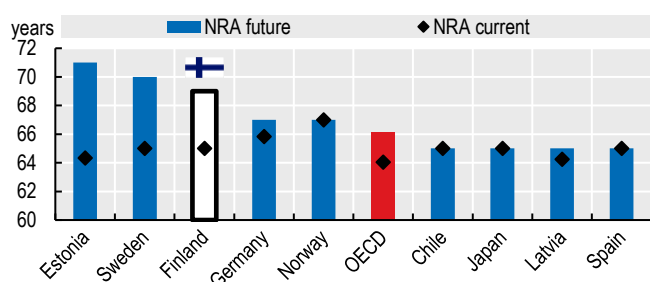


### Links to life expectancy to stabilise old-age income

The average income of people older than 65 is 16% lower than that of the total population in Finland compared with 12% lower on average in the OECD. The combined life-expectancy links of both retirement ages and benefits will help stabilise both relative income of older peoples and pension expenditure. From 2030, all retirement ages, including for workers in arduous jobs, will increase by two-thirds of life expectancy gains at 65. As a result, the normal retirement age will increase from 65 currently to 69 around 2070, compared with a shift from 64.1 to 66.1 on average across OECD countries. Additional pension entitlements with longer careers would offset the impact of the sustainability factor, which adjust pension benefits to changes in life expectancy in Finland. The life-expectancy coefficient is projected to adjust downward the DB pension formula by about 8% over a fifty-year period. The higher retirement age will raise pension entitlements for those who can fully extend their career by about 9%.

#### Normal retirement age to increase in Finland by 4 years

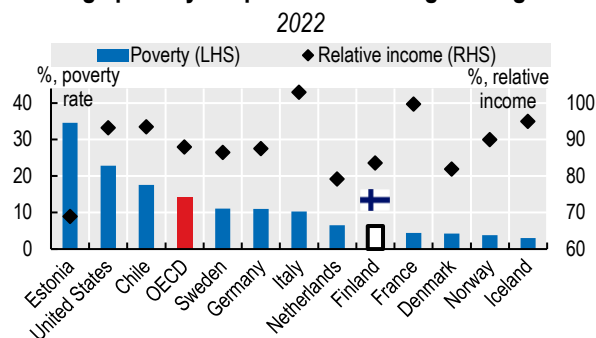


Source: 2023 PAG, Chapter 4

Both relative old-age poverty rates and old-age income inequality are low in Finland. For example, the income Gini coefficient among those aged 66+ is equal to 0.25, substantially lower than the OECD average of 0.31. For similarly low level of old-age poverty as in Finland, the relative old-age income is substantially higher in France, Iceland or Norway. Low old-age poverty in Finland results from a broad coverage of both the basic pension, and the guarantee pension. These benefits cover one third of pensioners.

Currently, basic and guarantee pensions are indexed to price changes, which means that over time they will not keep the pace with the average pension. As a result, someone starting her career at 22 in 2022, earning half the average wage and retiring at the normal retirement age could expect the net pension to replace 65% of net labour income, which is the same rate as for the average-wage earner. Thus, substantial socio-economic inequalities in life-expectancy, would imply effective redistribution among full-career workers from low to average earners for example. If, however, basic and guarantee pensions were indexed to wages, the net replacement rate for low earners would be 69%, hence 4 points higher than for average earners, mitigating life-expectancy inequalities. On average across OECD countries, the replacement rate for low-wage earners is by 12 percentage points higher than for average-wage earners.

### Low old-age poverty despite below-average old-age income



Source: 2023 PAG, Chapter 7

### Reforms to survivor benefits and the self-employed

Over the last two years, there was limited pension policy action in Finland. A limit to the duration of survivor benefits for spouses was introduced at ten years, or until the youngest child turns 18 if later, but broadened for cohabitating couples if having a child together. Finland thus did not go as far as Norway and Sweden which abolished survivor pensions all together.

Finland has attempted to limit the discretion in setting the pension contribution base used to calculate benefits. Until 2023, the self-employed declared themselves their contribution base based on the guidelines that it should be equal to the monetary value of the work input of the self-employed person. From 2023, for setting the contribution base, the pension provider also takes into account the median wage in the sector of activity, working hours and their professional skills. The contribution base will be adjusted regularly every three years by the pension provider. It is uncertain how effective this reform will be in increasing the declared contribution bases of the self-employed, and thereby their pension prospects. Some OECD countries provide no discretion to the self-employed and set the pension contribution base to taxable income from the self-employment activity e.g. Estonia, France or Sweden, or to a percentage the turnover, e.g. Portugal, with this percentage varying by sector.

### Arduousness addressed mainly at the working age

Earlier than some other OECD countries, already in the 1990s, Finland tightened access to early retirement for all workers and unified pension rules across occupations. For example, in 1995, special entitlements to early retirement stopped accruing for, among others, firefighters, nurses and police officers, and in 2016 for marine workers.

To partially compensate for these, the so-called years-of-service early retirement scheme was introduced in 2017 by allowing those with 38 years of contributions in an arduous job and reduced work capacity to retire 2 years below the statutory retirement age. Being qualified as arduous is subject to a verifiable declaration that the job is arduous. To become eligible, workers are required to provide the description of their strenuous tasks (preferably confirmed by employers). Linking eligibility to early retirement to some actual job characteristics that are considered arduous rather than based on occupational groups limits mistargeting.

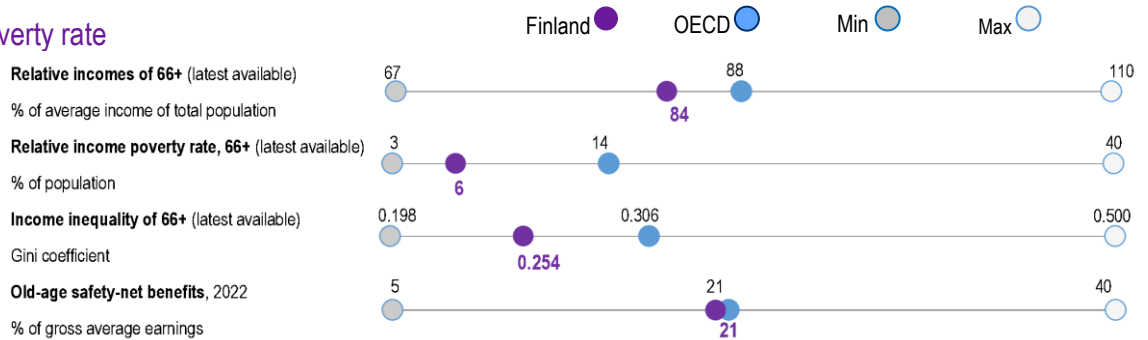
The scheme is thus flexible and it potentially covers many jobs. Hence, Finland belongs to a group of 15 OECD countries providing access to pension provisions for hazardous or arduous work for a broad scope of jobs. Yet, less than 0.2% of new pensioners used this option when retiring in 2022, which is related to the scheme being new but might also indicate that the condition to work in arduous work for 38 years is restrictive. Most other countries with similar schemes require only part of the career to be in arduous jobs, e.g. between 7 and 22 years in Austria, Greece, Italy, Poland, Portugal and the Slovak Republic.

Finland has been at the forefront of OECD countries in addressing hazardousness and arduousness at the working age. Finland's skill development system is one of the most successful. Labour market

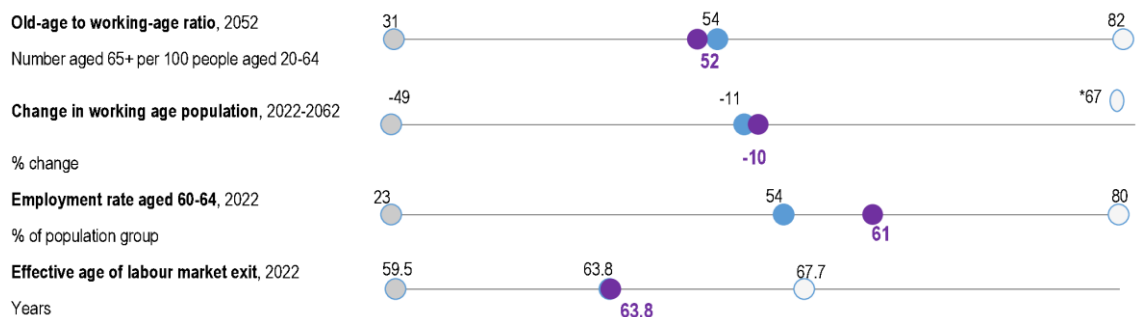
training encompasses a range of tools such as vocational short courses; standard initial, further or specialist vocational qualifications; vocational qualification modules; and, entrepreneurship training. Public employment services purchase training, which is free for individuals, by education providers and companies.

Furthermore, partial sickness and rehabilitation allowances support employees with reduced working capacity to return to work quickly on a part-time basis. Additionally, earnings-related pension providers organise occupational rehabilitation to people who have health issues and face problems at work because of disabilities. Rehabilitation may consist of training to a new job at the workplace or at educational institutions.

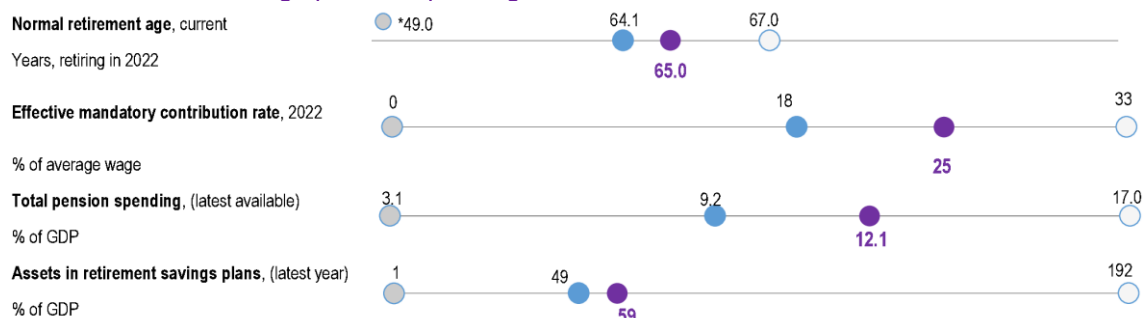
### Low old-age income poverty rate



### Average pace of ageing



### High pension contribution rate and above-average pension spending



### High future retirement age

