



ESPN Thematic Report on Retirement regimes for workers in arduous or hazardous jobs

Finland

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European Social Policy Network (ESPN)

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Highlights

In Finland, there have not been special regulations for workers in arduous jobs. There have been some occupations (e.g., sea farers, firemen, army officers and nurses) where relatively low pension ages have been legally specified for those groups. The occupational category, rather than the specific characteristics of the job, has been the basis for special treatment. However, there have been a number of options for early retirement from arduous and hazardous jobs: disability pension, unemployment pension, individual early pension, part-time pension, special pensions for farmers and individual early old-age pension. The relative role of these schemes as an early exit option has varied depending on economic conjunctures and changes in legislation. In the early 2010s about 15% in the age group 55 to 59 and 20% in the age group 60 to 64 used the disability pension route. The unemployment pension system was created in 1971 to smoothly transfer the long-term unemployed to pensions. Up to the early 2000s, the unemployment pension was as important an early exit pathway as disability pension. In 2000 about 20% of retirees in the age bracket 60 to 64 retired via unemployment pensions. In 2011 the unemployment pension system was closed down. Reforms tightening the eligibility conditions for disability and unemployment pensions increased the popularity of individual early old-age pension. In 2000 about 10% of those in the age group 60 to 64 utilised the individual pension path. In 2013 this early exit route was also closed. In addition, there have been many temporal changes, sometimes making the qualification criteria more generous, sometimes more stringent. During the last decades the tendency has been to make early exit more conditional, and many early exit routes have been abolished.

The 2017 pension reform will unify pension ages by abolishing occupational pension ages and by further eliminating early exit routes – used more by workers in arduous and hazardous jobs – and replace them with “years of service pensions”, which demand a reduced work capacity certification and a work career of 38 years in arduous and straining conditions. There are several open questions and points for consideration:

Given that at present the career length among new retirees is approximately 38 years, the employment requirement of 38 years in arduous jobs may be too strict – which necessitates some further remarks: to meet the criteria of 38 years, more effective rehabilitation measures must be developed and various reforms in the labour market are needed to better adapt the employee’s remaining work capacity to his/her tasks in employment. In order to be successful, the 2017 pension reform needs active labour market policies and measures at the organizational level, as well as changes in attitudes to retirement. In fact, social partners have agreed upon measures for prolonging working life in Finland. The lengthening of careers is the joint target for both the employers and trade unions. They have agreed that the improvement and development of working conditions for keeping older workers longer in the labour market is the key target.

For the time being, the regulation of the years of service pension is not totally clear. Therefore, to avoid arbitrary decisions, it is necessary to specify in more detail how the career length will be calculated. This is an important point from the gender perspective: are all care-related leaves from paid labour properly taken into consideration when counting years in service?

1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs

In Finland there have not been special regulations for workers in arduous jobs (WAHJ), but in some cases the occupational pension ages have been specified in the pension legislation for certain occupations (e.g., sea farers, firemen, army officers and nurses). Thus, the occupational category, rather than the specific quality of the job, has been the basis for special treatment. There have been a number of options for early retirement from arduous and hazardous jobs, but the system has been rather unstable, many temporary and permanent changes have been introduced (see Annex Table 1) and some schemes, e.g.,

unemployment pension and individual early old age pension systems, have been closed down.

The Finnish pension reform that will be effective from the beginning of 2017 will change the whole situation and abolish existing occupational schemes and introduce a new category of pensions, i.e., "the years of service pension" that allows retirement prior to the official retirement age. The years of service pension is not based on any specific occupation (as some of the prior occupation-based systems), but is instead granted on the basis of the characteristics of the work conducted during the employee's working career. The years of service pension is applied to all major pension schemes and, in addition to the invalidity pensions, it will be the main early exit route for the WAHJ.

To qualify for the years of service pension, the condition of 38 years of work history in arduous work conditions must be met. The regulation is applied only for those who were born after 1955. The benefit cannot be collected before 1 February 2018. Both physically and mentally strenuous work will be taken into account. Up to three years of leaves from work due to unemployment, temporary dismissals, short sick leaves or parental leaves, maternity leaves and paternity leaves (maximum 3 years) can be included in the 38 years. The claimant has to have reduced work capacity as evaluated by the occupational health care doctor and fulfil at least one of the following criteria to be eligible for the years of service pension¹:

For physically arduous work:

- Work movements that require large muscle strength or that strain the muscles for a lengthy period of time
- Heavy strain on the respiratory or the blood circulatory system
- Stressful or difficult working positions
- Repetitive work movements that require strength or great speed, or work movements that involve using strength while claspings and rotating the hands at the same time

For mentally strenuous work:

- Interactive work that is particularly demanding and exceptionally mentally strenuous
- Work tasks that require constant watching out or being particularly vigilant, and in which the risk for occupational or other accidents, or the threat of violence, is high. In addition, the following factors will be taken into account when evaluating the strenuous nature of the work:
 - The exceptional physical demands of the work
 - The use of protection equipment which adds to the burden
 - Shift work that includes repeated night work or that is otherwise strenuous
 - Repeated long working shifts
 - For the self-employed, taking care of farm animals around the clock

The occupational health care system is responsible for evaluating the health condition of the claimant. There are no exact figures for the number of persons that fulfil the criteria for the years of service pension. It has been estimated² that approximately 2,000 pensions will be granted annually. An analysis from the year 2011 states that about 61% of working men and 47% of working women of the age of 62 fulfilled the criterion of 38 or more years in employment. Unfortunately, no data exist on how many of them fulfilled the above listed criteria of arduous and straining work. The estimate of 2,000 pensions is most probably too low. The problem is that if the criteria are too strictly applied, the law will be ineffective, and

¹ Kuuvalo & Pulkkinen 2015; European Social Insurance Platform (ESIP), 2016.

² European Social Insurance Platform 2016.

if the law is interpreted less strictly, the economic consequences may be costly and jeopardize the overall aim of the 2017 reform.

A central change introduced by the 2017 reform is the gradual raising of the minimum retirement age to 65 years and linking it to life expectancy thereafter. The maximum retirement age will also rise; it will be five years more than the earliest eligible retirement age. Furthermore, early exit routes will be abolished. Part-time pensions will be abolished and will be replaced by a partial early old-age pension that can be collected at the age of 61. The amount is either 25 or 50% of the accrued pension. The partial early old-age pension does not demand reduced working hours, i.e., the claimant can continue to work but his/her pension will be permanently reduced.³

The pension reform of 2017 was negotiated by the social partners. The reform was accepted, although some criticism was targeted against it. The Central Organisation of Academic Occupations (Akava) could not accept the abolition of the 'super' accrual rate of 4.5% for employment between the ages of 63 and 67. Therefore, Akava refused to sign the pension agreement. The representatives of blue collar workers and occupational health experts were sceptical about the years of service pension. It is feared that decisions on who will and who will not qualify for the pension may be arbitrary, since the criteria for the years of service pension allow for a great deal of discretion by individual occupational healthcare doctors, who do the work capacity assessment and, therefore, act as the gate-keepers. Much emphasis is laid on the rehabilitation measures to keep employees fit to work as long as the 2017 pension reform stipulates. The role of the social partners is essential in this context, as they are the key actors in shaping and improving working conditions in the various sectors. Some sectors are characterised by more strenuous jobs, adding to the challenge of keeping older workers in employment longer. Moreover, it is important to examine if and how increasing the retirement age, the economic crisis, technological change, and sectoral and production changes will affect the nature of the policies for improving the quality of work of older workers.⁴ The social partners have agreed upon measures for how to prolong working life in Finland. The lengthening of careers is the joint target for both the employers and the trade unions. They have agreed that the improvement and development of working conditions for keeping older workers in the labour market longer is the key target.⁵

2 Pension rules for workers in arduous or hazardous jobs

As stated above, in Finland, there have been different pension schemes and lower pension ages for some specific occupations but there have not been separate pension rules nor special pension schemes for WAHJ. The Finnish pension system is rather compact and channelled through the statutory pension system, thus the roles of supplementary occupational schemes and individual pension policies are very limited and virtually non-existent. The system will be even more compact when the remaining occupation-related schemes are abolished in the context of the 2017 reform. Some of these special pension systems are already unified with the general statutory employment-related pension scheme, *TyEL* (e.g., the sea farer's pensions from 2016).

As Annex tables 1 and 2 display, some early exit routes that offered early retirement possibilities for persons in arduous jobs are already closed but there are still some options for early exit via disability pensions as indicated in table 1.

³ Ilmarinen 2016: <https://www.ilmarinen.fi/en/private-customer/pension-reform>.

⁴ Eurofound 2013. <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/finland/finland-the-role-of-government-and-social-partners-in-keeping-older-workers-in-the-labour-market>

⁵ TELA 2012.

http://www.tela.fi/instancedata/prime_product_julkaisu/tela/embeds/telawwwstructure/14147_Tyurasopimus_lyh_yesti.pdf.

Table 1. Different disability-related exit routes from the labour market in Finland 2016.

Degree of incapacity	Pensions granted until further notice	Pension granted for a temporary basis
Loss of work capacity at least 3/5	Full disability pension	Cash rehabilitation benefit
Loss of work capacity at least 2/5	Partial disability pension	Partial cash rehabilitation benefit

Full disability pension can be granted if the claimant's work capacity is reduced by 3/5s due to an illness, a defect or a handicap for at least one year. Partial disability pension can be given if the work capacity is reduced by 2/5s. The disability pension can be granted for persons who are between 18 and 62 years old. Disability related pensions are payable until the beneficiary reaches the general retirement age. If there is a chance that his/her work capacity might be restored, the person may be granted a temporary cash rehabilitation benefit either on a full or a partial basis. The degree of disability is determined through a medical examination.

Although there are no separate pension rules for workers in arduous jobs, there is some room for individual assessment. The age of the claimant and a number of social and work-related (occupational disability) conditions may contribute to qualifying for disability pension. The pension may be granted on more lenient conditions when taking into consideration the claimant's age, education, previous work experience, family relations and housing conditions.

The years of service pension will replace most of the other early exit routes previously available for workers in arduous jobs. The general qualification conditions are discussed in section 1. The years of service pension will become an old age pension when the beneficiary reaches the age of the lowest old age pension.

3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

Although the Finnish pension system has not recognized workers in arduous and hazardous jobs, there have always been possibilities for early exit: disability pension (as explained above in Table 1), individual early retirement, farmers' early retirement, unemployment pension and part-time pension. Since unemployment and arduous jobs are often strongly correlated in Finland (e.g., construction sector), the unemployment pension route has partially served as an early-exit option for WAHJ (Blomgren & al. 2011). The relative importance of them is illustrated in Annex table 2.

As can be seen, the disability pension (*työkyvyttömyyseläke*) has been and still is an important route for early retirement. In the age bracket of 55 to 59, almost 20% of the age group have used the disability route. Among those between 60 and 64 years of age, the share is a bit more than 20%. In 2015 about 25% of new retirees used the disability path.

Since 1971, the unemployment pension served as part of the so-called 'unemployment tunnel', which refers to an arrangement where the unemployed aged person could get an 'unemployment pension'. The unemployment pension was abolished in 2011. The second part of the 'pipeline' is the possibility for an elderly long-term unemployed person to continue receiving unemployment benefit up to the old age pension. At present, an unemployed person can choose to retire between the ages of 62 and 65.

From the early 1990s until its abolition, the unemployment pension scheme served as a major route for early retirement. In 2001, more than 20% of the age group 60 to 64 received unemployment pensions, and annually about 10,000 unemployed retired through the unemployment pension scheme. Since 2012, it is no longer possible to qualify for the unemployment pension, as shown in the figures.

The change is more visible if, instead of the stock of pensioners, we look at the inflow of new pensioners, i.e., those reaching retirement age. At the beginning of the 2000s, about 30% of new retirees used the different early pension routes, 40% used the disability pathway, and the remaining 30% were granted old age pensions. In 2014, the early exit routes were closed, and 30% of new pensioners were granted disability pensions, while the rest received normal old age pension (Kautto & Risku 2015, p. 16).

Table 2 gives a short summary of the probability of receiving disability pension in some arduous occupations (construction), as well as in some special occupations with occupation-based lower retirement ages due to the demanding characteristics of the occupation (firemen) or for some other reasons (nurses often working in shifts). As can be seen, nurses and firemen have a much lower probability risk of disability pension than workers in the construction sector. Furthermore, the monthly pension level is much lower in construction (EUR 1,650) than in all occupations (EUR 1,980) or pensions for nurses (EUR 1,970) and firemen (EUR 2,190). In all occupations, the length of the working career (37.9 years for males and 36.1 years for women) is lower than the 38 years stipulated in the years of service pension scheme. The distance to the target of 38 years is larger among construction workers: 36.4 years for males and 34.0 years for females. Whereas male nurses reach the target level with their 38.3 years in employment, the average career of female nurses is 36.0 years. These figures indicate that there not only is a divide between occupations, but that there is a clear gender gap in the length of working careers, which may, when interacting with the requirement of 38 years, have strong gendered outcomes. The figures also indicate that if the years of service pension is too stringent, the disability pension system will come under considerable pressure. Furthermore, all this accentuates the need for effective rehabilitation measures to keep people fit for work, reforms in the labour market to keep employees motivated, and offering work rotation and other measures where the work load is better adapted to the individual's remaining work capacity.

Table 2. Risk of disability pension (all occupations = 1.00) and pension levels (EUR /month) in some occupations with high risk of disability pension (arduous jobs) and in some occupations that have had special occupation-related pension schemes (data for 2014-2015).

Occupations	Relative probability of disability pensions		Pension income, median (EUR /month)		
	Females	Males	All	Females	Males
All occupations	1.00	1.00	1,980	1,690	2,260
Construction workers	2.01	1.49	1,650	1,160	1,670
Nurses	0,78	0,36	1,970	1,970	2,090
Firemen	0,89	1,28	2,190	2,190	--

Sources: Pensola & al., 2010; Salonen, 2016

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Annex

Annex Table 1. Legislative changes in the Finnish pension system.

- 1.2.1986 Individual early pensions and the early old-age pension were introduced in the private sector. Ages for eligibility were 55 years and 60 years, respectively. The earliest eligibility age for unemployment pensions was changed from 55 years of age to 60 years.
- 1.1.1987 Part-time (eligibility age 60 years) was introduced in the private sector.
- 1.7.1989 The individual early pension (earliest eligibility age 55 years) and early old-age pension (58 years) were introduced in the public sector.
- 1.1.1994 The earliest eligibility age for the individual early pension was increased from 55 to 58 years. The earliest eligibility age for part-time pension was lowered to 58 years in the private sector.
- 1.7.1998 The age limit of the part-time pensions was temporarily lowered from 58 to 56 years.
- 1.1.2000 The earliest eligibility age of the individual early pension was raised from 58 to 60 years.
- 1.1.2003 Temporary reduction of the earliest eligibility age for the part-time pension was abolished and the eligibility age was raised to 58 years of age.
- Flexible retirement age between 63 and 68 years of age was introduced (the 2005 reform). Those born after 1949 could no longer qualify for unemployment pension.
- 1.1.2010 The eligibility age for part-time pension was raised to 60 years for those born after 1952.
- 1.1. 2011 Abolishment of the unemployment pension scheme.
- 1.1.2012 Long-term unemployed born in 1950 who turned 62 years of age could get old-age pension without the reduction due to early retirement.
- 1.1. 2013 The possibility to retire on an early old-age pension was abolished from the earnings-related pension system. The change affects those born in 1952 or later. The earliest eligibility age for part-time pensions was increased to 61 years for those born in 1954 or later.

Source: Kannisto 2016, pp. 50-51.

Annex table 2. New retirees according to the pension route in Finland 2006-2015.

Year	Old-age pension		Disability pension	Unemployment pension	Special pension for farmers	All new retirees	New part-time pension recipients
	All	Early old-age pensions					
2006	27,103	1,933	24,399	11,296	1,213	63,714	6,154
2007	28,050	2,377	25,422	12,430	1,081	66,722	6,693
2008	33,672	2,822	25,574	12,017	1,136	72,116	7,037
2009	43,510	2,889	23,870	11,484	1,025	79,637	8,565
2010	44,112	2,532	22,898	3,253	613	70,741	9,813
2011	45,694	2,486	22,983	1,303	687	71,591	6,750
2012	48,005	2,574	20,457	--	645	69,070	3,745
2013	52,286	2,695	20,383	--	647	73,266	5,034
2014	50,826	869	18,806	--	741	70,324	3,381
2015	54,827	115	18,649	--	627	74,048	3,706

Source: Kannisto 2016, p. 68.

