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SUMMARY

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Pensioners' subjective economic well-being in European countries

Comparisons behind the income satisfaction paradox

The purpose of this doctoral thesis is to expand the relative perspective in the analysis of financial satisfaction in old age, by which is meant the formation of financial satisfaction as part of different types of comparisons. The old-age population is known to be financially more satisfied than other population groups, a paradoxical finding considering their generally lower-than-average income level. This phenomenon is called the satisfaction paradox. With the help of multilevel and longitudinal analyses, this study investigates how income levels in European countries and retirement are associated with subjective economic well-being. Questions of central importance to this study include to what degree satisfaction can be explained by the population group one compares oneself to, and to what degree one's current economic status is compared to one's own previous economic status. The results clarify our understanding of the relationship between objective income and subjective evaluations of economic well-being in the old-age population.

The theoretical framework of this thesis consists of Nordic welfare research, quality of life research and economist-driven happiness research. The data consists of results from "The Welfare and Services survey in Finland" from the years 2004, 2006 and 2009 as well as a cross-section of and longitudinal data from EU-SILC (European Union Statistics on Income and Living Conditions) from the time period 2005–2013.

Results show income and experience to be linked as presumed. Those with the highest income experienced their income as more adequate in making ends meet than did those

with a lower income. This applies to Finnish pensioners as well as more broadly to older people living in Europe. Income growth also increased the sense of ease associated with income adequacy. However, results also showed that the oldest age groups experience a greater ease in making ends meet than might be assumed based on their income. For this reason, we cannot dismiss the existence of the satisfaction paradox.

Retirement weakened the perception of income adequacy. However, the effect was not as dramatic as is generally thought. Perceptions of weakened adequacy cannot be explained by the absolute decrease in income, but rather by changes between a person's previous economic status and current status. A European comparison showed weakened perceptions of adequacy at retirement for those transferring directly from working life, but a significant improvement for the unemployed retiring and a slight improvement in the perceptions of those retiring from other statuses. These differences may, for instance, be linked to people's expectations on the sufficiency of their pension. For the unemployed and others, getting a pension means having a stable and continuous source of income. The Finnish study, on the other hand, showed that improved relative income status gained at retirement compared to the population at large increased the experience of income sufficiency. Experiences of income adequacy were weakened, however, when the individual's relative income status became higher in relation to that of other pensioners compared to previous status among active age population while still working. This may indicate that a newly retired person does not immediately consider other pensioners as his or her reference group, or it may be a general indication of weakened future prospects.

Pensioners evaluate their income in relation to other pensioners rather than to the population as a whole, or to the population of active age. This applies to both younger and older old-age pensioners in different European countries. Income distribution within a country also does not have any bearing on pensioners' evaluation of income adequacy. What does matter, on the other hand, is the average income level of pensioners in the country, which can also be seen as an indication of the standard of living. In countries with a higher standard of living, pensioners perceived their income adequacy as lesser than in countries with a lower standard of living. This difference may be linked to the expectations on consumption created by different standards of living.

All in all, it may be concluded that the financial satisfaction of the aged population is linked to income as well as to what we compare our own economic status. Retirement and the economic context of the country of residence play a role in these comparisons.

Key terms:

subjective economic well-being, perceived income adequacy, livelihood, retirement, financial satisfaction, reference group, EU-SILC

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