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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Retirement intentions of the Finnish self-employed

*Do working conditions and pension adequacy
make a difference?*

In this study, we review what the self-employed in Finland think about their working conditions and future pension, as well as how these are reflected in their intentions to retire or continue working. We also review the reasons why the self-employed stop or continue working. Our study is based on the ad hoc module for self-employment collected as part of Statistics Finland's Labour Force Survey. Persons aged 50 or more were asked about their retirement intentions. The dataset of the study was 1,250 self-employed persons in Finland aged 50 or more.

'Retirement intentions' means an individual's estimate of when to retire, made when approaching retirement age. There are three different types of intentions:

- to stop working and to retire early;
- to continue working until retirement age, but not past it; and
- to continue working past the retirement age.

We talk about retirement intentions and time of retirement although 'ceasing/continuing to work and retiring' are not fully synonymous. In practice, however, they usually lead to the same result.

Work engagement and stress

The self-employed are often eager and committed to their work. The commitment can lead to long working hours, which may be reflected in the stress levels of the self-employed and their feeling of neglecting their private life for the sake of work.

Nearly one third of the self-employed said their working weeks are at least 50 hours long, and every third self-employed felt they were neglecting their private life. Nevertheless, the self-employed felt they could affect their working conditions. Three out of four respondents felt they were able to influence the content and arrangements of their work, as well as their working hours. Almost half of the self-employed said they are very pleased with their work. As many said they are enthusiastic about their work. However, the self-employed are also stressed: half of them had to work long hours to get the work done. Yet only every sixth respondent expressed problems with coping with their work daily. Compared to wage earners, the self-employed were more committed to and more satisfied with their work and more enthusiastic. They also found they can better influence their work. On the other hand, the self-employed also found their work to be more stressful than the wage earners.

One third of the self-employed think they underinsure themselves

Previous studies show that the self-employed often underinsure themselves. The self-employed can affect the confirmed income that determines how much earnings-related pension they will get. In our survey, only around half of the self-employed respondents said they were adequately insured, while one third felt they did not pay enough in pension contributions. The rest were either unable to say or did not pay any pension insurance contributions at all. The latter group includes self-employed persons who are working in retirement and who, under law, do not have to take out pension insurance.

A majority expected to continue working past their retirement age

The self-employed commonly plan to retire late. Three out of five of the respondents estimated to continue working past their retirement age. One fifth estimated to work up to but not past their retirement age. Every eighth respondent estimated they would retire early.

Men, older, highly-educated and healthy self-employed plan to continue working

Many factors underlie retirement intentions. In addition to the traditional background variables of age, gender and educational level, we reviewed how working conditions and pension contribution adequacy affect the retirement intentions of the self-employed. Based on the model results that control the effect of different background variables simultaneously, self-employed men, those aged 60 or more and those with a higher education intended more often than others to continue working. Those who felt that their health would allow them to work until their retirement age planned to continue working more often than others. The self-employed who have no employees were more likely to intend to continue working than were the self-employed with employees and farmers.

Commitment, the opportunity to influence working conditions and enthusiasm increase intentions to continue working

Factors relating to working conditions were reflected in the retirement intentions of the self-employed. Work that holds a great meaning in life and the opportunities to influence

one's work increased the intentions to continue working. Those who worked for at least 50 hours a week, those who were enthusiastic about their work and those who felt they can influence their work estimated more often than others that they will continue working past their retirement age. On the other hand, those who felt they were unable to influence their work estimated more often than others that they would stop working when reaching their retirement age. Looking at the whole picture, job satisfaction and work stress, which – when viewed separately – seemed to be connected to the retirement intentions, turned out not to be factors that affect the retirement intentions of the self-employed.

Low pension contributions increase the intentions to continue working

The notion of paying sufficiently high pension contributions is linked to the retirement intentions. For those who planned to retire early, this made no difference. Those who planned to work until their retirement age felt more often than others that they had paid enough in insurance contributions. Correspondingly, those who planned to continue working past their retirement age felt more often than others that they had not paid enough in pension contributions. This indicates that the decision to retire is also affected by economic factors. Small pensions can be topped up by working longer.

Pleasant work and economic factors reasons for continued working

The most general reason for working past the retirement age among the self-employed respondents was that they like their work. This was the case for two out of three respondents. However, some of the respondents' plans to continue working were based on financial issues. Every twelfth respondent gave this as a reason for working past their retirement age. The groups of self-employed persons who continue working for different reasons are very versatile.

Those who planned to continue working because they like their work were mostly over 60-year-old and highly educated. They also believed their health would allow them to work until and past their retirement age. They were also more pleased with and enthusiastic about their work.

Those who planned to continue working for financial reasons were more often self-employed without employees and more uncertain about how they would cope physically. Those who planned to continue working for financial reasons were more often living alone. This group also experienced stress more often. In addition, this group contained a higher number of people who felt they did not pay enough in pension contributions.

Some of the self-employed were unsure about whether they were going to continue working. One fourth of the respondents estimated that they would continue to work past their retirement age if there was enough work. Those belonging to this group experienced more often than others that they were able to influence their work and that their own health was good enough. On the other hand, the self-employed who belonged to this group were also more often dissatisfied with their work.

Commonly work stopped by own choice or for health reasons

The most common reasons for planning early retirement or retirement once reaching the retirement age was that the respondents did not want to continue working. More than four out of five who considered retiring early wanted to do so of their own choice. Of those who planned to stop working when reaching their retirement age, around three out of four estimated that they would stop working because they would not want to continue working. Female respondents and those under 60 wanted to stop working more often than male and older respondents, while those with a higher-level education wanted to stop working less often than those with a lower-level education. Those who were less enthusiastic about their work and felt their chances to influence their work were smaller more often desired to stop working at their retirement age at the latest.

Other reasons for the desire to stop working were related to health issues. For every seventh respondent who planned to retire early, health issues were the main reason for the decision, while every eighth of those planning to retire at their retirement age based their decision on that same reason. Naturally, those who were concerned about whether their health was good enough based their decision to retire early on health issues more often than did those who felt they were in good health. In addition to the health experience, those who considered retiring early due to health issues less often worked for more than 40 hours a week and more often experienced difficulties with coping at work. No differences could be observed in terms of gender or age, but those planning to stop working due to health reasons less often had a higher academic degree.

Own desires underlie retirement intentions

More often than others, the self-employed explained their desire to retire early by their own desire to stop working. Correspondingly, the most common reason for the intention to continue working was that the respondent liked their own work. However, for some self-employed, the reasons for intending to continue working were financial and/or health-related; in other words, issues that forced the self-employed to either stop or continue working.

One third of the self-employed think that they have underinsured themselves. This affects their retirement intentions. Those who estimated that their pension provision is insufficient planned more often than others to continue working past their retirement age and stated financial issues as their reason for continuing to work. Those who referred to financial issues also had low-income risk qualities such as living alone and being in poorer health.

Retirement intentions of the self-employed partly different to those of wage earners

Identifying the differences between the retirement intentions and their underlying factors of the self-employed and the wage earners is important because, due to the differences, the starting point and the means used in trying to get the self-employed to extend their working lives may be different from those used for wage earners.

The retirement intentions and the intentions to continue working of the self-employed were partly similar to observations made of wage earners. There were some differences, though. A higher age and educational level have already earlier been connected to continued working, while a weaker health has been connected to early retirement. These results that apply to wage earners are similar to those of this study. Gender, on the other hand, has not been observed to make a difference in terms of the retirement intentions of wage earners, while our study revealed that self-employed men intended to continue working longer more often than self-employed women. Higher income has been observed to lead to earlier retirement among the wage earners. The effect was similar among the self-employed, but the connection was clearly weaker than among the wage earners.

If work is an important part of life, the intention to work longer increases among wage earners as well as self-employed people. The same applies to the opportunities to influence one's work and the eagerness related to work. However, deviating from previous results concerning wage earners, job satisfaction did not emerge as a factor affecting continued working. Contrary to wage earners, factors relating to stress were not observed to impact the intentions of the self-employed to continue working. However, comparing conditions at work to those of wage earners is difficult because the results concerning the wage earners have been collected from several different studies.

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