

RESEARCH PROGRAMME
OF THE FINNISH CENTRE
FOR PENSIONS

2020 2024

CONTENT

The research activities of the Finnish Centre for Pensions	4
Financially and socially sustainable pension system	6
Focal areas of our research 2020–2024	10
Research on working life and its development	12
Research on retirement	14
Research on pension adequacy	16
Research on pension system's financial sustainability	18
High-quality empirical research and active research cooperation	21

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The research activities of the Finnish Centre for Pensions support the evaluation and improvement of pension policy

The research of the Finnish Centre for Pensions provides high-standard and up-to-date information for decision makers, experts and citizens on the functioning of the pension system and the efficiency and effectiveness of pension policy measures and reforms.

At the Finnish Centre for Pensions, we conduct independent empirical research in the social and economic sciences. Our interdisciplinary research focuses on overall pension provision and related themes. We engage in both long-range research projects and projects that directly serve decision making. Our research involves active research cooperation and communication.

Conducting research is one of the statutory tasks of the Finnish Centre for Pensions. Our research activities are based on a programme that spans several years and depicts research and focal areas (in terms of content) that are important for the near-future improvement of pensions.



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Financially and socially sustainable pension system in an ageing Finland

Since populations age, pension systems have been reformed in many countries in the last few decades. In Finland, the most recent pension reform took effect as of the beginning of 2017. Producing scientific research data is essential in the follow-up of the reform aims.

The functionality of pension systems is increasingly assessed from the view of employment and as part of public economy. Monitoring the development of time spent in employment and in retirement is meaningful both in terms of pension sustainability and pension reform evaluation. It is also important to consider gender gaps as well as intergenerational differences and dissimilarities between socioeconomic groups in this context.

In addition to pension legislation, also other factors affect retirement. They include work ability, working conditions, workers' and employers' attitudes and various measures taken to support continued working. More research on the impact of different factors on extended working lives and retirement is required, as well as on changes in working life that affect labour force participation and pensions.





Pension adequacy and citizens' trust in the pension system are part of a socially sustainable pension system. Pensions secure an income for every third adult Finnish citizen. As the population ages, the share of pensioners will grow, making pensioners' livelihood an increasingly topical issue. Information on how pensions protect against retirement income risks is essential. In this connection, comparisons between social groups are important, particularly relating to intergenerational differences and immigrants' pensions.

If the population is unfamiliar with or lacks trust in the pension system, the sustainability of the system will be stretched to its limits. That is why research on citizens' views on pensions is important. Since changes in other parts of social security and the national pension system may affect the legitimacy of the earnings-related pension system, comprehensive research into the social sustainability of pensions is therefore important.

The pension system is an economically and socially significant institution that impacts overall public finances. At the same time, changes in the economic environment reflect on the sustainability of pension financing. Monitoring how the expenditure and contributions of the earnings-related pension system develop, and assessing the related pressure for change, is essential from the point of view of financial, social and political sustainability. Following the low birth and interest rates, the sustainability of the pension system has been increasingly accentuated. Both challenge the long-term financial outlook of the pension system. As demography changes and the share of working-age people decreases, investment assets will gain in importance in pension financing. This calls for more data on pension assets and investments.

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FOCAL AREAS OF OUR RESEARCH IN 2020–2024:

Key pension issues

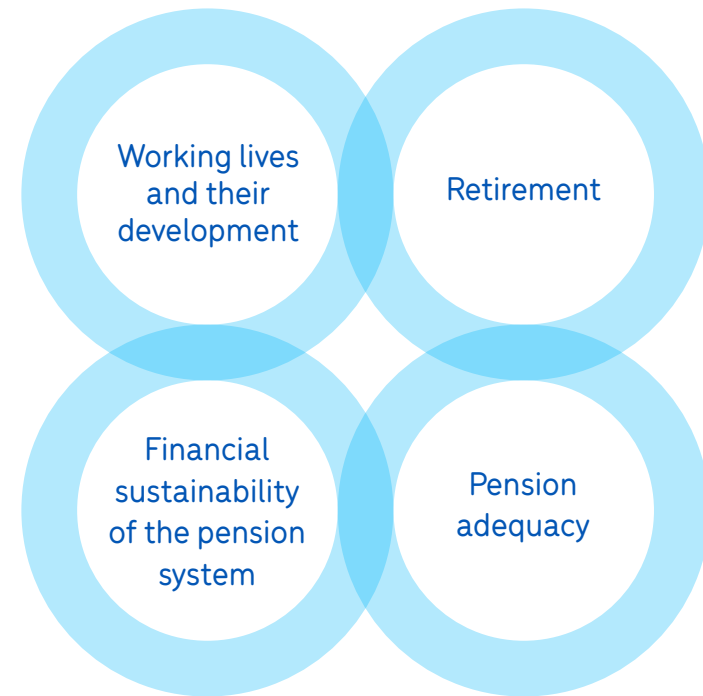
In 2020–2024, the four focal areas of our research at the Finnish Centre for Pensions are the following: working lives and their development, retirement patterns, financial sustainability of the pension system and pension adequacy. These interconnected themes are the most central and topical of pensions.

In the next five-year period, we will emphasize pension reform evaluations. We will focus on monitoring the effects of the 2017 pension reform in Finland and evaluating the effects within all focal areas. Other themes that offer cross-sections of and connections between the focal areas include differences between socioeconomic, gender and age groups, as well as international comparisons. The latter allow us to set the Finnish system in a larger framework and to produce relevant information on the solutions adopted in other countries.

Our research in each focal area examines social changes that are closely linked to the pension system: changes in work, working lives and demography. Our research aims to consider long-term developments.

FOCAL AREAS OF OUR RESEARCH

2020 2024



Research on working life and its development

The length and timing of working life and the earnings received during that period in life affect the pension accumulation on an individual level. On a system level, working lives affect the financial sustainability of the pension system. The socio-political aims of extending working lives and raising the employment rate increase the need for research data on the subject. In particular, there is a need for research on the length and structure of earnings accrued during working life, as well as on the differences (both short and long-term) between population groups.

Under this research programme, we will produce up-to-date information on the length and timing of working lives. We will also explore alternative ways of measuring working lives and their length.

A key area of our research is labour market participation among the oldest working-age people and how they exit working life. There is considerable social and political pressure to raise the employment rate among these age

groups. Information is needed on the length of working life of new retirees on different pension benefits.

In our research, we will also focus on the early and mid-stages of working life. Attaching to the labour market is a significant stage in early working life. Working lives may also be interrupted for various reasons. Information on the frequency and allocation of unpaid periods in different demographic groups, as well as of career development after breaks, is significant from the point of view of pensions. Attention should also be paid to the development of earnings during working life and the role of non-standard work.

Working life may not necessarily end in retirement. An increasing number of persons receiving a pension also work. Under this research programme, we will examine how common it is for people in Finland to work while drawing an old-age pension and how working in retirement has changed.

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Up-to-date information on how working life has developed, by population groups

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Research on stages and changes in working life that impact pensions

Research on retirement

There are different routes to retirement. They are affected by individual factors and rules and regulations of pension systems, such as flexible retirement ages. Research on the timing of retirement and type of pension benefit provide information on how working lives have extended and how common various pension benefits are (such as the disability pension or the partial old-age pension).

In the next five-year-period, we will study retirement by pension benefit and population group, with a special focus on the effects of the 2017 pension reform. In addition to actual retirement, we will review the population's retirement intentions and how they have changed, as well as the connection between the intended and actual retirement age. In addition to descriptive reviews, we will analyse various factors affecting retirement intentions and the retirement decision. We will also focus on how the pension system incentives have affected retirement and how the effects differ by population group.

Workplace-related factors also affect retirement decisions. We will review the connection between retirement and

workplace-level factors, as well as employers' attitudes to ageing workers and to the retirement ages within the pension system.

The working life of many ends in retirement on a disability pension. Under this research programme, we will examine disability retirement rates, time-related changes in disability pension application and rejection rates, as well as how the changes differ between various population groups and how they affect the number of persons drawing a disability pension.

We will examine how health, work ability and working conditions affect retirement on a disability pension. We will also research differences by disease categories. We will increase research on measures supporting work ability, such as vocational rehabilitation. In addition to information on factors that can predict retirement on a disability pension, data on the process of retirement on a disability pension is thus essential. There is a need to know more about the phases that disability pension retirees go through, as well as on the employer's role in the prevention of disability.

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Follow-up of effects of 2017 pension reform

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Changes to disability pension rates and assessment of work ability and supporting measures

3. FOCAL AREAS OF RESEARCH

Research on pension adequacy

The primary task of pensions is to secure an income in retirement. Under this five-year programme, we will examine pension levels as well as pension benefits of population groups that are central to the improvement of pensions.

In addition to recipients of old-age and disability pensions, we will examine recipients of partial old-age and years-of-service pensions and their income. We will review the gender and intergenerational gaps in retirement income and look at the differences in retirement income of various socio-economic groups.

Retirement often spans years and decades and includes different phases as far as income is concerned. A central question is how the income of people changes when they retire and how the income level is maintained for decades. In the next five years, we will conduct individual-level

longitudinal studies of changes in pensioners' income levels. We will also reconduct the questionnaire survey from 2017 that was directed at the retired population to get more extensive data on the livelihood of pensioners.

Both the total pension and, more broadly, other household income, will be the objects of our research. We will also review the livelihood of pensioners through consumption and subjective experiences relating to livelihood while also paying attention to other key factors affecting the income of pensioners, such as household size, living situation and incurred debt.

Under this research programme, we will monitor the Finnish working-age population's knowledge and views of pension adequacy, sustainability and key principles of the pension system.

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**Changes in
income
in retirement**

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**Finns' views
on and
knowledge
of pensions**

4. FOCAL AREAS OF RESEARCH

Research on pension system's financial sustainability

At regular intervals, using our long-term projection (LTP) and microsimulation (ELSI) models, we have produced data on pension expenditure and contributions, as well as on the future development of pension benefits. Under this research programme, we will continue to publish our long-term projections. In addition to baseline projections, we will use the models to produce various alternative projections of, for example, the effects on expenditure and contributions due to changes to the return on pension assets, employment rates and demographic development.

We will pay increasing attention to uncertainties relating to various factors such as the demographic development. The intergenerational aspect will also be included in the projections. We will also produce assessments of our projections and projection methods.

In addition to the regularly conducted long-term projections, we will assess how various scenarios affect the pension system and, using common EU assumptions, compile AWG calculations of the earnings-related pension scheme.

Under this programme, we will improve our capacity to analyse the connection between pensions and overall social security and public finances. We will also produce data on the earnings-related pension system's investments.

Many of the challenges relating to pension financing - including decreased birth rates and low interest rates - are global. In the next five years, we will conduct international comparisons of issues that are central to the financing of pensions, such as the development of pension assets and investment returns. We will produce data on automatic stabilisers as one means to strengthen the financial sustainability of pension systems.

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Long-term projections and scenarios of pension expenditure and contributions

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International comparisons of pension assets



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High-quality empirical research and active research cooperation

The strength of our research lies in its empirical nature and our use of multifaceted and internationally unique data. Many of our research projects utilise our extensive registers. Under this research programme, we will further improve the use of our registers and promote the use of the Incomes Register in our research.

We also collect data through questionnaires. Studies based on a combination of registers and questionnaires allow for a versatile review of various phenomena. In addition to the above, we also use data from, among others, Statistics Finland and Eurostat in our research. In the next five-year-period, we will make use of Statistics Finland's SISU microsimulation model.

At the core of our high-quality research are our researchers' know-how and professional skills, which we enhance by supporting our staff's training and research careers. Most of our research is subject to peer review. We are committed to following the guidelines on good scientific practices issued by the Finnish National Board on Research Integrity and the standards for peer review set by the Federation of Finnish Learned Societies.

We also engage in active research cooperation with universities and other research and expert institutions. Our aim is to promote pension research conducted by other parties. Each year we will fund a few research projects that focus on assessing and developing the pension system.

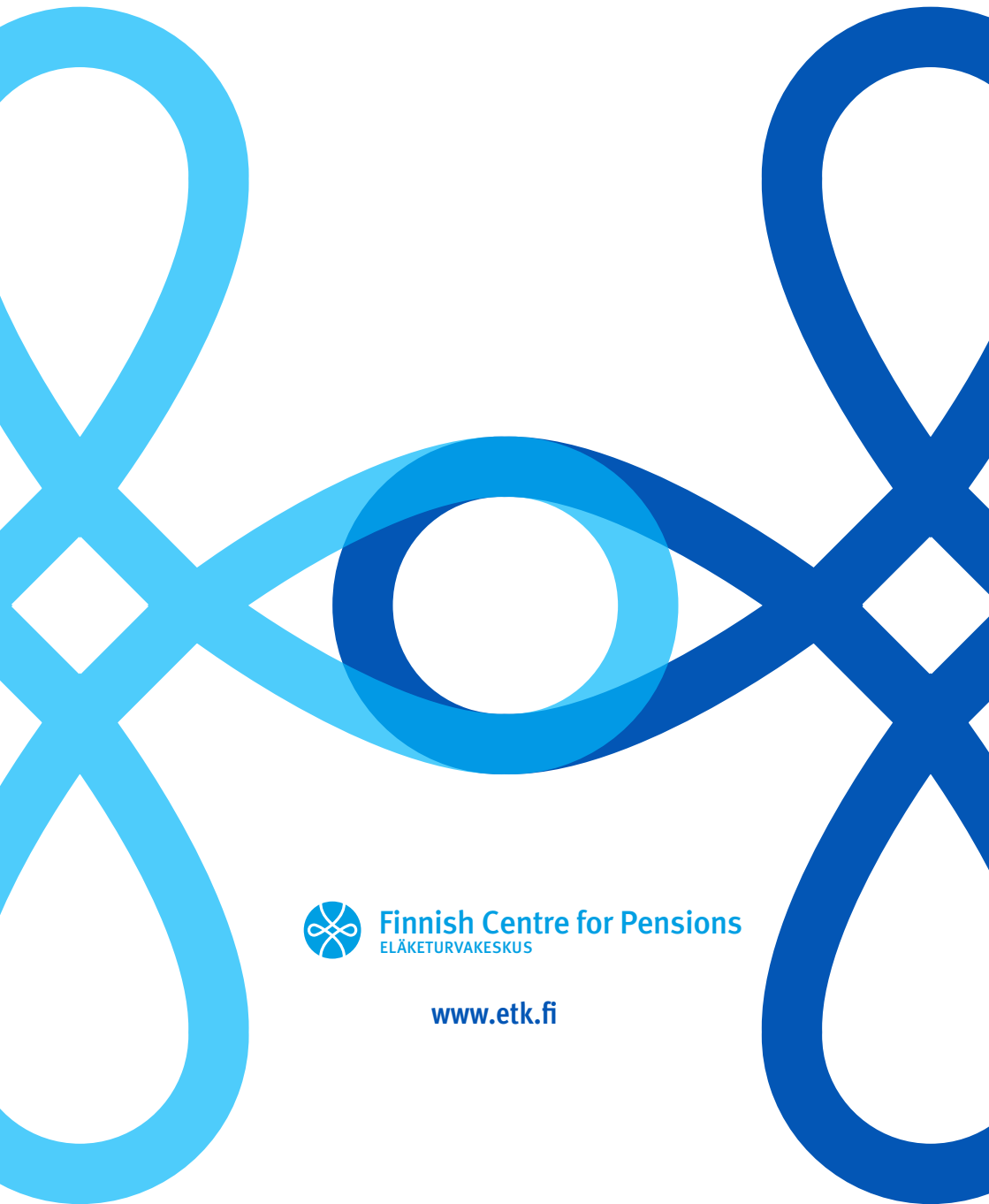
In the next five-year-period, we will continue with our close international cooperation and aim to systematically make our research and the Finnish pension system better known internationally. We will also continue the praxis of hosting visiting researchers.

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Research communication

We will transmit research-based evidence and provide expertise in various bodies that support decision-making, participate in social discussions as well as in domestic and international research and expert networks. Another goal is to develop new methods to share our research results and improve parallel publication (an open access method).

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Finnish Centre for Pensions
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