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FINNISH CENTRE FOR PENSIONS, STUDIES

SUMMARY

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Trust in the pension system 2019

Questionnaire survey on views relating to pensions

Views on and trust in pensions and understanding their multidimensional nature are important factors when developing pension systems. In this study, we examine the views on pensions of 25–67-year-old Finns based on a survey (“Views on pensions”) conducted in 2019. The starting point of this study is the multidimensional nature of trust in pensions, reviewed from different angles. The views include specific opinions on how the pension system functions, how well the objectives of the pension system are met, worries relating to pensions, and a comparison of the income level of pensioners relative to that of other population groups. In addition, we outline the overall trust in the pension system and how the more specific views relating to the pension system, the worries and the objective and subjective pension knowledge relate to the views on how trustworthy the Finnish pension system is. The survey was conducted between October and December 2019. A total of 1,757 persons responded to the survey. The response rate was 35 per cent.

Generally, the majority trusts in the pension system, but the specifics are viewed more critically

Specific views on how the pension system functions and how the objectives are met were examined through statements relating to the current and future state of the pension system. As for the current state, the respondents were asked about their views on how adequate pensions are, how reliably pension assets are managed and how fair and clear the pension system is. The views on pension adequacy were mixed.

Nearly half (48%) felt that pensions guarantee a reasonable income for retirees (in other words, they agreed or partly agreed with that statement). Equally many (44%) were critical, that is, either disagreed or partly disagreed with the statement. Women, those with a lower education and those who felt their health was poor were more critical about pension adequacy than others.

The respondents were more positive than critical towards the statement of pension assets being managed in a trustworthy way. An ample third of them felt that pension assets are managed in a trustworthy manner, while every fourth felt the opposite. Men, the more educated, those with a higher income, the retired and those who felt their health to be good trusted pension asset management more than did the other groups. Many respondents also expressed uncertainty by selecting the 'do not know' alternative.

As for the current state, the views on how clear and fair the pension system is were more critical. Only every fourth respondent found the system to be clear or fair. Women and those who felt in poor health were of this opinion less often than others. Also those with a lower educational level found the pension system to be fair less often than others.

Regarding the future outlook, we examined the views on the financial burden of the younger generations, on whether it will be possible to pay out pensions and whether pensions will guarantee a reasonable income also in the future. Around every fourth respondent felt that it will be possible to pay out pensions also in the future, and only every fifth respondent found that pensions will be adequate in the future. Women, the younger age groups and those who found their health to be poor were generally more critical. Also those with a higher income were critical about pension payments in the future. About half of the respondents found the financial burden of the young to be too heavy, and every fifth of the respondents disagreed with this. The younger age groups and those with children more often found the financial burden to be too heavy.

Extensive worry about pension matters, particularly about the livelihood of low-income retirees

Views on pensions were also examined in terms of how worried the respondents were about certain pension issues. The respondents were asked to assess how worried they are on a scale from 1 (not at all worried) to 5 (very worried). Extensive worry was expressed regarding issues relating to income in retirement, decision-making and the economy at large. Of the subjects listed, 60–75 per cent of the respondents were worried (4 or 5 on the scale). Most often, the respondents were worried about the livelihood of low-income retirees. Three out of four worried about this, and nearly half were very worried (5). Every third respondent was very worried about other issues relating to income in retirement. Women, the older age groups, those with a lower education and those who felt in poor health were more generally worried about issues relating to income in retirement. Those with a lower income were more often also worried about income gaps.

Around one third of the respondents was very worried about issues relating to decision-making. Particularly those who felt in poor health were worried about both

the uncertainty of political decisions and changes to the conditions of retirement. Women worried more than men and the retired less than those working on changing their conditions. More worried on conditions were also those 45–54 years old. The more highly educated, on the other hand, were less often worried about decision-making.

Around every fifth respondent was very worried about economic issues such as an ageing population, the economic and employment development and pension asset investments. Generally, women were more worried about these issues than men. Those with children were more worried than others about the ageing population. Those who felt in poor health were more worried about the economic and employment situation. As for investment operations, the gaps in views were larger between the different population groups. Older age groups, those with a lower education, those with a lower income and those who feel in poor health more often worry about investment risks. Also retired worried less than employees.

Appropriate income level for retirees slightly below that for the working population

In this study, we also examined the respondents' views on a suitable income level for retirees compared to that for working people, unemployed, families with children and students. Six out of ten respondents found that a suitable income level for retirees would be slightly below that for the working population. Every tenth respondent found that a suitable level would be much below, while every fourth felt it should be at least on the same level as for the working population. The middle-aged, highly educated and those with a higher income found more generally than others that an appropriate income level for retirees would be lower than for the working population. Correspondingly, those with a basic education, those with the lowest income and those approaching their retirement age found more often than others that a suitable income level for retirees would be at least on the same level as for those working.

Most respondents found that a suitable income level for retirees would be either slightly or much higher than the income level of the unemployed and students. Two out of three of the respondents were of this opinion as far as the unemployed were concerned, and seven out of ten regarding students. Very few found that a suitable income level for pensioners would be lower than the income level for the unemployed or students. The views when compared to families with children were more mixed. Every third respondent found that a suitable income level for pensioners would be lower than that for families with children, and slightly fewer found that it would be at the same level. One fifth of the respondents found that a suitable income level for pensioners would be higher than that for families with children.

Positive views on social and economic measures that promote trust

The majority of Finns found the pension system to be reliable overall. Seven out of ten respondents were of this opinion. The majority (42%) agreed partly with the statement and the second highest share (28%) agreed fully. Less than every fifth was critical

about the reliability of the pension system. Older age groups, those in a relationship, those with a higher education and those who felt in good health generally trusted the pension system more. There were no gender gaps in this respect.

The multidimensional nature of trust was reflected by the fact that the more detailed views on the pension system and the concerns relating to pensions were linked to the subjective experience of a generally reliable pension system. The trust in the pension system was higher among those respondents who trusted the management of pension assets. The level of trust was weakened by, on the one hand, the concern relating to pension asset investments and, on the other hand, changes in society's economic and employment situation.

A higher trust in the pension system was linked to other positive specific views of the pension system, such as trusting that pensions will be paid out also in the future. In addition, a higher trust in the system was linked to the notions of how clear and fair the pension system is and how adequate pensions are. The significance of pension knowledge in terms of trust in the pension system played a minor role. Those with a better knowledge of the pension system more often found that pension asset management is reliable, and the pension system is fair and clear. They also more often trusted in pensions being paid out in the future. However, pension knowledge did not correlate to general trust in the pension system. Instead, the gaps reflected the gaps in the trust in pensions that exist between population groups.

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