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Summary

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Longitudinal study of perceived economic welfare among Finnish old-age pensioners in 2017–2020

In this study, we looked at how the subjective perception of economic welfare developed among old-age pensioners aged between 63 and 85 years in the period 2017–2020. The examination was based on a longitudinal survey collected by the Finnish Centre for Pensions (n=1,431). Thanks to the data, and for the first time, it was possible to examine pensioners' perceptions of economic welfare at two different points in time using a representative sample. People spend several years in retirement, and pensioners cannot affect their economic welfare as much as, for example, the working-aged. Identifying groups of pensioners who have experienced financial difficulties for long periods is important for social policy development.

In this study, we examined how permanent pensioners' perceptions of their financial situation are, how common and what the extent of the changes are and how the groups of pensioners differ from each other. We reviewed pensioners' satisfaction with their financial situation, their ability to cover everyday and health care expenses and whether they have money left over after paying for necessities. We focused particularly on perceived prolonged difficulties of making ends meet and how common these perceptions are in different groups of pensioners. In addition, we examined the

effects of the corona pandemic on different areas of life and the connection between these effects and pensioners' financial satisfaction.

Most pensioners perceived their financial situation to be favourable in both 2017 and 2020

One typical characteristic of old-age pensioners' perceptions of economic welfare seems to be permanency: for the majority, the perceptions remained basically unchanged between 2017 and 2020. Most old-age pensioners felt that making ends meet was easy in both years. In terms of everyday expenses, 58 per cent found it easy to make ends meet. The equivalent rate for health care expenses was 69 per cent and for housing expenses 74 per cent. In both years, 66 per cent had money left over after paying for necessities.

Those with a higher income, those who live in owner-occupied housing, those who perceive themselves to be in good health and who live in a household with two or more people felt it more permanently easy to make ends meet in all reviewed areas of economic welfare.

This longitudinal study highlights the importance of pensioners' previous life courses for their perceived economic welfare. Higher pension income accrued while of working age and living in owner-occupied housing can be viewed as resources which are linked to both higher and more permanent economic well-being in retirement.

Prolonged economic difficulties were fairly common particularly among those in a weaker financial situation

The permanence of economic difficulties was fairly common among old-age pensioners. In both 2017 and 2020, around 23 per cent experienced difficulties with everyday expenses, 15 per cent with health care expenses and 12 per cent with housing expenses. Correspondingly, around 18 per cent of all respondents had no money left over after paying for necessities. This was the case in both 2017 and 2020. These observations speak of prolonged difficulties.

Prolonged difficulties were more common among low-income pensioners (household income less than €1,500 per consumption unit), those living in rental housing, those who felt they were in poor health and those living alone. For example, 51 per cent of those living in rental housing and 46 per cent of those who felt their health to be poor experienced difficulties with covering everyday expenses in both years. Women experienced prolonged difficulties with these and health care expenses more often than men.

Perceptions of economic welfare more often improved than worsened

As a rule, pensioners' perceived economic situation improved between 2017 and 2020. Despite this trend, some of old-age pensioners experienced the opposite.

Changes in perceived economic welfare were more typical among low-income groups of pensioners. This may speak of their narrower financial leeway in which even small changes to expenses and income affect their perceptions more easily.

Corona pandemic perceived to have little impact on economic welfare

Most old-age pensioners felt that the corona pandemic had not affected their economic welfare. Seven per cent of old-age pensioners felt that the pandemic had worsened and one per cent that it had improved their financial situation. The financial satisfaction had weakened more often among those who perceived that the pandemic had worsened their economic welfare than among those who felt that it was unaffected by the corona pandemic.

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in 2017–2020**

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