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Summary

Satu Nivalainen and Sanna Tenhunen

Financial incentives or working conditions – What would keep people working longer?

Survey of persons retiring from work on an old-age pension in 2019–2021

In this study, we examine the timing of retirement among persons who have recently retired from gainful employment on an old-age pension. We investigate how familiar these persons are with the pension scheme's financial incentives and how the incentives have contributed to later retirement. We also look at how various measures taken by the employer and changes in the working conditions may affect continued working. Finally, we examine how satisfied people are with when they retired.

The study is based on the survey 'From work to retirement' carried out by the Finnish Centre for Pensions in 2022. A total of 3,378 persons who retired on an old-age pension from gainful employment between 2019 and 2021 replied to the survey (68% response rate).

Perceived support for continued working and appreciation of older workers linked to later retirement

Examining the timing of retirement revealed that those respondents who were highly educated, had worked in the public sector, received a higher pension and perceived their pre-retirement health and well-being as good had retired later than the other respondents. In addition, upper white-collar workers and those who were single had deferred retirement more often than others.

Several factors relating to pre-retirement work were linked to deferred retirement. The perception that the employer encouraged working until the retirement age and that

the skills of older workers were valued at the workplace were associated with later retirement. Flexible working hours and a perceived good atmosphere at the workplace were linked to later retirement. On the other hand, the perception of being too busy or having too much work, the mental or physical strain of the job and an excessive increase in skill requirements were associated with earlier retirement.

Financial impact of retirement well known but not an incentive to work longer

Nearly all those who had recently retired from work on an old-age pension had checked the amount of their pension before retiring. Those with a lower education and smaller pension had checked the amount of their pension less often than others. Also the pension-increasing effect of deferring retirement and the pension-decreasing effect of the life expectancy coefficient were well known. Nine in ten said that they were aware of the effect of the increment for deferred retirement and seven in ten of the effect of the life expectancy coefficient. Men and those who receive a higher pension knew both factors better than others. Those with a higher education were more often than others familiar with the increment for deferred retirement. The life expectancy coefficient was more familiar among those who had retired when they reached their retirement age and those who had worked in the private sector.

However, the life expectancy coefficient, the increment for deferred retirement and pension that accrues from continued working had encouraged only some of the respondents to retire later. Three in ten said that the pension that accrues from work had encouraged them to defer retirement. Nearly as many had been encouraged to retire late because of the increment for deferred retirement. Slightly less than one in five said that the pension-reducing effect of the life expectancy coefficient had encouraged them to continue working.

Particularly those who deferred retirement, those who receive a higher pension and the highly educated found the financial factors motivating. These factors were also slightly more often significant for men. On the other hand, those who felt that their pre-retirement health and well-being was poor and those who were not aware of the pension-reducing effects of the life expectancy coefficient or the pension-increasing effects of the increment for late retirement felt less often than others that financial issues had encouraged them to defer retirement.

Almost one third evaluated that employer encouragement, good leadership practices and valuing experience might encourage longer working

Of the work-related factors, employers' encouragement to continue working received most support as a means to defer retirement. Thirty per cent of those who had newly retired from work thought that this would most likely have made them continue working. This was slightly more often the assessment of those who felt that their pre-retirement well-being was moderate or worse while those who retired when they reached their retirement age and those with a basic education were less often of this opinion. Those who felt that they had not received any support at their pre-retirement workplace to continue working until retirement stood out as a separate group. They

were considerably more likely than others to say that their employer's encouragement would probably have made them work longer.

Nearly 30 per cent of the respondents assessed that improved leadership practices and valuing the experience of older workers would most likely have made them continue working. Women and those who felt that their pre-retirement health or well-being was moderate or worse were more often of this opinion. Those receiving a higher pension, on the other hand, were slightly less often of the opinion that these factors would have had an impact. In addition, those with a basic education felt less often that improved leadership practices would have motivated them to continue working while those working in the public sector found more often that this factor would have encouraged them to work longer.

Particularly often, improved leadership practices would have encouraged continued working among those who felt that their pre-retirement work was not managed very well. Appreciating the experiences of older workers would have been particularly meaningful to those who felt that the appreciation was lacking at their pre-retirement workplace.

Reduced workload, less stress and lighter work tasks might have encouraged one fourth to continued working

One fourth of the retired respondents said that a reduction of their workload and stress would probably have motivated them to work longer. Changed and lighter work tasks received nearly as much support. These factors would more often have made a difference to those who felt that their pre-retirement health and well-being was moderate or worse, those who retired around the time they reached their retirement age, women, those working in the public sector and those receiving a smaller pension. Those with a basic education felt that reducing the workload and stress would make less of a difference in terms of continued working.

The effect of a reduced workload and stress would have been particularly significant in terms of continued working for those who perceived that their pre-retirement work was too hectic or that their workload had been too high. Changing work tasks and easing the workload would have encouraged continued working clearly more often among those who felt that their work had been mentally and physically too strenuous.

Improved working atmosphere, support for work capacity and possibility to work part-time likely to have extended working life for one fifth

One fifth of the respondents felt that an improved atmosphere at the workplace would have motivated them to continue working. Nearly as often, the employer's support for work capacity was perceived to be of significance. Women, those who receive a smaller pension, and those who had perceived their pre-retirement health or well-being as moderate or worse were more often of this opinion. An improved atmosphere at the workplace would have encouraged continued working particularly much among those who had felt that the atmosphere at their pre-retirement workplace was poor.

One fifth also assessed that the possibility to do part-time work would most likely have motivated them to continue working. More often than others, those who had perceived their pre-retirement well-being as moderate or worse found that part-time work could have encouraged them to continue working. Less often than others, those with a basic education found this to be the case.

Flexible working hours, job security and skills support had little effect

Flexible working hours, job security and supporting skills through increased training were perceived to encourage continued working the least. Only every tenth felt that these factors might have influenced continued working. Those who deferred retirement more and those who receive a smaller pension perceived more often than others that the above factors encourage continued working.

More often, flexible working hours would have made a difference to those who assessed their pre-retirement well-being as moderate or worse and who felt that their working hours were not flexible. For those working in the private sector, job security would have had a greater impact than for those working in the public sector. Particularly often job security would have made a difference for those who had felt that job continuity was uncertain. Supporting skills through more training would have been somewhat relevant for those who felt that the skills requirements in their pre-retirement work had increased too much.

Most would not change their time of retirement

As a rule, the newly retired are satisfied with their chosen time of retirement: eight out of ten would not change it. Yet just over one in ten would have retired later. This was particularly the case for those who had already deferred their retirement past their retirement age.

Knowledge of financial incentives was linked to the satisfaction with the timing of retirement. Those respondents who had not been aware of the effects of the life expectancy coefficient or the increment for deferred retirement wished more often than others that they had retired later. Also those respondents who felt that accruing pension from work, receiving an increment for late retirement or offsetting the cutting effects of the life-expectancy coefficient had motivated them to retire late would more often have chosen to retire later.

Financial incentives impact continued working but changes in working conditions and employers' attitudes also needed

For some, the financial incentives affect the timing of retirement, but working lives could also be extended by adjusting the attitudes of employers, working conditions and other work-related factors. In light of the results of this study, important factors from the point of view of continued working are attitude-related factors: employers' encouragement to continue working, better leadership practices and valuing the experience of older workers. Moreover, easing the workload by reducing the amount

of work and stress or adjusting or easing the work tasks came up frequently in the responses. For many, an improved atmosphere at the workplace, the possibility to do part-time work and measures taken by the employer to support the capacity to work were important conditions for continued working.

The results show that the financial incentives have more impact among men, those who receive a higher pension and those who perceived their pre-retirement health and well-being as good. Work-related factors are important for the opposite population groups. For women, those who receive a smaller pension and those who perceived their pre-retirement health and well-being as moderate or worse, nearly all changes relating to measures taken by the employer and to working conditions would have impacted continued working more than for others.

There were no major differences in the effect of the work-related factors regarding the timing of retirement. However, for those who retired when or close to reaching their retirement age, reducing the workload and stress and changing or easing the work tasks would have been somewhat more important in terms of continued working. These factors were emphasized also among public sector workers.

Particularly often changes relating to measures taken by the employer and working conditions would have encouraged continued working among those who felt that their pre-retirement work situation in terms of these factors was not the best possible. For example, being encouraged by the employer to work longer would have been significant particularly often for those who felt that that encouragement was lacking.

From the point of view of extending working lives, it would be justified to encourage employers to improve their own attitudes, the working conditions and other work-related factors in a direction that is important to workers approaching their retirement age. Under the right circumstances, many workers might be prepared to work longer.

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Finnish Centre for Pensions
ELÄKETURVAKESKUS

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 029 41120
Faksi 09 148 1172

Pensionsskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Telefon 029 41120
Fax 09 148 1172

Finnish Centre for Pensions
FI-00065 Eläketurvakeskus
Finland
Phone +358 29 41120
Fax +358 9 148 1172

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