Working career lengths have grown longer in Finland

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Life expectancy has risen over 2 years for a newborn child in Finland in the 2000s. As a consequence number of people who will live very long will be larger than expected in the foreseeable future. While this favourable trend has positively affected the individuals' views on future population development, for aging societies it will have many adverse consequences. In Finland, old-age dependency ratio, currently at 27 percent is predicted to increase to 45 percent in 2050.

During the past few years, politicians and decision makers have been preoccupied with increasing longevity. For pension policies it raises concerns about the right division of time spent in work versus time outside workforce and in retirement, that is the share of working-life expectancy of the overall life expectancy. Postponing retirement and extending time spent in working-life has become a top priority in most developed countries. In Finland the target is set to raise the effective retirement age by 3 years by year 2025. This target should be seen in the light of a more general employment strategy.

The Finnish Centre for Pensions is devoting more research resources to monitor the working careers. The research objectives are to measure length of working careers, to evaluate the development in working careers in different age groups, among men and women. The recent publication (FCP Report 3/2012) written by Dr. Markku Nurminen is part of a partnership project between the research department of the Centre for Pensions and Markstat Consultancy. A later and even more ambitious aim of the project will be to assess the role of pension policy and other contributing factors in the process.

The multistate life table method—that was previously applied to Finnish data from 1980 to 2001—first estimates year and age dependent probabilities of being in the working-life states by a generalized estimation equations approach. Updated estimates of the probabilities and subsequently the working-life expectancies are given for the data of Finnish men and women aged 15-64 in the period 2000-2010 and model-based forecasts for the years 2011-2015.

The results evinced that the duration of working lives in Finland have extended favorably for both genders in the 2000s. For a 15-year-old man the expected length of working career up to age 64 in 2010 was 34.6 (95% confidence interval, 34.3-34.8) years, while for women it tailed at 34.0 (33.6-34.4) years. There was an increase of 10 percentage points or more in the working-life expectancies in the study period for females starting already at age 30 and for males from age 45 on. The female working-life expectancies at 40 years and above surpassed the respective male figures from 2008 onwards.
Based on the official statistics we can compute estimates of the share of time spent at work between the ages 15 to 65 years. In the 11-year period from 2000 to 2010 the proportion increased for both genders. While in year the proportion among women was 38 percent, in year 2011 it was 41 percent. For men the percentage remained the same at 45 percent. Although there was a modest excess in the male life expectancy (+2.6 y) versus the female figure (+2.2 y), the length of remaining working-life at age 15 grew much less for men (+1.2 y) than for women (+2.8 y).

The predicted durations of 15-year-old persons' work careers for 2015 are longer than those estimated for 2010: for males by one year, 35.6 (90% prediction interval, 34.8-36.4) years; for females by 1.4 years, 35.4 (35.3-35.5) years. The female expectancy for ages 40 years and above is predicted to overtake the respective male figure beyond 2010 and to continue to do so up to 2015 under the provision of economic equilibrium.

The ratio of time spent at work to that outside work has started to develop to the correct direction from the perspective of solving the sustainability gap. However, it is yet too early to assess whether this progress is sufficient to respond successfully to the financial challenges brought about by aging.

Recall that the Finnish population is aging rapidly; unless the trends do not keep up pointing to upslope trajectories of career lengths, this development could entail serious economic implications for the society in the nearby future. Insufficient working-life input would undermine the sustainability of a welfare state. The priority has to be the growth of employment and productivity.

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