

# Finnish Policies to Reinforce the Employment Rate and the Employability of Older Workers

## Host Country Report

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### Executive summary

Finland has invested in active ageing for a long time now, since Finland is one of the first countries to have to deal with the ageing of its population. Major characteristics of the Finnish active ageing strategies are a holistic approach to policymaking as well as co-operation in the preparation and enforcement of decisions with different sectors of administration, social partners and NGOs.

We find it important that the demographic challenges are tackled by raising the employment rate, by prolonging the working careers through a life cycle approach and by increasing productivity. We also find it important to modernise the pension systems and the local government and service structure in order to improve the availability, quality and productivity of social welfare and health care services.

Reforms in working life help boost employment and productivity and thus make it easier to respond to the demographic challenge. This is also of primary importance in implementing the objectives of the Lisbon Strategy. Good working and functional ability provides the foundation for a longer working life, a higher employment rate and rising productivity. In turn, higher employment and productivity rates strengthen economic growth and thereby the financial base for welfare.

The best way to strengthen social cohesion is to increase the employment rate and maintain a high level of education and social activation. A high employment rate and staying on at work longer as well as reduction in long-term unemployment are an effective way to combat social exclusion, which is also an objective of the Lisbon Strategy.

The social security and pension reforms already implemented in Finland are encouraging. The employment rate among the ageing persons has risen faster in Finland than in the other Member States in recent years. This trend shows that it is also possible to make changes in response to demographic challenges and to achieve a major change of direction even in a difficult employment situation as long as carefully planned work is done to reach the goal. Our experience also shows that it is possible to influence workplace attitudes to ageing employees and thus benefit from the experience and know-how of older people.

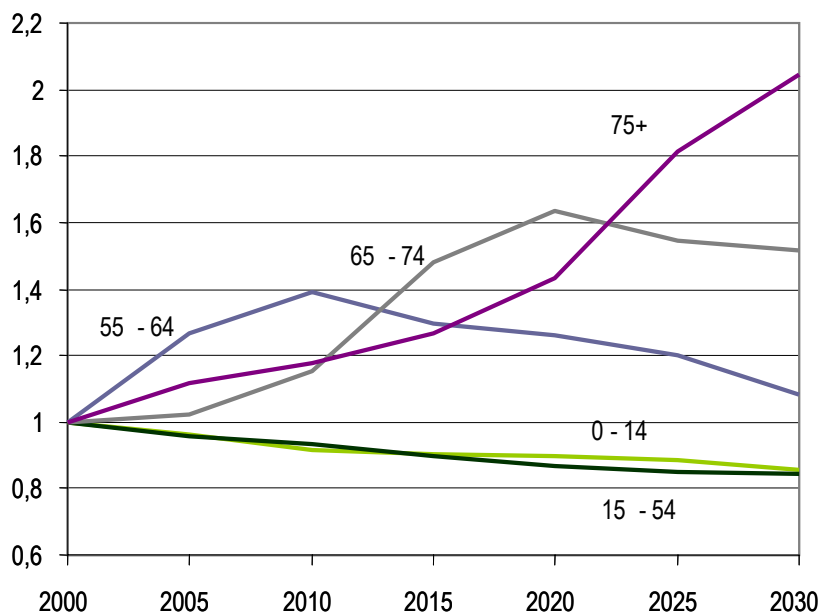
We consider that the demographic challenge cannot be solved only by focusing on the changes entailed by the growing numbers of ageing people. Work needs to be done on several fronts. We need closer cooperation between the employment and social affairs and health sectors. Systematic attention has to be paid to the principles how the benefits and the service system operate, the incentives created by the system for organisations and individuals, and the possibilities provided by it to guarantee a sufficient welfare and income level.

Finland has received international recognition for its long-term work to improve ageing workers' possibilities to stay on at work, working conditions and employment opportunities. These development programmes for working life were awarded the Carl Bertelsmann Prize in 2006.

## The demographic challenges facing Finland

In the next few years, population ageing will be faster in Finland than in most other countries. The projected increase in life expectancy and a lower fertility rate lead to a permanent change in the age structure of the population. The number of children and young people and the working-age population will decrease and the number of older people increase. By 2030, one in four Finns will be over 65 years old. The number of people over 75 will double over the same period (see figure 1).

Figure 1 The changes in different age cohorts, a projection to 2030 (year 2000=1)



The change in the population's age structure is both a challenge and an opportunity. It will have an impact through the whole society. It will challenge old policies since many of the present systems and patterns of action in society have been created for different circumstances. Society must be able to respond with greater sensitivity than hitherto to structural changes as well as disruptions in the international operating environment. In order to attain this sensitivity to change, the welfare society will also have to be renewed so as to be more adaptable and sustainable.

The most significant challenge is the impact of the reducing working-age population. In the future an ever smaller working-age population will have to bear responsibility for the incomes of a growing number of people outside working life.

Along with population ageing, a low average retirement age and high unemployment among ageing workers put the financing of social protection to a hard test. In Finland, people leave working life on average before the age of 60. Few people stay on at work until they are 65. This development is paradoxical – the health status, work ability and functional capacity of the population have improved and people live longer, but they want to leave the labour market earlier.

Finnish social protection is financed, with few exceptions, through taxes and social security contributions. The sustainability of its financing is based above all on a high employment rate. As the working-age population contracts, we cannot afford any under-utilization of resources. Therefore, the number of years in working life will become crucial to favourable economic development.

In 2007, the social expenditure as a percentage of GDP in Finland is anticipated to be about 25.5%, which is less than the EU average. Over the long term, the proportion of social expenditure to GDP will go up due to the ageing. It is projected to rise gradually to over 30% by 2030, and will then stabilise at this fairly high level.

The employment rate can be raised at either end of the age spectrum. To examine the effect of extended working careers on social expenditure, alternative scenarios have been calculated in the Ministry of Social Affairs and Health. If people continued in working life e.g. two years longer on average, this would reduce the financial pressure. That is, the social expenditure in relation to GDP would not rise significantly in the long term compared with the present level.<sup>1</sup>

Finland is in many respects better prepared for the changing age structure than many other countries. Still, we have to carry on co-ordinated and long-term preparations in order to rise to the demographic challenges.

It is important to realise that the change in the age structure does not irrevocably dictate the course of development. The future development can be influenced by measures undertaken in good time. Policy and choices are important.

### Strategies for social protection

Comprehensive social protection and broad welfare services are essential features of the Finnish welfare society. All people resident in Finland are entitled to social security and social and health services. The system is universal and nearly all residents use at least some form of benefit or service during the year.

The Ministry of Social Affairs and Health works to ensure that everyone has the same opportunities for a secure and healthy life. The importance of social and health policy as a basis of a cohesive society is widely recognised. Finnish people are fairly satisfied with their welfare state.

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<sup>1</sup> See Report by the Somera Committee, Ministry of Social Affairs and Health, Committee Report 2002:4

The policy activity under the ministry's responsibility is outlined according to four integrated strategic approaches. These are:

- promoting health and functional capacity;
- making work more attractive;
- reducing poverty and social exclusion;
- providing efficient services and reasonable income security.

A longer life means more years of health and functional capability, boosting the everyday quality of people's lives. Furthermore, health is an intrinsic instrument of economic growth, because good health creates the foundation for raising both the employment rate and labour productivity. Health and functional capacity also crucially affect the amount of social welfare and health services needed. The aim of the Ministry of Social Affairs and Health is to make social policy as a whole support health and welfare. Promoting health is an investment.

The Finnish Government's approach to developing benefit schemes involves encouraging work among all age groups that have reached working-age while securing the income of those who for various reasons are unable to work. The goal is to lengthen the average career in working life by three years. Consequently, in the ministry's activities, we give central importance to measures that reinforce people's work and functional ability, support continued involvement in working life and ensure that they have well run social and health services.

It is particularly important to devote attention to accelerating studies and entry into working life for young people, to improve opportunities for older people to continue working, enhance the coordination of gainful employment and income security and to reduce employment thresholds for people at a disadvantage in the labour market while helping them to remain in work. Another aim is the elimination of barriers to the employment of people with disabilities e.g. by facilitating the combination of gainful employment and social security. All these factors promote social cohesion, inclusion and welfare. The object of societal policy must be the entire life course of people and it must take account of the demands and strengths of all age groups.

Finland emphasises that actions against poverty and social exclusion must be seen as measures complementing the social protection system that covers the entire population, not as measures replacing it. Basically, the same services and income transfers have to be available to the entire population and social considerations must be taken into account in all policies.

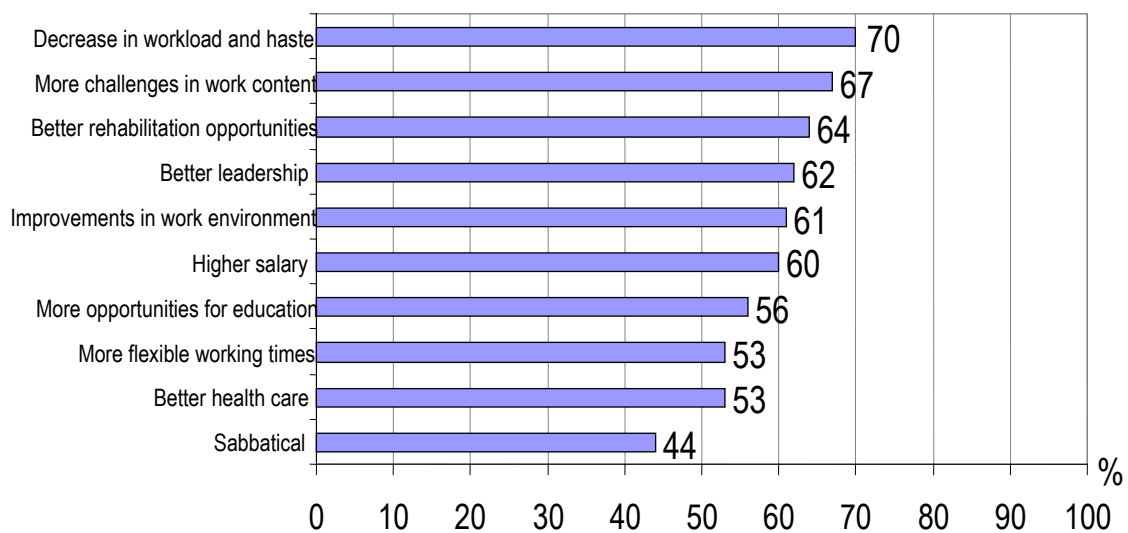
A good social protection system ensures the security of its citizens and their faith in the rule of law. Social capital, linked with social cohesion and law and order, enhances the wellbeing of the public and has also been shown to boost economic growth. It is also an important competitive factor. A fair distribution of income and a secure income and access to social welfare and health care services for the entire population are among the key factors which strengthen social capital. The challenge is to maintain this social capital in an increasingly international operating environment.

### Factors attracting people to working life

In order to extend working life, we should know which factors attract people to working life (see figure 2). To convince people to continue working, economic incentives are not enough. The quality of working life has to be improved as well.

The interview studies concerning Finnish older workers who are considering retirement indicate that occupational well-being and working conditions might actually be more important than the size of the paycheque. Working life becomes more attractive when workplaces can offer effective leadership, challenging and rewarding tasks, good atmosphere, and a special focus on employees' health and work ability. The same factors also boost productivity, which is essential if we are to ensure more jobs for all Europeans.

**Figure 2** Important reasons for staying at work until statutory old-age retirement, based on inquiries



Source: Ilmarinen (2006)

### Active policies to reinforce the employability of older workers

In Finland, two committees have worked for increasing labour participation and productivity.

- The National Programme on Ageing Workers (FINPAW) originated in the work of a committee set up to investigate how ageing workers could be best used to the benefit of the economy and themselves. Based on the committee's proposal, the Government launched the FINPAW in 1998. The programme ran until 2002.<sup>2</sup>

<sup>2</sup> The Many Faces of the National Programme on Ageing Workers: The Concluding Report on the Programme, Ministry of Social Affairs and Health, Publications 2002:14

- In 2000, the Ministry Social Affairs and Health appointed a committee to identify how the changing operating environment will affect the functioning of the present social protection system in the long term. Another aim was to study whether the existing organisation and financing structure will continue to work in the long run or whether it should be altered. The Committee's report was published in April 2002.<sup>3</sup>

Influencing attitudes has been the key approach of the two committees. This information has been aimed at the whole population, political decision-makers, at employers and employees, occupational health care and safety personnel etc. The objective was that measures should cover the individual, enterprise and social levels. However, actions needed in enterprises can be considered the most important because that is where the jobs for individuals are. The main actions for promoting the participation and productivity of working age population should be aimed at the company's day-to-day activities.

The FINPAW focused heavily on the concepts of work ability and employability. Work ability can be increased by enhancing the individual's personal resources and health as well as improving their work and working conditions (including occupational health and safety). Emphasis is also put on the workplace community and professional competence and skills. Employability can be enhanced through employment legislation, pension legislation, the prevention of age discrimination and support and services systems. A mutually-reinforcing combination of the two constitutes the process which leads to employment.

The ultimate aim of the FINPAW was to achieve an employment rate for ageing (45-54) and older (55+) workers on a par with that of people of prime working age (35-44), i.e. a short-term target of 70% and a longer term target of 75%.

The approach behind the FINPAW stresses that productivity is not primarily a function of age and that strategies to improve the working environment and enhance work ability increase both productivity and individual well-being.

After the FINPAW, several parallel projects have emerged to promote the attractiveness of working life, to raise the level of education among poorly educated older workers, to extend the working career and to establish good practices at the workplaces. For instance, the goal of the VETO Programme (2003-2007) (VETO is translated as "attraction" or "pull") is to promote the attractiveness of working life. It covers five main areas:

- 1) the quality of working life and safety at work;
- 2) effective occupational health care and rehabilitation;
- 3) diversity and equality in working life;
- 4) income security and work incentives and
- 5) awareness raising.

The VETO Programme is carried out under the aegis of the Ministry of Social Affairs and Health in co-operation with the Ministry of Labour, the Ministry of Education, and the social partners.

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<sup>3</sup> Report by the Somera Committee, Ministry of Social Affairs and Health, Committee Report 2002:4

A further programme in the field of education is the NOSTE (“push”) Programme (2003-2007), administered by the Ministry of Education. The main goal is to improve the competency of working adults between the ages of 30 and 54.

### Work ability and health

The multitude of determinants that are related to the longer work life requires a comprehensive framework. People must have various resources but, furthermore, the characteristics and requirements of work also have to be integrated within these resources. Therefore work ability can be described as a balance between a person's resources and work demands. A person's resources consist of health and ability, education and competence, and values and attitudes. Work, on the other hand, covers the work environment and community, as well as the actual contents, demands, and organisation of work. Management (i.e. supervision) is also associated with work.

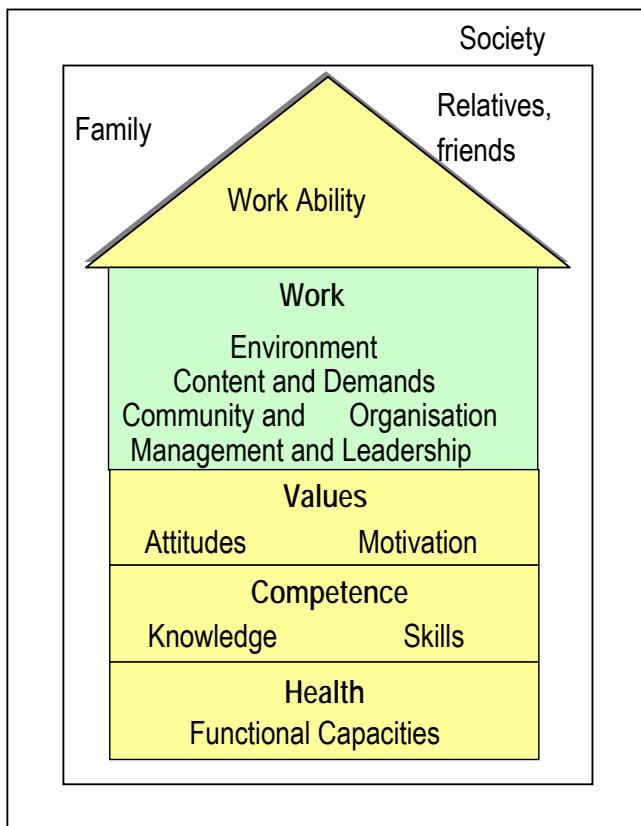
According to Ilmarinen (2006), work ability can be described as a building with several floors (see figure 3). Health and physical, psychological, and social functional capacity create the ground floor. The entire weight of the rest of the building rests on the ground floor. Changes in functional capacity and health are reflected in work ability: deterioration of health is a threat to work ability. Improved functional capacity also makes the development of work ability possible.

The second floor of the building represents professional knowledge and competence (skill). Knowledge and competence and their continuous development are used to meet the demands of work-life. Changes in challenges and demands mean that the continuous development of professional skills becomes an even more important prerequisite for work ability. Personal ability to develop one's work and act in different work communities can also be considered to be competence.

The third floor contains values, attitudes and motivation. This floor is all about the balance between work and personal resources, as well as the relationship between work and personal life. It is relatively open to different influences. Concepts created by the process affect and change values and attitudes. Changes in society or legislation (e.g. pension reform) are also reflected in the third floor.

The fourth floor represents work and its related factors. It is the largest and heaviest floor of the work ability building, and its weight is supported by the lower floors. The demands and organisation of work, as well as the functioning and management of the work community, make the work floor an entity that is multi-dimensional, difficult to perceive and difficult to measure. On the work floor, special attention is paid to supervision and management. Supervisors are responsible for the fourth floor, and they also have a mandate to organise and change the floor, if necessary.

Figure 3 Work ability and related factors



Source: Ilmarinen (2006)

Work ability is primarily a question of balance between work and personal resources. In practice, people search for the optimal balance through their entire work-life. This optimal balance may be very different in different phases of work-life. In order to find a balance, work and personal resources need to be continuously combined. Personal resources change, for example, with age, whereas work demands change, for example, with globalization and new technology. The factors affecting work ability are therefore continuously changing.

The maintenance and promotion of work ability requires good cooperation between supervisors and employees. However, neither can ensure that work ability will not change; instead the responsibility is shared between the employer and employee. Work ability is not, however, only a matter of these two. The work community can also be a very important factor in supporting the work ability of its members. Central roles are also played by occupational health care and the occupational safety organisation. The tasks fixed by Finnish law for occupational health care include the maintenance of employees' work ability. Combining the professional knowledge and the changes occurring in occupational health care with the demands of work is a challenging task. The occupational safety organisation, in turn, uses its competence to prevent and fend off the work-related risks that threaten work ability.

Work ability is not separated from life outside work. The family and close community of a person (relatives, friends, acquaintances) can also affect the person's work ability in many different ways throughout life. Making work and family life compatible has become more important. Society creates the infrastructure, services and rules according to which enterprises and employees' work ability can be supported. The importance of the different dimensions of work ability has been studied using the material of the Health 2000 project. Preliminary results show that, among people of all ages, health, functional capacity, and the characteristics of one's work are the statistically significant factors behind work ability.<sup>4</sup>

### Effects of ageing on work ability

Follow-up studies among people over 45 years of age have shown that for about 60%, work ability remained good or excellent, it decreased for a little less than 30%, and it increased for a little under 10% over a period of 11 years. The results were similar for both men and women. The changes in work ability in different occupations were also relatively similar.<sup>5</sup>

A cross-section of the work ability of people of different ages in small and middle-size enterprises illustrated both the differences between age groups and the increase in individual differences with ageing. The work ability of most of the people was good or excellent, regardless of age. Young people were, however, more homogeneous in relation to work ability than those over 45 years of age. There were more people whose work ability was moderate or poor among the older employees. Among the senior workers of the same age, work ability varied from one extreme to the other. It is important to note that poor work ability does not mean "poor employee". The reason for poor work ability can be found on any floor of the work ability building.

### Work ability maintenance and development for ageing employees

Work ability maintenance means methodical and purposeful actions taken in cooperation with the employer and employees, as well as cooperative organisations in the workplace, in order to support and promote the work ability and health of everyone in work-life. The most important practical objectives of work ability maintenance are to improve work and the work environment, develop the work community and work organisations and promote the health and professional competence of employees. The basis for work ability maintenance is the active commitment and participation of different parties in the work community and workplace and their possibility to affect health and safety at work and other workplace health promotion activities.<sup>6</sup>

The traditional approach to work ability maintenance has focused on health. This trend can be understood by looking at the roots of the concept. The activities were initiated by the agreement between labour market organisations that aimed at tackling the increasing problems related to disability. Because the Finnish legislation always defines disability through illness, it was obvious that health stood out as the primary dimension. Looked at from this viewpoint, other dimensions are subordinate to health - lack of competence is seen as a stress factor, bullying is an example

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<sup>4</sup> Ilmarinen et al. (2005)

<sup>5</sup> Tuomi (1997), Ilmarinen et al. (1997)

<sup>6</sup> Peltomäki et al. (2002)

of a work community related dimension, and occupational safety has been the main concern in terms of the work environment.<sup>7</sup>

On the other hand, work ability maintenance can also be scrutinised from the competence perspective. In this setting we take the customer as the starting point of the analysis. The operational logic of every organisation, whether in the private or public sector, is based on the creation of use value for the customer. Increasing knowledge-intensiveness of the work life highlights competence and work community as the most important dimensions. Intangible value creation is dependent on competencies but it is the collective features that are fundamental for the creation of new ideas and innovations. The ability to combine different viewpoints and insights is the essential source of new knowledge.

As we can see, the Finnish approaches fit well for the knowledge-intensive work, as well. It is obvious that health is especially important in physically demanding jobs and has a role also in mentally demanding tasks. However, we should understand that our knowledge base accumulates during the life course and is a valuable asset for the organisation to skilfully combine competencies of employees of different ages. The assessment by Ahonen et al. (2002) of the economic consequences of the work ability policy indicated that it had been very successful. Besides a better functioning work community, work ability maintenance and development also increases the meaningfulness of work and improves the "third age" (60-80 years of age). The higher-level inclusion is thus supported, not only through a work-life of a better quality but also by improved opportunities to continue as an active citizen after retirement.

### Measures taken to increase the attraction of working life – practical implementation

The National Programme on Ageing Workers was conducted in 1998-2002. The main responsibility for the programme was born by the Ministry of Social Affairs and Health. Other key actors of FINPAW were the Ministry of Labour, the Ministry of Education, the Finnish Institute of Occupational Health, the Social Insurance Institution (KELA) as well as trade unions and employers' associations.

The FINPAW has been comprehensive in its approach and implementation. It has involved changes in legislation, research and development projects, training and an extensive communication aspect aimed at changing attitudes towards ageing throughout Finnish society. The emphasis given to each of these fields of action varied during the programme period.

As the efforts to extend working life began in Finland in the late 1990s, information campaigns played a central role. After all, the task was to change the prevailing views on working life and retirement. We needed to convince people that also work contributes to well-being and not only leisure time. Also, the views on the ability of older workers to continue in working life had to be changed.

Bringing about these changes required that the information disseminated was based on research. Otherwise the public would not have trusted the new message. Appropriate research-based information was already available for the information campaigns, and new studies were launched along with the programme. The Finnish Institute of Occupational Health conducted particularly

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<sup>7</sup> Hussi (2005), Ahonen and Hussi (2007)

valuable studies on how to preserve the working capacity and skills of older workers. The studies showed that ageing reinforces many skills that are useful in working life.

The research and development projects included research on employment issues related to older workers, and studies and preparations for amending certain legislation such as that on the position of ageing workers regarding redundancy or termination; a reform of the financial support system for adult education; the question of the insured person's own risk in disability and unemployment pensions; the gradation of employment pension contributions according to age; and the abolition of social security contributions unconnected with work.

The social partners and NGOs took part in the programme from the very beginning. Although the employers and the employees highlighted different aspects of the programme, their goals did not collide however. The labour organisations emphasised the need to improve the quality of working life and to promote work ability, whereas the employers highlighted the importance of economic incentives.

As the interest in extending working life increased, education specialists started to increase their supply of appropriate training. Training programmes included an extensive information and training campaign for various target groups such as occupational health and safety staff, regional occupational safety authorities and labour administration staff, workplaces, and older workers themselves. This had the aim of encouraging workplace health promotion and of increasing awareness of issues related to ageing. In addition, the programme carried out comprehensive practical workplace health promotion work and pursued to improve the effectiveness of public employment services in serving ageing customers.

Further target groups for the information and training campaigns included middle management and small and medium-sized enterprises. Middle management has been included because it faces high profit demands from the top. Realising the demands requires an effective workforce. The top management will not give rewards for an understanding attitude towards the employees' ailments. The first task was to convince the middle management that maintaining and restoring work ability is not just paying lip service. Reaching practical solutions requires that the top management accepts the same views and that the reporting system takes into account the investments in maintaining working capacity.

Small and medium-sized enterprises were a target group because compared to bigger companies, they have smaller chances to acquire and apply information. The contribution of occupational safety and health professionals and occupational health care staff has been important since they see the employers and employees in their daily settings.

One of the cornerstones of the programme was promotion of ageing workers' on-the-job learning. The volume of adult education for ageing workers has increased during the programme and the needs of ageing workers have been taken into account more carefully. There is now a network of trainers in age management whose work can benefit from the results of and experiences from the programme.

Gradually the focus was moved to legislative reforms and more detailed action plans. The programme and many other working life programmes prepared the ground for a complete reform of the earnings-related pension scheme, which came into effect at the beginning of

2005. Its main aim is to defer the age of retirement and adjust the pension system to the increase in the average life expectancy.

The most important changes in the pension reform of 2005 were:

- Flexible retirement on an old-age pension between the ages 63 and 68 was introduced.
- Higher accrual of pension rights (4.5%) was introduced for older workers (63+).
- To counterbalance the flexibility, most early retirement arrangements were abolished.
- The age limits for early retirement schemes were raised.
- A life expectancy coefficient was introduced.
- Pension funding was strengthened.
- Vocational rehabilitation became a statutory obligation.

The legislative revisions also included adding a new paragraph to the Act on Codetermination in Companies, which stipulated that “*personnel and training plans should seek to devote attention to the special needs of ageing workers and officials*”. Provisions regarding ageing were also added to the Occupational Safety and Health Act (2003), and workplace health promotion is required within the framework of the promotion of health and safety in the workplace. As of the beginning of 2002, a new Occupational Health Care Act entered into force.

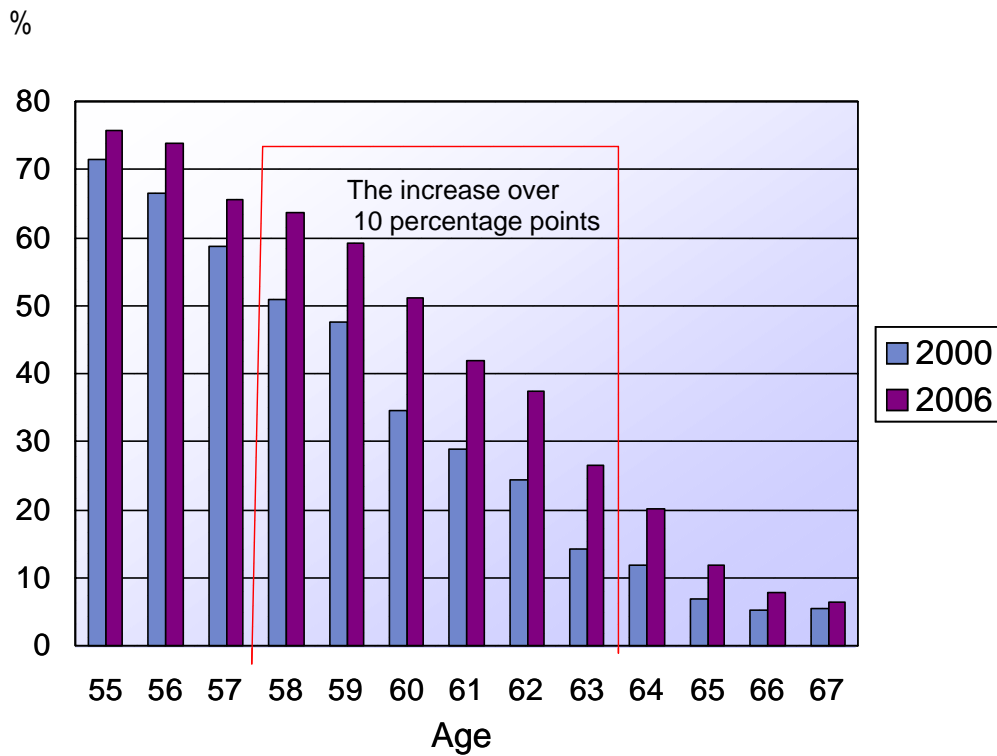
Occupational rehabilitation is now a statutory obligation, with the aim of ensuring that vocational rehabilitation is arranged for employees at an earlier stage. It specifically emphasises the consideration for psychological factors in working life. Before making a pension decision the pension provider must, when necessary, investigate the prospects for rehabilitating the employee. Special attention has to be devoted to ways of preventing prolonged sick leave and reducing the uptake of disability pensions by improving occupational and other healthcare and through rehabilitation.

As regards the grounds for granting a disability pension, depression has increased rapidly in recent years. Early intervention at workplaces has been facilitated by means of occupational health care and health insurance. As mental health problems are considered more sensitive than other illnesses, specific action strategies have been designed in order to make it easier to broach the subject at workplaces.

## Results

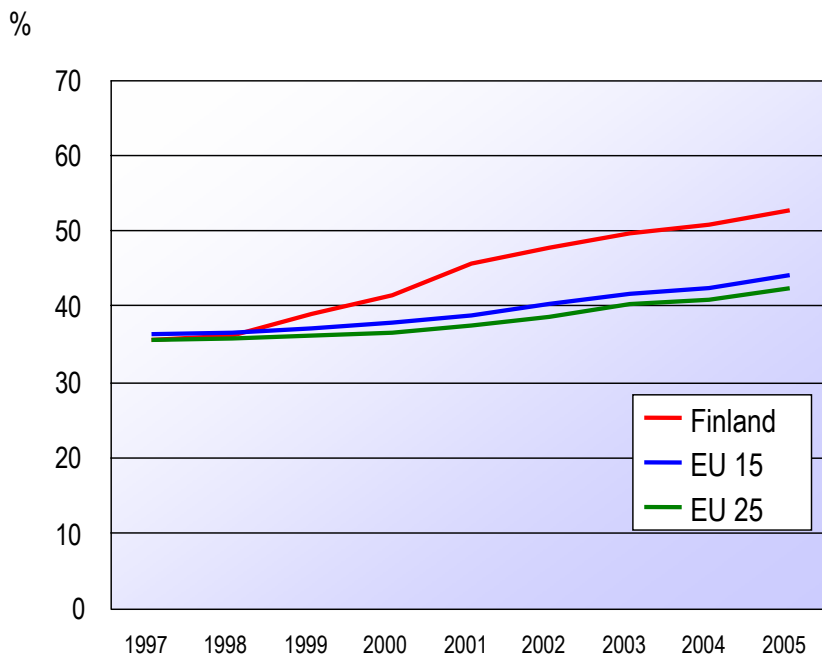
With regard to the employment rate, the results can be considered promising. In the last ten years the increase in the employment rate of ageing employees has been exceptionally fast in Finland. The employment rate for persons aged 55-64 increased from 35% in the mid-1990s to 53% by 2006. A fact that is even more noteworthy is that the increase in the employment rate among employees aged 58-63 has been more than 10 percentage points since 2000 (see figure 4). In Finland, the employment rate for the oldest workers has clearly risen fastest among the EU countries (figure 5).

Figure 4 Employment rate by age in 2000 and 2006, %



Source: Labour force surveys 2004 and 2006, Statistics Finland

Figure 5 The employment rate of older people (55–64) in Finland and in the EU in 1997–2005, %



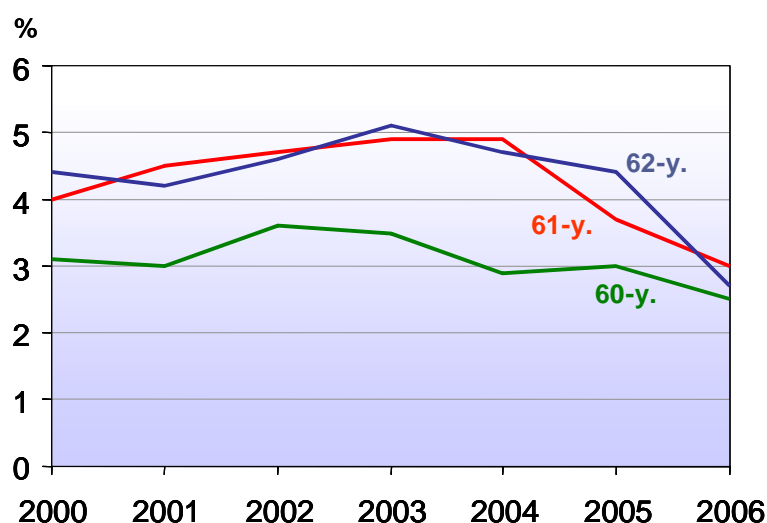
Source: Employment in Europe, Eurostat, Labour Force Surveys

Long-term unemployment is a severe problem especially for ageing workers with poor educational qualifications, however. Ageing workers on extended unemployment benefits account for a large share of total unemployment. During the last few years the unemployment rate of ageing workers has decreased, however. The increasing employment rates for ageing workers during the last decade result from declining outflow rates from employment into unemployment, rather than improved employment prospects for the unemployed among the older age groups. It is still difficult for the older unemployed to find work if they become unemployed.<sup>8</sup>

The rapid economic growth during the last few years is an important contributory factor to the improved employment rate. It does not on its own explain the fast increase in the employment of ageing persons, however. Since the mid-1990s the employment rates of persons aged 30-54 have on average increased by only about six percentage points.

Inactivity because of illness or disability has been on decline over the past ten years. One reason is that the individual early retirement pension was abolished in the pensions scheme. The trend coincides with the development of the population's functional capacity, which has improved year by year at the same pace with life expectancy. In order to speed up this development, the Finnish Government has introduced a new form of benefit from the beginning of 2006. Accordingly, the employer can deduct a part of the cost of employing an older, low-wage worker.

Figure 6 Incidence of disability pensions<sup>1)</sup> 2000–2006, earnings-related pension scheme, %



1) Ordinary disability pension and individual early retirement pension  
Source: Finnish Centre for Pensions

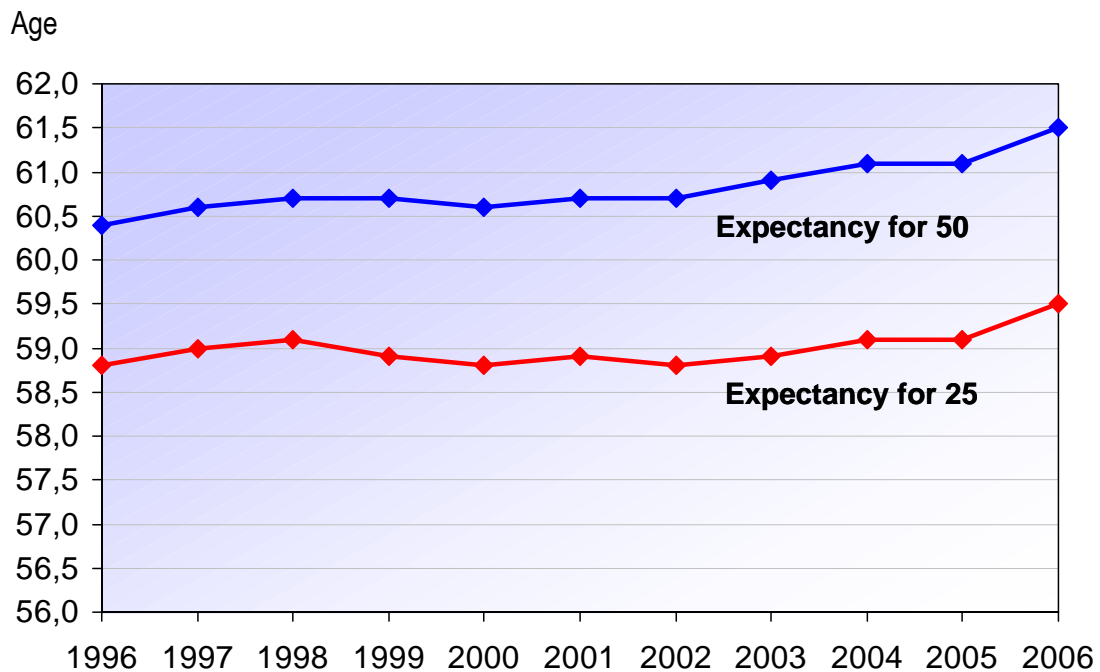
Retirement has been postponed by 0.4 years since the pension reform took effect in the beginning of 2005. In the long-term projections of the Finnish Centre for Pensions the effective retirement age is expected to rise by 0.7 years by 2010 and by 1.2 years by 2015. Consequently, it seems that the objective of postponement of effective retirement is being attained even better than expected.

<sup>8</sup> See Ilmakunnas & Takala (2005)

In 2006, people retired on average at the age of 59.5 years. This is the expected effective retirement age (expectancy) for a 25-year-old person. The expected effective retirement age is a retirement indicator independent of changes in the age structure. The average effective retirement age for ageing persons is described by the expected effective retirement age for 50-year-olds.

Figure 7 shows that the expected effective retirement age for persons aged 50 years has clearly increased during this decade. Moreover, it is growing at a faster pace than the expectancy for 25-year-olds. The increase is approximately of the same magnitude as the increase in life expectancy during the same period. A pronounced difference does not exist between women and men.

**Figure 7** Expected effective retirement age in the Finnish earnings-related pension scheme 1996-2006



Source: Finnish Centre for Pensions

The more moderate rate of retirement than before can be explained, on the one hand, by the changes in pension legislation and other active policies to reinforce the employability of older workers and, on the other hand, by the positive development in the economy and employment situation. Despite of the flexible retirement introduced by the pension reform 2005, it has turned out that most employees do continue in working life after the age of 63. Other policy measures have also strengthened the labour market status of older workers.

The FINPAW included a variety of measures related to employees' health, their coping at work and improvement of their skills. According to the WHP barometer survey<sup>9</sup>, workplace health promotion has become more common and the FINPAW has had a positive impact on working life, particularly in the management of organisations, training provided for employees and employees' means to influence management.

### Why success in Finland?

We can consider it a success that the legislative reforms have been carried out without any extensive demonstrations or strong resistance. People understand that extending working life is necessary. Promoting longer working careers and reducing early retirement is a key target and has been widely accepted. Why all this success?

1. Crisis awareness: A severe recession in the early 1990s was an awakening call. The need for reforms and cutting expenses as well as the need for making the reforms politically more acceptable were understood to be unavoidable.
2. A consistent national-level strategy and targeted political adjustments.
3. Smooth cooperation and commitment to implementation: The preparation and implementation of reforms in tripartite cooperation by the social partners and the State, by emphasising the benefits for the employees, employers and the society as a whole. NGOs were involved in the preparation of decisions as well.
4. Inter-sectoral approach, cooperation with various ministries.
5. Prevention of prejudice against ageing and improved work ability of older workers supported by the social welfare and health care services.
6. The latest information was given to central target groups through information and training campaigns.
7. Research and development were an important part of the FINPAW programme.
8. The pension reform 2005 is a combination of sticks and carrots. There was a commitment to the reform by all parties involved, so it was carried out without any major disputes.
9. Legislative reforms that convince the public that this is a serious societal process.

Causal relations are difficult to verify, however. In the end, the assessment is based on the experiences of people involved. It is also difficult to say which aspects could be applied on a larger scale. Nevertheless, it is important to have comprehensive and motivating communication and training based on research as well as legislative reforms side by side.

Finland has given a high priority to a number of legislative reforms and ageing programmes to improve health and functional ability and to remove barriers to employment of older workers.

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<sup>9</sup> The national Barometer of Maintenance of Work Ability (MWA barometer) was prepared to collect information on the prevalence, resources, content, implementation and benefits of MWA activities at work places in 2001.

Active ageing strategies are a process that consists of a variety of reforms and measures. Continuity is an essential part of policy making since changes in real life are slow to happen.

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#### Other background material: website addresses

On Pension Reform 2005

<http://www.tyoelake.fi/Page.aspx?Section=39432>

Gives a general overview on the reform

<http://www.tela.fi/>

gives a general overview on the reform and its economic effects

<http://www.etk.fi/Page.aspx?Section=41797&Item=60142>

Gives some statistics on the influence of the pension reform

General statistics on Finland and the pension system

<http://www.etk.fi/Binary.aspx?Section=44670&Item=59870>

The website of the Ministry of Social Affairs and Health

<http://www.stm.fi/Resource.phx/eng/index.htx>