

# Are ageing Nordic welfare states sustainable? An analysis of pension and care policies in Finland and Sweden

**Authors contribution:**

A – Research project  
B – Data collection  
C – Statistical analysis  
D – Data interpretation  
E – Manuscript preparation  
F – Literature analysis  
G – Fundraising

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**Introduction:** The article discusses the aging population in Nordic countries, focusing on Sweden and Finland, where the median age has steadily increased since 1950. The text emphasizes the impact of demographic changes on the old-age dependency ratio and the subsequent implications for the welfare state

**Objective:** It is examination and comparison of the aging policies of Nordic countries, with a specific focus on Finland and Sweden. The author aims to shed light on the differences in pension and long-term care systems between these two nations, challenging the perception of a common Nordic pension model.

**Materials and methods:** The article employs a theoretical background based on the intergenerational reciprocity trichotomy developed by André Masson. The methodological approach utilized in the research is that of a comparative case study. The author analyzes the pension and long-term care systems of Finland and Sweden, reviewing key indicators, policy documents, and relevant research literature.

**Results:** While the Swedish system is financially robust, it encounters political challenges due to low public pension levels, prompting discussions about potential reforms, such as increasing contribution rates for higher benefits. Finland's public pension system, characterized by stable political support, raises concerns about long-term financial sustainability. The decision-making model, led by social partners, may shift to a more parliamentary approach as trade union density decreases and aging-related issues become more significant for the electorate. Both countries have successfully promoted high employment rates among older workers, but long-term care policies pose a greater challenge to the sustainability of their welfare models. The growing importance of family and informal care, coupled with a reliance on migrant workers for healthcare, highlights the strain on the welfare systems. Demographic changes increase pressure on pro-old welfare policies, particularly in long-term care, with Sweden better positioned than Finland to sustain elevated spending towards the elderly.

**Key words:** demographics, intergenerational reciprocity, long-term care, Nordic countries, pension

## Czy starzejące się państwa opiekuńcze w Skandynawii są zrównoważone? Analiza polityk emerytalnej i opiekuńczej w Finlandii i Szwecji

**Wprowadzenie:** W artykule omówiono problem starzenia się ludności w krajach nordyckich, na przykładach Szwecji i Finlandii, w których od 1950 r. mediana wieku stale rośnie. W tekście podkreślono wpływ zmian demograficznych na współczynnik obciążenia emerytalnego i wynikające z tego implikacje dla dobrobytu państwa.

**Cel:** Tekst prezentuje badanie i porównanie polityk starzenia się krajów nordyckich, ze szczególnym uwzględnieniem Finlandii i Szwecji. Celem autora jest rzucenie światła na różnice w systemach emerytalnych i opieki długoterminowej pomiędzy tymi dwoma państwami, kwestionuje on postrzeganie wspólnego nordyckiego modelu emerytalnego.

**Materiały i metody:** W artykule wykorzystano podstawy teoretyczne oparte na trychotomii wzajemności międzypokoleniowej, opracowanej przez Andrégo Massona. W badaniu zastosowano porównawcze studium przypadku. Autor analizuje systemy emerytalne i opieki długoterminowej w Finlandii i Szwecji, dokonując przeglądu kluczowych wskaźników, dokumentów politycznych i odpowiedniej literatury badawczej.

**Wnioski:** Chociaż szwedzki system jest solidny finansowo, staje przed wyzwaniami politycznymi ze względu na niski poziom emerytur publicznych. Skłania to do dyskusji na temat potencjalnych reform, np. podniesienia składek, aby uzyskać wyższe świadczenia. Publiczny system emerytalny w Finlandii, charakteryzujący się stabilnym poparciem politycznym, budzi obawy co do długoterminowej stabilności finansowej. Model podejmowania decyzji pod przewodnictwem partnerów społecznych może się zmienić na podejście bardziej parlamentarne w miarę zmniejszania się gęstości związków zawodowych, a dla elektoratu coraz większego znaczenia nabierają kwestie związane ze starzeniem się społeczeństwa. Obydwa kraje z powodzeniem promowały wysokie wskaźniki zatrudnienia wśród starszych pracowników, jednak polityka w zakresie opieki długoterminowej stanowi większe wyzwanie dla trwałości modeli opieki społecznej w tych państwach. Rosnące znaczenie opieki rodzinnej i nieformalnej w połączeniu z uzależnieniem opieki zdrowotnej od pracowników migrujących uwypukla obciążenie systemów opieki społecznej. Zmiany demograficzne potęgują presję na politykę opieki społecznej sprzyjającą osobom starszym, szczególnie w opiece długoterminowej, przy czym Szwecja jest w lepszej sytuacji niż Finlandia ze względu na utrzymanie zwiększonych wydatków na rzecz tych obywateli.

**Słowa kluczowe:** demografia, wzajemność międzypokoleniowa, opieka długoterminowa, kraje nordyckie, emerytura

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Submitted: 16.7.2023

Accepted: 27.11.2023

DOI: 10.5604/01.3001.0054.0861

# Introduction

Nordic countries, as Europe in general, are ageing. The median age of the population has increased in Sweden (in Finland) from 33.2 (26.7) years in 1950 to 39.5 (42.4) years in 2021.<sup>1</sup> The median age is expected to increase in the future. Ageing is driven by changes in mortality and fertility. Longer life expectancy together with decreased birth rates translates into a change in the relative size of different age groups. The old-age dependency ratio<sup>2</sup> will increase: the share of people over the age of 65 in the population is getting bigger. It is a well-established empirical observation in the political economy literature that a growing old-aged dependency ratio leads to a larger welfare state.<sup>3</sup> An older population structure will translate into increased old-age related spending: pensions, health care and long-term care.

Finland and Sweden are typically considered advanced when it comes to ageing policies. Among the Nordic countries, Finland's welfare state has been considered the least developed, whilst Sweden is often regarded as the most developed.<sup>4</sup> Therefore, it is relevant for policy makers to learn more about the ageing policies of these two countries, and whether the intuition about the frontrunner is true. This text describes how the ageing policies of Finland and Sweden differ, and what other countries can learn about their ageing policies. I analyze the pension and long-term care system by reviewing the key indicators, policy documents and relevant research literature. The analysis maps the context around ageing policies and system characteristics. As a theoretical background it relies on the intergenerational reciprocity trichotomy as developed by André Masson.<sup>5</sup> The methodological approach is that of a comparative case study.

## Different ageing policies in Nordic welfare states

In social policy analysis, the Nordic countries are often clustered together in the distinctive Nordic welfare model.<sup>6</sup> They typically top the charts in international comparisons related to ageing, such as Mercer's Global Pension Index<sup>7</sup> ranking pension systems or

1 H. Ritchie, M. Roser, *Age Structure*, OurWorldInData.org 20 September 2019, <https://ourworldindata.org/age-structure> (23.5.2023).

2 The old-age dependency ratio expresses the number of individuals aged 65 or more as a proportion of those aged 20 to 64 who are in "active age".

3 R. Disney, *Population ageing and the size of the welfare state: Is there a puzzle to explain?*, "European Journal of Political Economy" June 2007, Vol. 23, Issue 2, pp. 542–553.

4 G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Princeton 1990.

5 A. Masson, *La retraite par répartition au crible de la pensée multisolidaire* [Retirement by distribution to the sieve of multisolidary thought], "Revue de l'OFCE" 2020, Vol. 6, No. 170.

6 M. Kautto, K. Kuitto, *Nordic Countries* [in:] *The Oxford Handbook of the Welfare State (2nd edition)*, eds. D. Béland, S. Leibfried et al., online edition 2021.

7 Mercer, *Mercer CFA Institute Global Pension Index 2022*, 11 October 2022, <https://www.mercer.com/en-fi/insights/investments/market-outlook-and-trends/mercercfa-global-pension-index/> (22.5.2023).

the European Elderly Dignity Index<sup>8</sup> ranking the overall situation of elderly people. I claim that the future looks less rosy in ageing policies than international comparisons tend to portray.

Furthermore, clustering Nordic countries together is problematic for two reasons: they have different ageing policies, and their demographic structure and economic situation differs. First, in Nordic countries ageing policies are not homogenous. By ageing policies, I refer to those public policies that target specifically those above the age of 60. In this text I will focus on pensions and long-term care. The structure and decision making of pension systems differ significantly between the Nordic countries.<sup>9</sup> Although the aims remain somewhat similar, no common Nordic pension model exists. The systems are different in terms of the role and design of public and supplementary pensions. What the countries have in common is a willingness to rely on financial markets and pre-funding as a source for retirement income to complement the state-led pay-as-you-go financing mechanism. This is different from many other European countries such as France.<sup>10</sup> Second, the countries' demographic structure and economic forecasts look rather different, and this has a big impact on the financing and the scope of possibilities for ageing policies. The difference between the demographic structure is expected to grow in the future.

## Intergenerational reciprocity – a theoretical background

In this article, I classify the models of intergenerational reciprocity according to the trichotomy by A. Masson.<sup>11</sup> In his theoretical model, the approaches to intergenerational reciprocity in welfare states are located within a philosophical triangle. He argues that three distinct ideologies can be constructed around the classical philosophers John Locke (free agent model), Thomas Hobbes (multi-solidarity model) and Jean-Jacques Rousseau (egalitarian citizenship model).

The free agent model privileges the free market and is most opposed to the State, which comes typically with high social contributions and holds back innovation. Market-led solutions are promoted in ageing policies. Perhaps, the welfare model of the United States would fall close to this model.

The multi-solidarity model is built around the family, civil solidarity and professional groups but is suspicious of solutions based on market logic and individualized provisions.

8 Fundacion Mutualidad Abogacia, *European elderly dignity index*, July 2022, [https://fundacionmutualidadabogacia.org/wp-content/uploads/2022/10/Dignidad-Adultos\\_UE\\_ING\\_web.pdf](https://fundacionmutualidadabogacia.org/wp-content/uploads/2022/10/Dignidad-Adultos_UE_ING_web.pdf) (22.5.2023).

9 T.M. Andersen, *Pensions and the Nordic Welfare Model*, CESifo Working Paper, No. 10321, Munich 2023.

10 See for example N. Väänänen, J. Liukko, *Justifying a financially and socially sustainable pension reform: a comparative study of Finland and France*, "International Journal of Sociology and Social Policy" 2023, Vol. 43, No 5/6.

11 A. Masson, op. cit.

It values the cooperation within the aforementioned groups. The central idea is that individuals belong to a status shared by a collective which both creates obligations and privileges. Interdependency between individuals and generations exist at many levels. The links of dependency exist between proximate socio-professional groups or generations. Perhaps, Germany and France would fall in this category.

Nordic countries follow the egalitarian citizenship model in which solidarity is built around the State. In the egalitarian tradition family solidarity is abandoned as it is seen as inefficient and unequal. This approach rests on the notion that families, networks, or statuses create inequality among citizens as individuals have different access to them. Therefore, the role of the family is replaced by the State. A strong link with the State is created with everyone since childhood through municipal kindergartens and school meals. The central community for solidarity is the collective of all the citizens represented by the State. The State plays a primary role in organizing welfare state services although the use of markets in the production and distribution of services is widespread. It is plausible that this strong solidarity at the national level is easier to promote in small, homogenous, and consensual societies where inequalities and hierarchies are limited.

## The centrality of the State in the Nordic welfare model

The Nordic welfare model has one key feature: the State is a central actor in sustaining intergenerational reciprocity. Politically these welfare state regimes are tilted towards egalitarianism. They combine a mix of high income equality and effective redistribution programmes.<sup>12</sup> In terms of legal tradition, they are strongholds of Scandinavian realism, a legal philosophy which interprets law as a social phenomenon ultimately anchored in the State's monopoly of force. Some see that this tradition plays a part in a state-apologetic and rights-sceptical political culture that has given priority to the common good instead of individual human rights. Those critical of the Nordic welfare states argue that this philosophy is responsible for the prevailing paternalism and state-absolutism in these countries.<sup>13</sup> When individuals accept social benefits and goods, they become bounded to the moral framework of the welfare state. Thus, welfare state strongly influences individuals' conception of the good life. Their citizens have regarded themselves as highly homogeneous, religiously, culturally, and ethnically.<sup>14</sup> However, the homogeneity of the population has changed rapidly in recent decades,

12 O. Bäckman, K. Nelson, *Egalitarian Paradise?* [in:] *The Routledge Handbook of Scandinavian Politics (1st ed.)*, eds. P. Nedergaard, A. Wivel, London 2017.

13 J. Strang, *Scandinavian Legal Realism and Human Rights: Axel Hägerström, Alf Ross and the Persistent Attack on Natural Law*, "Nordic Journal of Human Rights" 2018, Vol. 36, Issue 3.

14 A. Føllesdal, *Rawls in the Nordic Countries*, "European Journal of Political Theory" 2002, Vol. 1, Issue 2.

especially in Sweden, due to high migration rates from ethnically and religiously different regions.

The centrality of the State is very visible in most welfare policies, to illustrate in Sweden and in Finland, many social services have been constructed based on standardized solutions with regards to childcare, schools, and old-age care. Citizens can hardly affect the content or allocation of these services.<sup>15</sup>

Intrafamily links are weaker than much elsewhere in Europe. Consequently, the age when children move out from their parents' homes is the lowest in Finland (21.3 year), and equally low in Sweden (21.4 years). As an example, in Poland the age is 28.9 years.<sup>16</sup> In Sweden and Finland, parents have no legal responsibility to support their adult children. Similarly, adult children are not legally liable to provide or pay for the care of their parents. In long-term care, the traditional role of the family is taken over by municipalities that are responsible for services.

Another striking feature is that Nordic politicians have typically strongly avoided policies that disincentivize work. There is no family taxation in neither of the countries. Instead, spouses are taxed separately. Individual taxation was seen as one of the main elements in incentivizing married women to participate in labour market.<sup>17</sup> The Scandinavian welfare model is employment focused.<sup>18</sup> This is because of two reasons. First, welfare entitlements are mainly financed by taxes levied on labour. The wage sum of the economy defines the financial basis for welfare benefits. There is an ideological resistance to use other type of revenues to finance welfare benefits. Hence, the financial sustainability is secured by having a high employment rate. Generous benefits and high employment go hand in hand. Second, public service provision requires labour as it is institutionalized. Therefore, the debates on the welfare state in Nordic countries focus on how to ascertain high labour force participation and high employment. They are understood to be pivotal for the financing of the welfare model and on the other hand a large public sector requires a workforce. Thus, it is no surprise that in 2022, Sweden had an employment rate of 82.2% and Finland an employment rate of 78.4%. Both were above the European Union (EU) average of 74.6%.<sup>19</sup> In domestic politics Nordic countries use themselves as peers for comparison instead of the EU average.

Another typical feature of the Nordic welfare states is the existence of corporatist arrangements between state, capital, and labour.<sup>20</sup> This is clearly visible in the large

15 Ibid. A notable exception to this rule is that Sweden has a voucher-based system in schools that allows families to put their children into a private school instead of the public one.

16 Eurostat, *Estimated average age of young people leaving the parental household by sex*, 2022, [https://ec.europa.eu/eurostat/databrowser/view/YTH\\_DEMO\\_030/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/YTH_DEMO_030/default/table?lang=en) (23.5.2023).

17 H. Selin, *The rise in female employment and the role of tax incentives. An empirical analysis of the Swedish individual tax reform of 1971*, "International Tax and Public Finance" 2014, Vol. 21, pp. 894–922.

18 T.M. Andersen, *Welfare State – The Scandinavian Model*, Economics Working Papers 2011–01, Department of Economics and Business Economics, Aarhus University, Denmark, November 2010.

19 Eurostat, *Employment and activity by sex and age – annual data*, 2023, [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_emp\\_a/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a/default/table?lang=en) (12.5.2023).

20 See e.g. A. Føllesdal, op. cit.

share of pre-funded and mutual pension arrangements. Pensions are financed by a combination of pay-as-you-go and pre-funding, in other words both from wages and capital income. However, in the structure of the pension schemes, there is a stark difference between the two countries. In Finland, supplementary pensions are virtually non-existent whereas in Sweden they occupy an important role in the pension provision and are crucial for the labour market parties.<sup>21</sup> Yet, in Finland the labour market parties occupy a key role in the design and administration of public pensions which are partially pre-funded.<sup>22</sup>

Typically, Finland has been a country that follows Sweden in social policy.<sup>23</sup> The main conclusion of my text is that the countries' perspectives for ageing policies look rather different. Both countries need to pursue reforms to keep the systems politically and financially sustainable in times of demographic ageing. Perhaps this will lead to a reassessment in the central role of the State in securing intergenerational reciprocity.

## Sweden and Finland are ageing at a different pace

Europe with a median age of 44.4 has the oldest population of all the continents. In Finland the median age is 42.4 years, and in Sweden 39.5 years. As Swedish people live longer on average, and the difference cannot be explained by differences in fertility, the main explanation is that Sweden receives more migrants *per capita* than Finland. The arriving migrants who are aged below the average age keep the demographic structure younger.

In 2019, the old-age dependency rate which describes the share of those above 65 relative to those aged 20 to 64 was 35.2% in Sweden and 38.9% in Finland. Both are above the EU average which is 34.4%.<sup>24</sup>

Both countries have had below replacement level fertility rates for decades and this trend is expected to persist in the future. According to Eurostat,<sup>25</sup> the fertility rate has decreased in Sweden (Finland) from 1.98 (1.87) in 2010 to 1.67 (1.46) in 2021.

Therefore, the population growth is largely driven by immigration. According to Statistics Finland net migration has been between 12,000 to 23,000 persons since

21 M. Vidlund, A. Mielonen et al., *Pension contribution levels and cost-sharing in statutory and occupational pensions: a cross-national study of eight European countries*, Finnish Centre for Pensions, Reports 7, Helsinki 2022.

22 V.P. Sorsa, J.E. Johanson, *Pension governance in Finland: a case study on public and private logics of governance in pension provision*, Finnish Centre for Pensions, Reports 2, Helsinki 2010.

23 As an example, for pension policy see M. Hannikainen, J. Vauhkonen, *The History of Finnish earnings-related pension in the private-sector*, Finnish Literature Society, Helsinki 2016.

24 European Commission, *The 2021 Ageing Report: Economic and Budgetary Projections for the EU Member States (2019–2070)*, Institutional Paper 148, Brussels 2021.

25 Eurostat population statistics: *Total fertility rate*, 2023, <https://ec.europa.eu/eurostat/databrowser/view/TPS00199/default/table?lang=en> (10.5.2023).

2010. In Sweden net migration has been on average 76,000 persons for the same period although Sweden has less than twice the population of Finland. Finland has received far fewer immigrants historically which partly explains the lower net migration figures today. Networks remain crucial in explaining individuals' decision to migrate to a certain destination.<sup>26</sup> The other reasons for Sweden's higher migration rates are explained by historically looser immigration policies, and by the fact that Sweden has been a more prosperous country than Finland thus attracting more migrants.

According to a 2023 population forecast, it is expected that the Swedish population will grow by 400,000 to 10.9 million in 2030. Of this population increase 300,000 is contributed by more people immigrating than emigrating, and 100,000 by more births than deaths. Approximately 30% of the population between 20 to 65 will be born abroad. The population is expected to further increase later in the century.<sup>27</sup>

The Finnish population forecast looks much different. In the next ten years the population is expected to increase from 5.5 to 5.6 million in 2034 after which it is expected to start decreasing. As deaths already exceed births, the population increase is driven by immigration being higher than emigration. However, the current immigration levels are not sufficient to keep the size of the population stable and therefore the population will start to decrease. In 2060 Finnish population is expected to be 5.45 million.<sup>28</sup>

In 2022, of the Swedish population 19% were 66 or older, whereas 23.4% of the Finnish population 23.4% were 65 or older.

## Sustainable pension policies?

As mentioned before, the corporatist structure combining wages and capital is present in pension financing. It could be said that both countries are exceptional in the European pension landscape due to the large share of pre-funding in the public pension systems.<sup>29</sup> However, the financing and structure of pension systems differ between them.

### Swedish pension scheme

The Swedish public pension system is a pay-as-you-go scheme with demographic reserve funds that support the financing of pensions. The reserve funds were accumulated in the starting years of the pension system. The contribution rate was set higher than was

<sup>26</sup> J.E. Blumenstock, G. Chi, H. Tu, *Migration and the Value of Social Networks*, CEPR Discussion Paper No. DP13611, 2019, <https://ssrn.com/abstract=3360078> (10.5.2023).

<sup>27</sup> Statistics Sweden, *Sveriges framtida befolkning 2023–2070* [The future population of Sweden 2023–2070], Demographic reports 2, 2023.

<sup>28</sup> Statistics Finland, *Population projection 2021–2070*, Helsinki 30 September 2021, [https://www.stat.fi/til/vaenn/2021/vaenn\\_2021\\_2021-09-30\\_en.pdf](https://www.stat.fi/til/vaenn/2021/vaenn_2021_2021-09-30_en.pdf) (5.5.2023).

<sup>29</sup> M. Vidlund, A. Mielonen et al., op. cit.



needed to pay out pension benefits. This way the system could accumulate reserves. The reserves help in mitigating the need to cyclically adjust the pension contribution rate. Another aim was to offset the decrease in private saving due to the increased capital available for lending.<sup>30</sup> The size of these reserve funds amounted to 30% in relation to GDP in 2020.<sup>31</sup> Due to the ageing of the population, since 2009 these funds have been net contributors to the pension system, in other words, pension expenditures have exceeded contributions. Funds are expected to continue to make net disbursements to the pension system for another 20 years or so. Thereafter, the buffer funds are expected to receive net inflows again.<sup>32</sup> The financial situation of the public pension system is strong. In 2022, the system had a surplus of 13% which means that assets and expected contributions exceeded liabilities (pensions to be paid in the future) by that percentage. However, no rule existed in 2022 on what to do with the surplus. The old-age pension scheme has an autonomous structure and is financially separated from other pension insurance benefits, that is, from disability and survivors' benefits, which are financed from budget funds and employer contributions.

**Table 1.** Key factors influencing the pension system<sup>33</sup>

	Sweden	Finland
Old-age dependency ratio (65+/20-64)	35.2	38.9
Population median age in years	39.5	42.4
Effective retirement age in years	men: 65.8 women: 64.9	men: 63.0 women: 63.6
Average public old-age pension (PPS)*	1,278 euro	1,254 euro
Public pension contribution rate in 2023 (private-sector)	18.5%	24.8%
Pension expenditure/ GDP (%)	public: 8.0 occupational: 4-5 total: 12.5	public: 13.5 occupational: 0.3 total: 13.8
Size of statutory and occupational pension funds/GDP (%)	130	100

\* Purchasing Power Standard.

Note: Figures from 2019 or 2020.

Source: own study

The Swedish pension reform that took place in the late 1990s towards a notionally defined contribution (NDC) system has acted as a template for pension reforms in many other countries. Pre-agreed rules exist which make the public pension system financially very sustainable as under no condition can the contribution rate be increased, or tax money directed to fill any shortfall. Instead pension benefits and accrued pension rights

30 A. Sundén, *The Swedish experience with pension reform*, "Oxford Review of Economic Policy" 2006, Vol. 22, Issue 1.

31 Ibid.

32 Ministry of Finance, *Redovisning av AP-fondernas verksamhet t.o.m. 2020* [Analysis of the AP funds function until 2020], 2021, <https://www.regeringen.se/rattsliga-dokument/skrivelse/2021/05/skr.-202021130> (3.5.2023).

33 M. Vidlund, A. Mielonen et al., op. cit.

are reduced if needed. All the risks related to financing are borne by the retirees. These pre-determined rules got the liberal minister in charge of the pension reform, Bo Könberg, to declare in the 1990s that the reformed system would be sustainable until at least the next Ice Age.<sup>34</sup> The guiding principle of the system is the “lifetime earnings principle” according to which pension benefit should directly reflect lifetime earnings.<sup>35</sup> Since the reform changes to the pension system have been negotiated and agreed by the pension negotiating group (*pensionsgruppen*) consisting of members from the parties present in the Parliament excluding Sweden Democrats<sup>36</sup>, the Green Party<sup>37</sup> and the Left Party<sup>38</sup>. However, in 2023 equally these three parties expressed their interest in accepting the basic principles of the public pension system which would then give them a path to join the *pensionsgruppen*.<sup>39</sup> The *pensionsgruppen* officially invited them to join the group in September 2023.

The Swedish public pension system consists of two parts. The first component operates on a notionally defined contribution logic and the second is a pre-funded defined contribution (DC) premium pension component. In other words, 16%-points go to individual notional accounts that finance the pay-as-you-go part. The remaining 2.5%-points of the 18.5% contribution rate are for the individual to invest according to their own choice in the State regulated pension fund market. The premium pension fund market has been marked by some major scandals including cases of embezzlement.<sup>40</sup> To get rid of fraudulent providers, the fund market was fundamentally revamped in 2022. In addition to these two components, the State pays in contributions for periods when the pension is accrued but no contributions are paid (being on sickness leave, time on unemployment benefit, doing military service, parents of small children or studying with study grants). On top of the public scheme, approximately 90% of workers are enrolled to a sector-wide occupation scheme. These are pre-funded arrangements. Participation to the occupational pensions is quasi-mandatory as the decision is made at the industry or branch level through collective bargaining agreements. Both private and public sector employees have their own arrangements, and around 85% are covered by the four major collective schemes. However, only 30% of the self-employed are covered by occupational pensions.<sup>41</sup> The low coverage of self-employed people is a challenge regarding the future adequacy of pensions for this group.

34 *Mellan folkbildning och fonderådgivning. Nya perspektiv på pensionssystemet* [Between educating people and fund counselling. New perspectives on the pension system], ed. U. Lundberg, Institutet för framtidsstudier, Stockholm 2007.

35 *Pensionsmyndigheten, Ett nytt pensionssystem? Rapport nr 4 i vägvalserie om pensionerna* [Do we need a new pension system? Report number 4], Swedish Pension Agency report 4, 2023.

36 In the European Parliament the party is affiliated to the European Conservatives and Reformists (ECR) group.

37 In the European Parliament the party is affiliated to the European Green Party (EGP).

38 In the European Parliament the party is affiliated to the Left in the European Parliament – GUE/NGL group.

39 *Pensionsgruppen kan utökas – mot trohetslöfte* [Pensions group can be extended against a pledge of allegiance], *Aftonbladet.se* 16 June 2023, <https://www.aftonbladet.se/minekonomi/a/3E7r8X/insteg-i-pensionsgruppen-kraver-trohetslofte> (16.10.2023).

40 H. Cronqvist, R.H. Thaler, F. Yu, *When Nudges are Forever: Inertia in the Swedish Premium Pension Plan*, “AEA Papers and Proceedings” 2018, Vol. 108, pp. 153–158.

41 M. Vidlund, A. Mielonen, op. cit.

Occupational pensions have a significant role as public pension benefits are limited in level due to the rather low contribution rate (18.5%) and the low ceiling on pensionable earnings which is just above the average wage. In recent years there have been both public and political debates arguing that current pension benefit levels are too low. This even though Swedes have on average the longest working careers in the EU. This development does not come as a surprise. In 2005 it was calculated that the replacement rate in the new system compared to the previous one will drop significantly by 2050 for people retiring at the age of 65. The gross replacement rate was estimated to fall for an average earner between 12 to 22 percentage points depending on the type of career.<sup>42</sup> Parliament has not altered the core of the NDC system, but they have added new subsidies for low-income pensioners and increased the level of existing subsidies and the minimum pension. Currently three out of four pensioners receive a subsidy complementing their old age income or minimum pension.<sup>43</sup> The Swedish Pension Agency is worried that all the recent changes go against the lifetime earnings principle of the NDC system although there have been no reforms to the system itself. To provoke a debate, the Agency published a report in 2023 which asked whether the public pension system should be transformed into a flat rate Beveridgean one due to all the implemented benefit increases.<sup>44</sup>

The future rules regarding retirement age and age limits are linked to the development of average life expectancy through a “target age” (*riktålder*) system. This means that all the age limits in the pension system and in the rest of the social security system are linked to life expectancy. The retirement age at which people can start drawing the public pension is 63 years in 2023 but it will be increased to 64 years in 2027.<sup>45</sup> The target retirement age is 67. For the birth cohort born in 1970 the retirement age will be increased to 65. Their target retirement age according to forecast is 68 years. The aim of the target age is to make people extend their working career and thus retire with higher pensions.

## Finnish pension scheme

The Finnish public pension system consists of the statutory earnings-related and the national pension system which tops up low earnings-related pensions. A separate guarantee pension exists to secure a minimum pension for those with very low pensions. The earnings-related pension scheme of the private-sector is a partially funded and privately organised defined-benefit system. The public sector earnings-related pension scheme offers similar defined-benefits but has reserve funds instead of partial-funding. The

42 K.G. Scherman, *Replacement rates in the new Swedish pension system*, “Nordisk Forsikringstidsskrift” 2006, Vol. 2.

43 Folksam, *Nästan tre av fyra pensionärer tar emot bidrag*, 29 September 2022, <https://nyhetsrum.folksam.se/sv/2022/09/29/nastan-tre-av-fyra-pensionarer-tar-emot-bidrag/> (5.5.2023).

44 *Pensionsmyndigheten, ett nytt pensionsystem...*, op. cit.

45 B.E. Halvorsen, *High and rising senior employment in the Nordic countries*, “European Journal of Workplace Innovation” 2021, Vol. 6, Issues 1–2.

private sector scheme is administered by partly competing private pension providers (pension insurance companies, industry-wide funds, and company funds). Criticism exists as to what extent these companies really compete as the contribution rate is jointly agreed and the benefits are defined in legislation. Some have proposed as a solution the merger of the different companies into one single entity.<sup>46</sup> The providers are managed by bipartite boards representing employer and employee organizations.<sup>47</sup> Due to partial pre-funding, actuaries occupy a central role in the design and development of the public pension system. Their influential role perhaps explains why there has been an increasing emphasis on actuarial neutrality in recent parametric reforms. The social security motive to redistribute towards the worse off groups is less present in earnings-related pensions and in related reform debates.<sup>48</sup>

The pension assets are increasingly used for keeping the contribution rate stable. According to the basic scenario in a recent forecast, the contribution rate of 24.4% of the wage sum is sufficient to pay pensions until mid-2050 when it would need to be increased.<sup>49</sup> Since 2012 expenditure in the private sector has exceeded contribution income and the difference is financed through returns on pension assets. In recent years, approximately one-fifth of private sector pension expenditure has been financed with pre-funded pension assets.<sup>50</sup>

The private-sector pension scheme is financially autonomous and does not need State subsidies. Labour market parties want to keep the management of the scheme in their hands and therefore are reluctant to increase the State's role. The contribution rate is proposed yearly by the social partners based on a calculation by the actuaries of the pension insurance companies. The Ministry of Social Affairs and Health approves the proposal. This way the contribution rate is decided without a separate debate in parliament.<sup>51</sup> Unsurprisingly, the role of direct state financing is very small. The State finances pension accrual of some non-contributory periods that are study times leading to a degree and time on child home care allowance. Otherwise, contributions and the use of funds are sufficient to finance the pensions. The details of the system are set out in law, based on negotiation between the social partners.<sup>52</sup> Historically, the social partners have negotiated and agreed on a pension reform together. Then later the agreement has been legislated by parliament as initially agreed by the social partners. However, societal change, namely population ageing and reduced trade union

46 *Understanding Finnish...*, op. cit.

47 V.P. Sorsa, N. van der Zwan, *Sustaining the unsustainable? The political sustainability of pensions in Finland and the Netherlands*, "Journal of European Social Policy" 2023, Vol. 32, Issue 1.

48 N. Väänänen, J. Liukko, op. cit.

49 Obviously, it needs to be pointed out that long-term forecasts are sensitive to the assumptions used in the calculations.

50 H. Tikanmäki, S. Lappo et al., *Statutory Pensions in Finland: Long-term Projections 2019*, Finnish Centre for Pensions reports 7, Helsinki 2019.

51 S. Ritola, N. Väänänen, op. cit.

52 N. Barr, *The pension system in Finland: Adequacy, sustainability and system design*, Finnish Centre for Pensions, Helsinki 2013.

density, have put pressure on this decision-making model in which parliamentary debates have not played a central role.<sup>53</sup>

Since the earnings-related pension scheme covers practically all types of employment, operates without any ceilings, and provides a reasonably high replacement rate in old age, the role of second pillar employer-specific occupational pensions and private pensions has remained marginal in Finland.<sup>54</sup> Developing supplementary pensions has not been in the interest of labour market parties either as they have been *de facto* decision makers within the statutory pension scheme.<sup>55</sup>

Finland has implemented several pension reforms in the 21st century. The reforms are typically motivated by the long-term forecasts prepared by the Finnish Centre for Pensions.<sup>56</sup> These forecasts play a key role in the reform plans. This perhaps makes the decision-making system more forward-looking than in many other European countries.<sup>57</sup> The main objective has been to secure financially more sustainable pensions in the long run by encouraging higher employment and a longer and better working life for older workers. The reforms have been equally motivated by the aim of keeping the contribution rate stable.

The earliest possible retirement age is gradually being raised from 63 to 65 years up to 2027. From 2030, the future retirement age will be indexed in accordance with development in the expected remaining life expectancy of the relevant age cohorts.<sup>58</sup>

## Consequences of reforms

Bjørn E. Halvorsen argues that one upcoming pension policy challenge in Nordic countries may stem from a rather too one-sided focus on work incentives at the expense of the social redistribution purposes of the public pension systems.<sup>59</sup>

Despite Finland having a higher the legal retirement age, the effective retirement age is higher in Sweden 65.8 for males and 64.9 for females compared to Finland 63.0 years for males and 63.5 years for females. The pension expenditure of GDP is lower in Sweden 12.5% (out of which 8.0% goes to public pensions and 4.5% goes to occupational pensions) than in Finland 13.8% (13.5% goes to public pensions and 0.3% goes to occupational pensions).<sup>60</sup>

53 *Understanding Finnish Pensions*, eds. S. Ritola, N. Väänänen, Helsinki forthcoming in 2024.

54 M. Vidlund, A. Mielonen et al., op. cit.

55 N. Väänänen, J. Liukko, op. cit.

56 H. Tikanmäki, S. Lappo et al., op. cit.

57 Although the risk is that the assumptions used are too optimistic or pessimistic. In Finland, however, the assumptions used in the forecasts are not often criticized in the media.

58 B.E. Halvorsen, op. cit.

59 Ibid.

60 M. Vidlund, A. Mielonen et al., op. cit.

In Sweden, pensioners bear the risk related to the financing of the scheme. In Finland, due to the defined benefit character of the scheme, pensioners are rather well protected. The financial sustainability is secured by increasing the contribution rate which has increased from 5% in 1962 to 24.8% in 2023. However, further increases have become more difficult to accept, especially for employer organizations. This has led to an increase in policy debate to introduce an automatic balance mechanism which would share any financial risks with pensioners. The Orpo government programme in 2023 explicitly stated that the feasibility and implementation of such a mechanism should be studied.<sup>61</sup> If an automatic balance mechanism is implemented, the system will take one more step closer towards a defined contribution model. Something that has been somewhat an undeclared aim of the successive reforms that have strengthened the actuarial neutrality of the system's different parameters. A recent evaluation of the Finnish pension system pointed out that the system lacks a built-in adjustment mechanism that would secure a balance between contributions and expenditures.<sup>62</sup>

Transition to retirement does not translate as a significant increase in the poverty rate for most older workers. In 2020 in Finland, the poverty rate of pensioners was 13 per cent, that is, nearly the same as of the total population on average. However, the poverty rate increases with age and it is nearly double for those over the age of 84.<sup>63</sup> In Sweden in 2020, the poverty rate for those over the age of 65 was 13% which is the same poverty rate as for those under the age of 65. The poverty rate for those above 65 has been relatively stable since 2011.<sup>64</sup>

In Finland, public pension income represents about 85% of all incomes of pensioners. The rest comprises mainly labour and capital income. The disposable income of pensioners is also influenced by the size of household and strongly progressive taxation, which leaves low pensions untaxed.

## Employment of older workers

In Sweden, permanence in the labour market for those over 55 years of age is one of the highest rates in Europe. Furthermore, Swedish workers have the longest working careers in the EU. In Finland, the age when people stop working increased in the 2010s by 1.6 years to just under the age of 64. Both countries have had high female employment

61 Orpo Government Programme, *A strong and committed Finland: Programme of Prime Minister Petteri Orp's Government 20 June 2023*, 2023, p. 60.

62 T.M. Andersen, *Pension adequacy and sustainability: An evaluation of the Finnish pension system*, Finnish Centre for Pensions, 2021.

63 S. Kuitava, J. Rantala et al., *Eläkkeet ja eläkeläisten toimeentulo: kehitys vuosina 1995–2020* [Pensions and pensioners' income: evolution 1995–2020], Finnish Centre for Pensions Research 06, Helsinki 2022.

64 Pensionsmyndigheten, *Varför finns det fattiga pensionärer?* [Why are there poor pensioners?], Swedish Pension Agency, Reports 6, Stockholm 2022.

rates for decades. In 2022 Sweden's and Finland's female employment rate of 79.2% and 77.8% were above the EU average of 69.3%.<sup>65</sup>

**Table 2.** Senior employment rates in Finland and Sweden

	Finland		Sweden	
	2000	2019	2000	2019
55–59 years	59%	79%	78%	85%
60–64 years	23%	54%	48%	70%
65–69 years	5%	15%	15%	24%
70–74 years	2%	7%	6%	11%

Source: own study

As Table 1 shows, the employment rate of older workers is high and has been rising in the last two decades. A lot of this positive development is explained by active and inclusive labour market policies, restriction on early retirement and pension reforms. In 2021, the expected duration of a working career in Finland was an average of about 39 years. This is nearly a year beyond the EU average, which was 38.2 years. In Sweden, the expectation was 42 years. In Finland, the age when people stop working increased in the 2010s by 1.6 years to just under the age of 64.<sup>66</sup>

As an example, in Finland, which for a long time was a country of early retirement, an unemployment tunnel of extended and longer unemployment benefits for older people (55–63) into retirement has gradually been dismantled. Equally, the retirement age is increasing for every birth cohort by three months until reaching 65 for those born in 1965.<sup>67</sup> As the retirement age has risen, people have prolonged their working career. The largest peak in exiting working life for each cohort has been delayed by three months. Thus, the reform has been successful in postponing retirement.<sup>68</sup>

Sweden has also a good tradition and good achievements by working systematically with managing organisational restructuring and downsizing in businesses and working life in the best possible way for affected employers and employees.<sup>69</sup> The Finnish work culture has been different compared to Sweden where it is usual to continue working after retirement, often in part-time work. In Finland people typically keep working full-time. When the employment rate is converted to reflect full-time work, Finland does not differ much from Sweden.<sup>70</sup>

65 Eurostat, *Employment and activity by sex and age*, 2023, [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_emp\\_a/default/bar?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_emp_a/default/bar?lang=en) (17.10.2023).

66 Eurostat, *Duration of working life: how long in 2021?*, 2022, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20220706-1> (16.10.2023).

67 B.E. Halvorsen, op. cit.

68 *Tutkimuksia vanhuus- ja työkyvyttömyyseläkkeelle siirtymisen muutoksista vuoden 2017 eläkeuudistuksen jälkeen* [Studies on changes in the transition to old-age and disability pensions after the 2017 pension reform], eds. S. Nivalainen, M. Laaksonen, I. Ilmakunnas, Finnish Centre for Pensions research, January 2023.

69 Ibid.

70 S. Ritola, N. Väänänen, op. cit.

## Increasingly foreign-born healthcare workforce

Population ageing increases the demand for health care services. Countries are currently trying to find ways to respond to this demand. Recruitment has been a long-term challenge in the healthcare sector. The challenge is becoming more severe due to the demographic shift as large birth cohorts that were born after the Second World War have retired and are slowly losing their functional autonomy requiring personal care. Smaller birth cohorts must provide care for larger birth cohorts, and this drives up the demand for health care professionals.

Care work and long-term care professions suffer from a lack of prestige. Their work is lowly valued and poorly paid. Even within professionals in the health care sector this type of work is not much appreciated. Thus, it is not a surprise that in Finland, nurses (and associated professionals) were at the top of the list of occupations facing the largest recruitment challenges in many municipalities.<sup>71</sup> On top of this, according to a survey by the Finnish Nurses' Association in 2018, more than one-third of nurses were shown to have considered leaving the profession.<sup>72</sup>

Both countries policy is to attract migrant workers into the health care sector and into long-term care. According to Statistics Sweden (updated on 5 March 2020), 34 per cent of all practising medical doctors and 12 per cent of all nurses in Sweden are immigrants. Sweden's most common profession is personal care worker or assistant nurse. Of all assistant nurses 26 per cent were born abroad. The most common region of origin of assistant nurses was Asia.<sup>73</sup>

These figures are drastically different in Finland. In 2018, foreign-born nurses accounted for 3.3% of working nurses. Of these, 31% were from EU countries and 69% from outside the EU.<sup>74</sup> In 2015, 7.7% of doctors were foreign-born.<sup>75</sup> It is expected that if the foreign labour recruitment policy is successful, these figures will increase. Consequently, new workers will become net contributors, paying taxes helping to finance the welfare state.

Yet, promoting immigration as a solution to a lack of healthcare professionals might be hard to push through politically. In recent decades both countries have seen an increase in the support and political power of right-wing populist parties that promote stricter

71 Nordregio, *Recruitment and retention in the welfare sector: Nordic good practice 2021*, <https://www.diva-portal.org/smash/get/diva2:1530451/FULLTEXT01.pdf> (31.5.2023).

72 Ibid.

73 European Commission, *Immigrant health staff indispensable in Sweden's response to COVID-19*, 5 March 2020, [https://ec.europa.eu/migrant-integration/news/immigrant-health-staff-indispensable-swedens-response-covid-19\\_en](https://ec.europa.eu/migrant-integration/news/immigrant-health-staff-indispensable-swedens-response-covid-19_en) (5.5.2023).

74 Finnish Nurses Association, *Facts and Figures about Nurses in Finland 2023*, <https://sairaanhoitajat.fi/en/profession-and-skills/facts-and-figures-about-nurses-in-finland/#> (5.5.2023).

75 B. Lindahl, *OECD: Big increase in number of foreign born doctors and nurses*, "Nordic Labor Journal" 29 September 2015, <http://www.nordiclaborjournal.org/nyheter/news-2015/article.2015-09-23.6679429457> (13.5.2023).



immigration policies, especially for groups outside the EU. These same parties try to redefine the Nordic universal and egalitarian welfare state. They reframe the welfare state as being linked to a sovereign and exclusive Swedish and Finnish political community with distinct national boundaries: the welfare nation state.<sup>76</sup> Such ideas have been branded as welfare chauvinism, implying a strong support for economic redistribution with resistance toward distributing welfare services to immigrants.<sup>77</sup> Perhaps a sign of this was when Sweden decided to stop paying the guarantee pension to beneficiaries residing outside Sweden in 2023. Guarantee pension was paid to 57,700 pensioners residing in another EU/EEA country. The biggest group of pensioners resided in Finland and were Finnish citizens with a short working history in Sweden.

## More roles for the family? Weakening public services in long-term care

A. Masson argues that in the equal citizenship model, family solidarity between generations is often denounced as ineffective, unequal and even perverse, which the State can replace.<sup>78</sup> Therefore, in this model the main role is given to the State. Nordic countries have typically been described in the subject literature as “caring states” due to the strong role of the state in providing long-term care services to its older citizens. Typically, the public sector is responsible for financing, but private-sector companies provide services. These services are provided within a formally and professionally based long-term care system, where the main responsibility for the organization, provision and financing of care traditionally lies with the public sector.<sup>79</sup> Long-term care such as old people home fees are subsidized.

Responsibility for elderly care is divided between the state, the regions, and the municipalities. The state governs elderly care through legislation, financial incentives, standards, and guidance. The regions are responsible for healthcare. The municipalities are responsible for community-based services and nursing homes (also called special housing) for the elderly. Community-based services include such tasks as shopping, house cleaning, bathing, dressing, or pre-prepared meals in the elderly person’s own home. Nursing home care is provided to people whose needs cannot be met at home. Elderly citizens receive help with almost everything, including medical help.<sup>80</sup> In Finland,

76 J. Nordensvärd, M. Ketola, *Nationalist Reframing of the Finnish and Swedish Welfare States – The Nexus of Nationalism and Social Policy in Far-right Populist Parties*, “Social Policy & Administration” 2015, Vol. 49(3), pp. 363–375.

77 J. van der Waal, “Some are more equal than others”: economic egalitarianism and welfare chauvinism in the Netherlands, “Journal of European Social Policy” 2010, Vol. 20(4).

78 A. Masson, op. cit.

79 T. Rostgaard, F. Jacobsen, *Revisiting the Nordic long-term care model for older people—still equal?*, “European Journal of Ageing” 2022, Vol. 19(4).

80 W. Songur, *System of choice promotes ethnically-profiled elderly care and older migrants’ use of elderly care: Evidence from Sweden’s three largest cities*, “Public Money & Management” 2022, Vol. 43(6).

especially digitalized services have been seen as a solution for the increasing health care needs of ageing populations in rural areas.<sup>81</sup>

Although officially Finnish governments have not made a decision to abandon the centrality of the State, in reality this is what has happened to some extent. Despite the desire to shift the balance of care from institution to home care, the proportion of people receiving home care or family support is still below the national target.<sup>82</sup> Presumably, the lack of finances and staff has meant that Finnish long-term care has become more private market and family oriented. Constanzo Ranci and Emmanuele Pavolini argue that this is the trend in the Nordic model in general: long-term care is under re-construction but nevertheless continuing in the direction of more restricted universalism.<sup>83</sup> Equally, Swedish elderly care has changed dramatically in recent decades. The most significant changes have been decentralization, privatization, and the introduction of choice.<sup>84</sup> The modes of service delivery pose new challenges: to what extent can citizens be allowed a choice of producers of services, for instance with voucher systems, without threatening equality?<sup>85</sup>

In contrast to some other countries, adult children are not legally obliged to provide or pay for the care for their aged parents. In neither of the countries do adult children have any obligation or strong norms to use financial resources towards their own parents. When assessing individual needs, the availability of informal care by family members should not be considered.<sup>86</sup>

Provision is based on need but obviously, assessment of individual need has less clear-cut eligibility criteria to which the financial capacity might play a role. Thus, in contrast to the idea of the welfare model, in Finland informal care has become increasingly common and families are widely assumed to participate in the care for older relatives at home. Similarly, increased family care has been an unintended consequence of the decline in care services in Sweden.<sup>87</sup> This development in long-term care was identified already some years ago, concluding that weak universalism has become weaker in Finland and Sweden.<sup>88</sup> As a result, long-term care services are increasingly targeted at the frailest. More specifically, it means that the requirement for entry into residential care has become more strict, fewer receive home help, equally home help hours may be reduced.<sup>89</sup> The

81 N. Väänänen, *The digital transition of social security in Finland. Frontrunner experiencing headwinds?*, "Ubezpieczenia Społeczne. Teoria i praktyka" 2021, Vol. 4(151).

82 L. Tynkkynen, J. Pulkki et al., *Health system reforms and the needs of the ageing population – an analysis of recent policy paths and reform trends in Finland and Sweden*, "European Journal of Ageing" 2022, No. 19.

83 C. Ranci, E. Pavolini, *Not all that glitters is gold: Long-term care reforms in the last two decades in Europe*, "Journal of European Social Policy" 2015, Vol. 25(3).

84 W. Songur, op. cit.

85 A. Føllesdal, op. cit.

86 T. Rostgaard, F. Jacobsen et al., op. cit.

87 P. Ulmanen, *Childcare and eldercare policies in Sweden* [in:] *The Sandwich generation: caring for oneself and others at home and at work*, eds. R.J. Burke, L.M. Calvano, Cheltenham 2017.

88 M. Szehebelly, G. Meagher, *Nordic eldercare – Weak universalism becoming weaker?*, "Journal of European Social Policy" 2018, Vol. 28(3).

89 T. Rostgaard, F. Jacobsen et al., op. cit.

dominating cause of admission to residential long term is dementia in both countries.<sup>90</sup> Although, most people with memory disorders live, and are cared for, at home.<sup>91</sup>

According to Eurostat,<sup>92</sup> Sweden spent in 2020, a little less than 3% in relation to GDP on long-term care and Finland spent 1.7%. The EU average was 1.8%. Finland does not compare well in relation to equality among the elderly population among the EU countries. The weakness is especially due to the percentage of elderly people who also care for the elderly or people with chronic ailments, and the percentage of older people living alone. In addition, recent research has pointed out large municipal variations in long-term care expenditure and in the total coverage of long-term care services (between 15 and 40% for 75+ population).<sup>93</sup> The differences cannot be explained by any variation of need but instead the availability of services.

## Conclusion

Sweden and Finland score typically high in different rankings related to ageing policies. Yet, the situation differs in both countries and different sectors. The Swedish public pension system has proven to be financially very sustainable. Perhaps, it offers a model for countries that are grappling with pension expenditure increases due to an ageing population. However, the Swedish system lacks political sustainability as shown by all the recent reform proposals that go against the system's core principles. The political challenges stem from the relatively low level of public pensions. One option could be to increase the contribution rate to generate higher pension benefits. The Finnish public system seems to have enjoyed stable political support, but financial sustainability remains somewhat an open question in the long-term. The decision-making model led by the social partners, which has been able to reform the system over the years, might be replaced by a more parliamentary model as trade union density has decreased and pensions are becoming more topical issues for the ageing electorate.

Both countries have succeeded in promoting high employment rates amongst older workers. Finland has successfully extended the working lives and employment rates of older workers by the recent pension reforms. Long-term care policies, which as a form of health care and social policy should take priority over pension transfers, pose a bigger

90 S. Kehusmaa, *Kolmasosa vanhuspalvelujen henkilöstöstä työskentelee kotihoidossa – asiakkaita kotihoidossa on yli puolet. Tutkimuksesta tiiviisti 39* [A third of staff in elderly services work in home care – more than half of clients are in home care. Policy brief], Finnish Institute for Health and Welfare, Helsinki 2018; A. Sköldunger, A. Wimo et al., *Resource use and its association to cognitive impairment, ADL functions, and behavior in residents of Swedish nursing homes: Results from the U-Age program (SWENIS study)*, "International Journal of Geriatric Psychiatry" 2019, Vol. 34, Issue 34.

91 L. Tynkkynen, J. Pulkki et al., op. cit.

92 Eurostat, *Health care expenditure by function 2023*, [https://ec.europa.eu/eurostat/databrowser/view/HLTH\\_SHA11\\_HC/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/HLTH_SHA11_HC/default/table?lang=en) (22.5.2023).

93 See e.g. T. Tupala, O. Halminen et al., *IKÄPIHA – ikäihmisten pitkäaikaishoidosten harmonisointi maakunnissa* [IKÄPIHA – harmonisation of the grounds for granting long-term elderly care services in counties], Prime Minister's Office, Helsinki 2020.

challenge for the sustainability of the welfare models. Contrary to the ideal model existing in Nordic countries, the role of family has grown more important as has the share of informal care. The demand for health care professionals and care givers is going to remain high. For the supply of these workers both countries rely on migrant workers, especially coming from countries outside Europe.

The demographic change has led to increasing pressure on the pro-old welfare policies in both countries. The forecasted increase in long-term care and health-care expenditures will confront Sweden and Finland with harder choices than old age pension policies. Long-term care is under resourced and the role of the family in providing care is expected to grow.

The Swedish population structure will be better prepared to sustain elevated welfare spending towards the old. In Finland, the situation looks less bright. It remains to be seen whether this will translate itself into a profound reform of the country's welfare model.

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