

Reform of survivors' pensions makes own pension increasingly important

MINISTRY OF SOCIAL AFFAIRS AND HEALTH

STM.FI

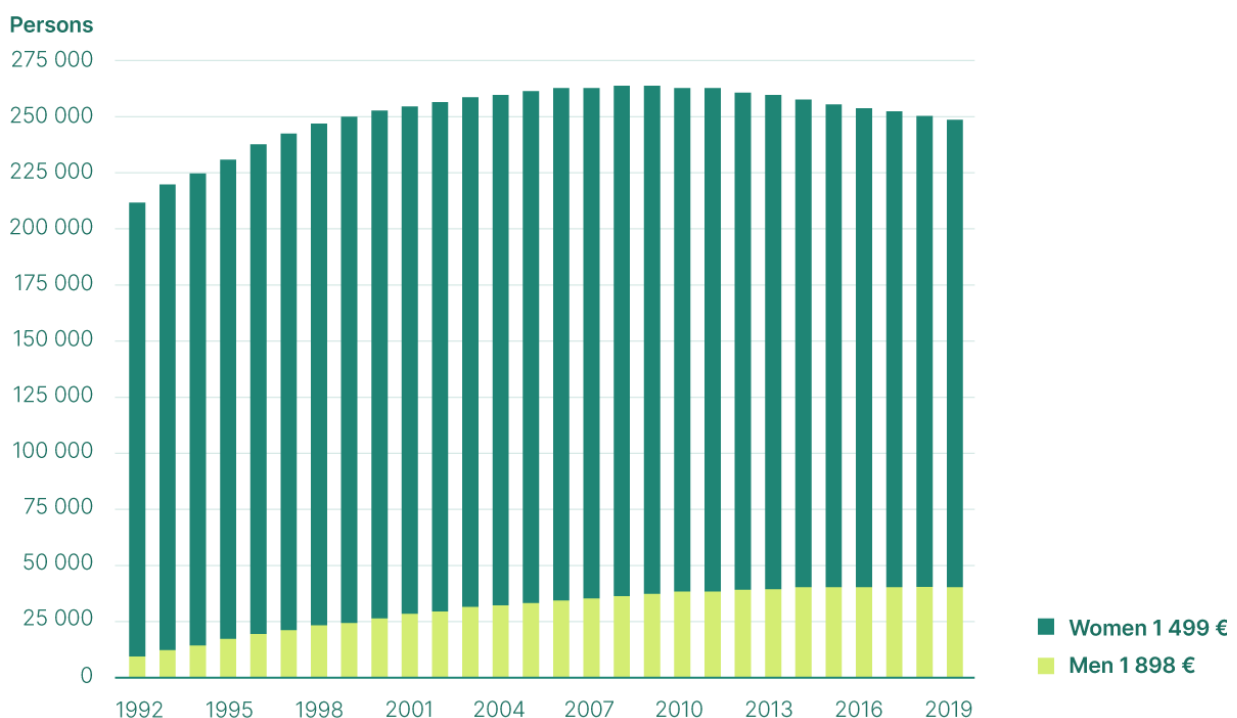
A survivors' pension secures the income of the surviving spouse and children after the death of the other spouse or parent. The earnings-related surviving spouse's pension is based on the deceased spouse's earnings-related pension. Under current legislation, it may be paid for the remainder of the recipient's life. The surviving spouse's pension paid under the national pension system may be paid until the recipient reaches the age of 65. Children may receive an orphan's pension.

Changes have been proposed to the surviving spouse's pension and the orphan's pension to update the cover of survivors' pensions, direct benefits to children and families with children and to secure the financial sustainability of the earning-related pension scheme.

Surviving spouse's pension provides security for older women

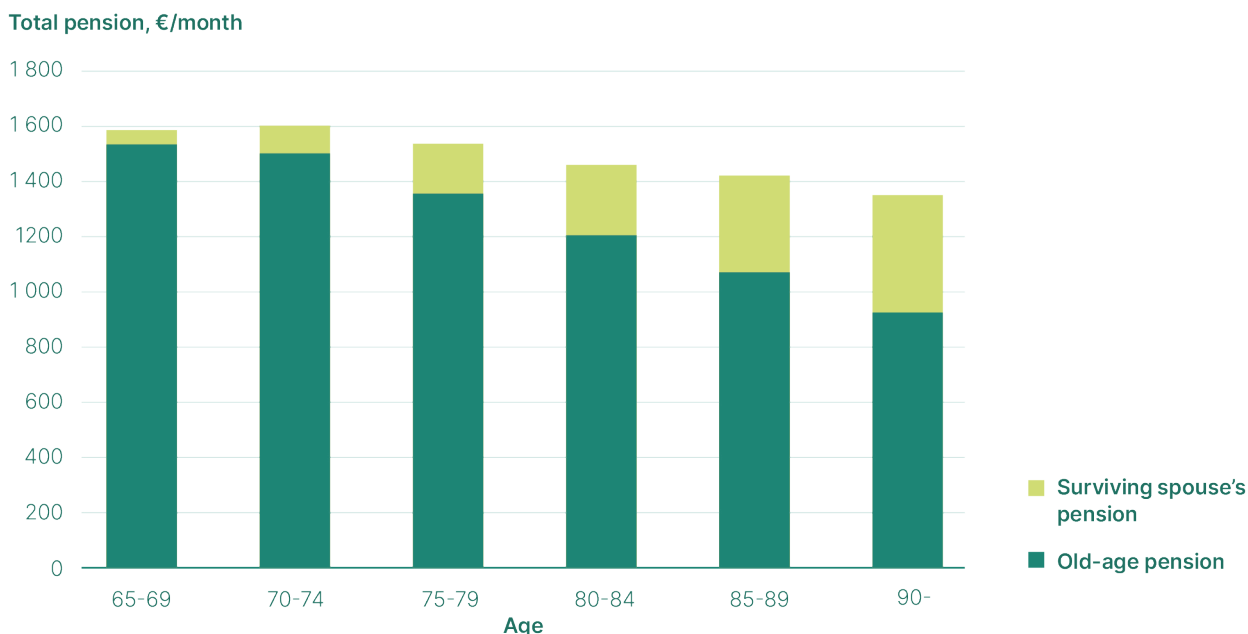
The majority of survivors' pension recipients are older women. In 2019, a surviving spouse's pension was paid to 248,700 surviving spouses and an orphan's pension to 16,300 children. Women accounted for 84 per cent of the recipients of a surviving spouse's pension. The majority of recipients (90%) were over the age of 65. In 2019, women were widowed at age 74.3 years and men at age 75.1 years on average. The number of recipients of the surviving spouse's pension increased until the 2000s but has decreased for the past two decades (Figure 1).

Figure 1. Recipients of a surviving spouse's pension by gender in 1992-2019



On average, the pensions received by women are lower than those of men, and surviving spouse's pensions play an important role in the overall pension security of widowed women. In 2019, the average monthly earnings-related surviving spouse's pension was 619 euros for women and 220 euros for men. The older the pensioner, the greater a share the surviving spouse's pension accounts for of their total pension (Figure 2). The average amount of the surviving spouse's pension paid to all women who received an old-age pension in 2019 was 160 euros, while the corresponding amount was only 13 euros for men.

Figure 2. Average total pension for women aged 65 or over by age group on 31 December 2019, €/month



Reform to update survivors' pensions

The survivors' pension has been part of the earnings-related pension scheme since the 1960s. The survivors' pension scheme was reformed most recently in 1990, as a result of which men became eligible for a surviving spouse's pension and the surviving spouse's own income began to affect the amount of the surviving spouse's pension recipients were eligible for. Now it has been considered necessary to reform survivors' pensions as a result of changes in society. The Government's draft proposal for the reform of survivors' pensions has been prepared in cooperation with Finland's central labour market organisations.

According to the draft of the legislative proposal

- the surviving spouse's pension will be granted fixed-term for persons born in 1975 and later, and it will be paid for a maximum of 10 years (but at least until the couple's youngest child turns 18);
- the surviving spouse's pension can also be paid on the basis of a cohabiting relationship if the couple has a child under the age of 18 and the couple has lived together for at least 5 years;
- the age at which an orphan's pension is discontinued will rise from 18 to 20; and
- the share allocated in calculations for the surviving spouse can be paid to the deceased person's children if there is no surviving spouse who is entitled to the surviving spouse's pension.

The reform is due to enter into force at the beginning of 2022. The amendments do not apply to the survivors' pensions that are currently being paid, and the fixed-term nature of the surviving spouse's pension will not apply to persons born before 1975.

Who can get a survivors' pension and how is it calculated?

Surviving spouse's pensions are paid from the earnings-related and national pension schemes. The surviving spouse's pension paid by Kela is only paid to the recipient until the age of 65, after which they are entitled to Kela's old-age pension. According to current legislation, marriage is a precondition for receiving a surviving spouse's pension. A surviving spouse is eligible for the pension if they have a child with the deceased spouse. If they do not have a child together, the surviving spouse must be aged 50 or more or be disabled, the marriage must have continued for at least five years, and the couple must have married before the surviving spouse turned 50 in order for the surviving spouse to be eligible for the pension.

The amount of the surviving spouse's pension paid to the recipient is based on the earnings-related pension earned by the deceased spouse. At most, a surviving spouse's pension can amount to half of the earnings-related pension of the deceased spouse. The share received by the surviving spouse is determined by whether there are children who are entitled to an orphan's pension (Table 1).

Table 1. Share a deceased spouse's pension paid as surviving spouse's pension and orphan's pension

Number of children	0	1	2	3	4-
Surviving spouse's pension	6/12	6/12	5/12	3/12	2/12
Orphan's pensions	–	4/12	7/12	9/12	10/12
Survivors' pension in total	6/12	10/12	12/12	12/12	12/12

The earnings-related surviving spouse's pension is reduced on the basis of the surviving spouse's own pension (calculated pension for a working-age person). This reduction will not be made as long as there are minors in the family. Reducing the surviving spouse's pension will ensure that the pension is in proportion to the spouse's previous common income level. The higher the spouse's own pension is, the smaller their surviving spouse's pension will be. As a result of this reduction, there may be no surviving spouse's pension left to pay.

The spouse's initial pension paid by Kela for a period of six months (€327.54/month in 2020) and the basic amount of the orphan's pension (€60.27/month) are paid regardless of the family's income. The spouse's continuing pension and the additional amount of the orphan's pension are reduced by the earnings-related survivors' pension and other income. Kela pays an orphan's pension to children until they reach the age of 18, and the basic amount to a child who is completing their studies until the age of 21.

These preconditions and determinations would remain largely unchanged even after the reform.

Survivors' pension in families with children

Currently, a surviving spouse's pension requires that the spouses were married. Thus, children may also be in an unequal position depending on the form of their parents' relationship. According to the reform proposal, a cohabiting partner who has a minor child together with the deceased spouse would also have the right to a surviving spouse's pension until the child reaches the age of 18.

With the reform, the total amount of the survivors' pension granted to recipients would no longer depend on the surviving spouse's right to a surviving spouse's pension. If there is no spouse, or if the spouse does not meet the criteria for a surviving spouse's pension, the corresponding share would be added to the orphan's pension. The total amount of the survivors' pension, as set out in Table 1, could therefore be paid in full to the children of the deceased person. Currently, some 40 per cent of orphan's pensions are paid in situations where no surviving spouse's pension is paid.

Changes in society underlie the reform

In the future, the aim of the surviving spouse's pension would no longer be to permanently preserve the recipient's accustomed income but to help during the adjustment period following the death of the other spouse. Compared to the time at which the surviving spouse's pension scheme was created, these days both women and men work and accumulate their own earnings-related pension. As of 2005, the rules for earnings-related pensions during childcare have been uniform. In the future, people born in 1975 and later who are widowed will be better able to secure their income during retirement via their own earnings-related pension than those who currently receive a surviving spouse's pension.

One reason for the proposed reform is changes in family structures. The number of married people has continuously decreased while cohabiting and living alone have become more common. The fact that a surviving spouse's pension is based on marriage means that a growing share of the population is excluded from the coverage of survivors' pensions.

The planned surviving spouse's pension for cohabiting partners would secure the income of families with children but would not affect the surviving cohabiting partner's income in old age. The surviving spouse's pension would be paid to the cohabiting partner of the deceased person only while the children of the family are under the age of 18, meaning that the surviving spouse's pension paid at the average age at which people are widowed (after the age of 70) would still be reserved for spouses who were married. Considering that the shortcomings in working careers, for example as a result of care responsibilities, may also apply to people who cohabit or live alone, the surviving spouse's pension is not a comprehensive way to make up for a small earnings-related pension.

Gender gaps in pensions will continue to exist also in the future, for example, as a result of the differences in earnings between men and women. The primary recipients of the surviving spouse's pension will continue to be women. The discontinuation of a spouse's pension after 10 years is likely to increase the need for other benefits predominantly paid by Kela. If the surviving spouse's pension becomes fixed-term, it will become increasingly important for the recipient of that pension to earn their own earnings-related pension.

Author

Suvi Ritola

Special Adviser

Finnish Centre for Pensions



MINISTRY OF
SOCIAL AFFAIRS AND HEALTH



Finnish Centre for Pensions
ELÄKETURVAKESKUS

Kela



This leaflet has been produced as part of

[Promoting gender equality in pensions project \(2018-2020\)](#)

coordinated by the Ministry of Social Affairs and Health, in cooperation with the Finnish Centre of Pensions, the Social Insurance Institution of Finland (Kela) and the Finnish Pensions Alliance TELA.



This publication was funded by the European Union's Rights, Equality and Citizenship Programme (2014-2020).

The content of this publication represents the views of the author only and is his/her sole responsibility. The European Commission does not accept any responsibility for use that may be made of the information it contains.