

## Pension Reforms and Inequality in a Nordic Welfare State

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We analyse how increasing the eligibility age for old-age pensions affects the length of working lives and redistribution in Finland using a stochastic life cycle model. In the model, individuals decide whether to continue working, accept a new job offer, or use one of the retirement options. The model groups individuals based on gender and education. Wage earners face wage shocks, the risk of losing their jobs, the risk of becoming disabled, and life time uncertainty. The sizes of these risks match empirical statistics. For instance, people with a low education have a higher disability risk and shorter average life span than others. In contrast to widely held concerns, the results suggest that raising the eligibility age for old-age pensions is not particularly problematic from a distributional perspective. This result stems from the interaction of the pension system with other elements of the social security system typical of a Nordic welfare state, such as relatively extensive unemployment and disability insurance and progressive income taxation.