

# Extending working lives through flexible retirement schemes: Partial retirement





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# Contents

Executive summary	1
Introduction	3
1. The potential of partial retirement	5
2. Mapping partial retirement schemes across the EU and Norway	11
3. Reducing working hours in a move to retirement: Sociodemographic profile	21
4. Evidence from practice: Have schemes contributed to extended working lives?	27
5. Evidence from practice: Case studies of specific schemes	35
6. Challenges and opportunities	59
7. Potential lessons for policymaking	71
Bibliography	75

## Country codes

### 28 EU Member States

<b>AT</b>	Austria	<b>FI</b>	Finland	<b>MT</b>	Malta
<b>BE</b>	Belgium	<b>FR</b>	France	<b>NL</b>	Netherlands
<b>BG</b>	Bulgaria	<b>HR</b>	Croatia	<b>PL</b>	Poland
<b>CY</b>	Cyprus	<b>HU</b>	Hungary	<b>PT</b>	Portugal
<b>CZ</b>	Czech Republic	<b>IE</b>	Ireland	<b>RO</b>	Romania
<b>DE</b>	Germany	<b>IT</b>	Italy	<b>SE</b>	Sweden
<b>DK</b>	Denmark	<b>LT</b>	Lithuania	<b>SI</b>	Slovenia
<b>EE</b>	Estonia	<b>LU</b>	Luxembourg	<b>SK</b>	Slovakia
<b>EL</b>	Greece	<b>LV</b>	Latvia	<b>UK</b>	United Kingdom
<b>ES</b>	Spain				

### Other

**NO** Norway

# Executive summary

## Introduction

This report investigates how partial retirement schemes can contribute to sustainable and adequate pension systems by enabling and motivating people to extend their working lives. It maps schemes at national and sector levels in the EU and Norway, and examines how they differ in characteristics, terms and conditions. Their impact on the extension of working lives is assessed, based on a literature review complemented with case studies of practical experiences with partial retirement schemes in the Czech Republic, Finland, France, Germany, the Netherlands, Norway and Sweden.

## Policy context

In many EU Member States, reforms have improved the sustainability of pension systems. However, these reforms come with challenges. Freezing and reducing pension benefits have decreased adequacy, and increased contributions have put pressure on disposable income and wage costs. The impact of discouraging early retirement and increasing the pension age on effective retirement ages is limited. Many people are unable or unmotivated to work until the statutory pension age. Measures that enable and motivate people to continue working can contribute to adequate and sustainable pension systems while addressing these challenges. They include health promotion, lifelong learning, improving job quality and promoting mobility. Reducing working time is another approach to enabling people to work longer than they would have been able to had they continued working full time. It can also motivate people who would prefer to work fewer hours. A barrier to the reduction of hours is loss of income. Partial retirement schemes address this barrier by substituting part of the income loss with a partial pension or benefits.

## Key findings

Over half of the EU Member States and Norway have national or sector-level partial retirement schemes. The schemes vary in rationale, coverage and design. Partial retirement can enable and motivate people to continue working up to the statutory pension age and beyond. Almost two-thirds of EU citizens say it appeals more to them to combine a part-time job and partial pension than to fully retire. However, no scheme was identified that unambiguously extended working lives for all participants. Partial retirement may have extended working lives for specific groups, especially people with health problems, disabilities, care responsibilities and physically or mentally demanding jobs. On the aggregate level, though, the reduction in hours facilitated by partial retirement has frequently outweighed the increase in hours arising from lengthening the working lives of some participants.

## Policy pointers

Policymakers, social partners and pension schemes that are considering establishing or reforming partial retirement as a tool to extend working lives can learn from past experiences.

### Effectiveness, efficiency and fairness

- Take-up rates say little about the effectiveness of a scheme. A high take-up rate may mean that the scheme is overly attractive, and the people partially retiring would have been able and motivated to continue working full time. Low take-up does not guarantee the scheme is well-targeted, however, and can signal its failure.
- Partial retirement should be more attractive than full early retirement, but continued full-time work should still be encouraged and supported.
- If partial retirement starts at too early an age and hours are reduced too much, too many working hours may be decreased for too long. If it starts too late and hours are decreased too little, it may not enable people to work longer.

- Partial retirement is sometimes used as an early exit scheme when it allows working time to be concentrated in a first period, followed by a period of leave. If very attractive, this may still motivate people not to exit the labour force until they become eligible for retirement, but it often instead shortens working lives.
- Partial retirement can extend working lives for some groups, but it is likely to shorten working lives for others. Facilitating the continuation of work beyond the statutory pension age can amplify the positive impact on the duration of working life.
- Low-paid workers may more often need a reduction of working hours to extend their working lives but are often unable to afford it even if wage loss is partly compensated.
- Several of the schemes were used more by higher socioeconomic groups, which raises concerns about fairness, particularly if schemes are publicly funded.
- It may be unfair if schemes are not accessible to older people who already work reduced hours (many of whom are women) or to unemployed or inactive people who start working part time.
- Employers may use involuntary partial retirement to restructure their workforce, but partial retirement schemes have also sometimes prevented unemployment.
- Significant barriers to part-time work include the difficulties employers may have accommodating such arrangements and employees' reluctance to work part time because of a feared impact on their status and tasks.
- Flexibility in how working time is reduced can help to match employee and employer preferences better; free time could, for example, be spread over weeks or months.
- Partial retirement is harder to implement in sectors and countries where part-time work is least common. However, it may have much potential in such contexts, by promoting part-time options and by reaching workers for whom it is a particularly important means of enabling them to extend their working lives.
- Taxes and social security interact with pensions and may create unintended incentives for partial pension schemes.

### Taking account of the broader context

- This research has demonstrated that much can be learned from past experience, but it is important to be aware of changing contexts. Increases in pension ages are likely to increase the need for people to use measures that enable them to continue working until the statutory pension age, and for employers and policymakers to facilitate them. Furthermore, part-time work has become more common across the EU, and partial retirement may thus become easier to implement.
- Even when partial retirement does not extend working lives, it may have been negotiated as an alternative to early retirement schemes that would have reduced working lives even further.
- At first glance, the impact on the overall hours worked in the economy may be the most important indication of success, looking beyond employment rates only. However, partial retirement may also enable companies to retain the knowledge older workers possess, even if part time. Certain groups of workers may also be more productive with fewer hours. Furthermore, where labour shortages emerge and workers are interested, it is easier to increase the hours of older workers who are working part time than re-employ those who have retired fully.
- This research has focused on the impact on extending working lives, but policymakers may also consider the impact on quality of life and society: flexibility allows closer alignment of the retirement path with workers' preferences, and can facilitate volunteering activities and care commitments.

# Introduction

In most EU Member States, measures have been taken at national and economic sector levels to address the pressure on pension systems. In particular, the statutory pension age<sup>1</sup> has been raised, early retirement discouraged, pension entitlements reduced and contributions increased. These measures have contributed to the improved sustainability of pension systems. However, their effectiveness may be limited and their social acceptability open to question; they may also lead to inadequate pensions and reduced quality of life. This report focuses on a measure that can overcome these challenges and has the potential to contribute to sustainable and adequate pension systems: flexible retirement aimed at enabling and motivating people to extend their working lives.

Two elements of flexibility in retirement have a clear potential to extend working lives beyond the pension age: facilitating the postponement of take-up of pensions and enabling the receipt of pension income to be combined with work. Earlier research by Eurofound (2012) focused on these two measures. However, many people are unable to work until they reach pension age because of health problems, disabilities or care commitments, and this has become more likely now that early retirement is discouraged and the pension age has been increased. Others would simply prefer to work less. Shorter working hours may enable and motivate older people to continue working until a later age. However, people may not be able to reduce their working hours because they need the income. Substitution of part of their wage loss by partial pensions or benefits can facilitate them to reduce their working hours. In this report, Eurofound focuses on such ‘partial retirement schemes’. While there is no consensus on the definition of ‘partial retirement’ (Bloemen et al, 2016), this study loosely defines it as schemes that facilitate reduced working hours by providing a partial pension or benefit close to the statutory pension age.<sup>2</sup>

## Structure of the report

Chapter 1 describes the policy context and makes the theoretical case for facilitating partial retirement. Chapter 2 maps partial retirement schemes at national and sector levels in the EU and Norway. While not in the EU, Norway was the first country in Europe with a national partial retirement scheme, and EU Member States can learn from experiences there. Chapter 3 describes the demographic characteristics of older people who reduce their working time as a step towards retirement. Chapter 4 reviews previous research on partial retirement to assemble the evidence on whether such working arrangements extend working lives. Chapter 5 adds to this evidence by presenting an overview of case studies conducted for this study examining partial retirement schemes in a number of countries. The results of the study are discussed in Chapter 6, focusing on how partial retirement schemes can be designed to extend working lives, what the challenges are and how these can be overcome. Lastly, Chapter 7 outlines lessons for policymakers, social partners and pension funds that are considering introducing or reforming partial retirement schemes.

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<sup>1</sup> The definition is challenging across Member States, but statutory pension age (also abbreviated as ‘pension age’ in this report) is loosely defined as the age at which people are entitled to an old-age pension (and not, for example, disability or unemployment benefit, or an early or partial pension), according to the statutes of their public or occupational scheme, being a fixed age or a number of contribution years or both, without reduction for early withdrawal. This definition is hard to apply to flexible contexts, where there is no standard age, and pensions are recalculated continuously when withdrawn and accumulated (as in Sweden).

<sup>2</sup> This definition includes ‘partial pensions’, a term that refers only to the pension side, which may be unrelated to whether someone works and is irrelevant when partial retirement is funded by other benefits.



# The potential of partial retirement 1

## Ageing societies: Pension pressure and labour market integration

Life expectancy has risen, meaning an increasing proportion of the population is reaching the statutory pension age and spending longer in retirement. At the same time, people are having fewer children on average. This presents a challenge for guaranteeing sustainable and adequate pension systems (European Commission, 2012). The challenge is particularly immediate when pensions are funded mainly by current contributions of younger generations rather than by accumulated savings, which is the case in almost all occupational and public pension systems in the EU.

The urgency of the situation has been emphasised over the past decades and should not be understated. However, it is important to consider the broader context. First, many people of working age are unemployed or economically inactive.<sup>3</sup> If more of them could be integrated into the labour market, this would compensate to some extent for the increase of the retired population. Second, countries have shown different trends in ageing and workforce development, so that demographic ageing is more urgent for some than for others. Third, the impact of the peak in births soon after the Second World War ('baby boomers') will fade in about two decades, which will reduce pressure on pension systems. Fourth, projections are dependent on assumptions about economic growth, productivity and demographic changes, which do not always materialise (European Commission, 2015a). Things may play out negatively, but also positively. Fifth, over recent months there has been a vast, unforeseen influx of younger migrants into the EU, illustrating the complexity of long-term demographic predictions. This again suggests that labour market integration may be a key issue, in addition to ageing societies. Sixth, more and more people who have passed retirement age are actually in employment (Eurofound, 2012).

Nevertheless, it remains a challenge to fund sustainable and adequate pensions, especially over the next two decades in the many Member States where public expenditure on pensions is relatively high and projected to increase (for example, Belgium, Luxembourg, Malta and Slovenia), and if labour market integration is not improved.

## Effect of pension reforms

Reforms have been made across the EU, at national and sector levels, that have improved the sustainability of pension systems. To illustrate, in 14 Member States, pension reforms adopted between 2010 and 2013 have contributed to a downward revision of growth in public pension expenditure (European Commission, 2015a). Public pension expenditure as a share of gross domestic product (GDP) had been projected to increase between 2010 and 2060 (by 1.1 percentage points), but after a recalculation in 2013, it is now expected to decrease (by 0.2 percentage points). It has been argued that '67 has become the new 65', and the gap between the official and the average effective retirement ages is shrinking (European Commission, 2015a; OECD, 2015). However, reforms have all come with challenges in terms of political feasibility and intergenerational distributional issues. They have also generated specific challenges for pension adequacy and quality of life.

- **Reducing or freezing pensions or pension entitlements:** Rather than making outright reductions, governments usually changed the rules for adjustment to inflation or froze pensions. However, public pensions were cut in Greece and Portugal, and sector-level pension schemes in the Netherlands, for instance. Pension schemes have also resorted to lowering the rate at which people accumulate pensions. All these measures have a direct negative impact on pension adequacy for current pensioners, as a result of cuts and reduced correction for inflation, and for future pensioners, due to the reduced amount accrued. They also come with the risk of eroding trust in the pension system and government, and increasing reluctance to make contributions into the system.

<sup>3</sup> In this report, 'work' refers to paid work unless otherwise stated. It should be acknowledged that many people are involved in other types of voluntary work, domestic work and care.

- **Increasing pension contributions:** Increasing the contributions paid by employers may discourage employers from hiring staff or put downward pressure on wages. If employee contributions are increased and wages are not adjusted upward, it may discourage people to work or increase the number of working poor. If pensions are paid from general tax revenue (or government debt), increased taxes can have similar effects for current (or future) generations.
- **Increasing the pension age and limiting early retirement:** Increasing the pension age and limiting early retirement are ineffective for people who are unable to work until the pension age. Many leave the labour market before pension age because of health problems, disabilities or care commitments. The average effective retirement age is projected to increase from 63.6 for men and 62.6 for women in 2014 to 64.4 for men and 63.6 for women in 2020 (European Commission, 2015a). However, the effective retirement age is still below the statutory pension age for many population groups. According to data from the EU Labour Force Survey (EU-LFS) 2012 ad-hoc module ‘Transition from work into retirement’, of all economically inactive people aged 50–69 in the EU in 2012 who received a pension, 21% reported their health or disability as the main reason they stopped working, while 4% reported family- or care-related commitments. This compares to 37% reporting they left employment because they had reached eligibility for a pension, 10% having reached the maximum retirement age, and 7% having had a favourable financial arrangement to leave.

Health reasons, disability and family or care commitments are likely to become a more common reason to stop working as options for early exit are reduced and pension ages are increased (European Commission & SPC, 2015; European Commission, 2015b; Ebbinghaus and Radl, 2015). With limited access to early retirement schemes, the income of these retirees comes from social assistance, disability and unemployment benefits. Such benefits have been reduced and entitlement criteria tightened in many Member States. This raises challenges of income adequacy for this ‘pre-pension period’.

### Enabling extended working lives through partial pensions

The challenges listed above can be overcome by measures aimed at enabling and motivating people to work longer. Such measures aim to increase the effective retirement age, thereby reducing the risk that people leave work before the statutory pension age (Hasselhorn and Apt, 2015). These measures entail adjusting tasks, workplace design or work intensity, health promotion, job mobility and lifelong learning. They ideally take a life-course approach by focusing not only on the last stage of working life, but also on intervening at an early stage.

Retirement schemes can also contribute to extending working lives. An example is adjusting the pension accumulation rate, as Spain has done recently, with more rapid pension accumulation at a later age. However, this report focuses on flexible retirement schemes. There are various types of flexibility that can extend working lives (European Commission, 2009; SPC, 2007; Eurofound, 2012); this report looks at one type, partial retirement. It examines national- and sector-level schemes; flexibility in private schemes is discussed elsewhere (EIOPA, 2014).

Partial retirement can also be facilitated by measures outside retirement schemes. In particular, disability benefits can also serve to facilitate part-time work in older age. They may be in the form of partial or full pensions or benefits, and often are changed from benefits into pensions at a certain age (for example, at 63 in the earnings-related pension system and at 65 in the national pension system in Finland, and at 65 in the Czech national system). In some countries, disability benefits are not reduced if combined with income from work (Latvia, Lithuania, Romania and, for blind people only, Slovakia). In other countries, disability benefits are lower if combined with income (Austria and Croatia), often only above a certain threshold (Cyprus, France, Germany, Hungary, Norway, Poland, Portugal and Sweden). The value of the benefits can depend on work capacity (Finland, Norway and Slovenia). There is a wide cross-national variation in the type of disabilities covered. Benefits may be lower for disabilities that are more easily combined with part-time work. While it is important to keep the role of disability benefits in mind, this report focuses on retirement schemes that are targeted specifically at older workers.

This section suggests that partial retirement could potentially have a relatively immediate and large positive impact on the length of working lives, based on workers' responses when surveyed about working into later life. The potential advantages from the points of view of workers and employers are highlighted. There are also potential downsides of partial retirement from both perspectives, as will be clear from later sections of the report.

### *Workers' perspective*

Are workers interested in partial retirement, and do data support the measure's potential to enable and motivate longer working lives? Overall, worker preferences are diverse, but partial retirement seems to hold a clear untapped potential, based on evidence from surveys, discussed below. However, it should be noted that reported preferences may not match actual behaviour. Partly this is due to barriers to fulfilling one's preferences, but there may also be a difference between what people say and their actual behaviour when the option is available.

### **How could working lives be extended?**

In 2015, over a quarter (27%) of workers in the EU reported that they felt they would be unable to do their current job or a similar one until the age of 60 (Eurofound, forthcoming). The proportion of people unable to continue until the statutory pension age is likely to be even higher, because the pension age is over 60 in the vast majority of sectors and countries. In addition, the question is put to workers only; older people unable to continue working who have already dropped out of the labour market are not included in the survey. The proportion would be higher if they were included.

How might these workers be enabled to work longer? No EU-wide survey that explores this issue was identified, but a Swedish survey was. The latest data are from 2005, and previous waves of the survey gave similar results. Workers aged 50–64 years who thought themselves unable to work until pension age (14% of all workers in 2005) were asked what measures would be needed to enable them to work until that age. Most respondents (60%) said shorter working hours, more than any of the other measures listed, including changes in the physical working requirements, pace of work or the psychosocial working environment (Statistiska centralbyrån, 2006). Results may well be different for other countries or for later years. However, shorter working hours are regarded as an important enabler of extended working lives. They facilitate combining work with care responsibilities, disability or health problems, and may contribute to preventing health problems or disabilities from developing or escalating.

### **Motivating workers to work longer**

Shorter working hours may not only enable people to work longer but may also motivate them to work until a later age. Partial retirement schemes have the potential to increase work satisfaction and quality of life by better matching preferred and actual working hours. Work satisfaction is an important factor in extending working lives (Eurofound, 2012). While it may have become less of a choice to stop working early, it is still possible for many people. Partial retirement may convince them to continue working until a later age. In 2011, 78% of people in the EU reported that the lack of opportunities to gradually retire by progressively reducing one's hours was an important reason for people aged 55 and over to stop working (Eurobarometer, 2012). The impact may be different across occupational and socioeconomic groups, though, and there is a blurred line between enabling and motivating workers. For example, it has been argued that workers with non-routine tasks would be more likely to extend their working lives than those with routine tasks if they were offered partial retirement options, because employees who have such psychologically demanding non-routine tasks otherwise prefer to retire early (Elsayed et al, 2015). Gradual retirement may help them to better cope with the heavy mental demands of their job. They may be able to continue working physically and mentally, but partial retirement motivates them to maintain their job.

In the EU, almost half (45%) of all workers aged 50 and over would prefer to work fewer hours, taking into account their income needs (Eurofound, 2014). This proportion ranges from 27% in Slovenia, 28% in Romania and 30% in Malta to 50% in Sweden, Italy and Spain, and 53% in the Czech Republic. In all countries, these proportions are larger than the proportion of people who would prefer to work more hours (11% overall in the EU). For others, their working hours match their preferences (44%). Flexible retirement policies acknowledge this heterogeneity and facilitate partial retirement for those who want, or need, revised working time arrangements.

Preferences are not fixed. They depend on norms and institutions, which can be reshaped. For example, fewer people may report being interested in reducing their working hours in countries where part-time work is uncommon (Wielers et al, 2014). Part of the explanation of differences may also depend on informal care traditions (care by family members), with more need for part-time work when formal care is less accepted or accessible. In other countries, the proportion of workers preferring shorter working hours may be lower because the system already enables a match between preferences (taking into account income need) and actual working hours. A key explanation for cross-country differences, though, lies in the fact that in some countries many people cannot afford to reduce their hours. If a reduction of working hours came with a less-than-equivalent drop in income, the ‘income-need’ barrier would be lower. Presented with this proposition, even more people would be likely to indicate that they would prefer fewer working hours. And partial retirement can facilitate such an arrangement by substituting part of the drop in salary with income from partial pensions or benefits.

Partial retirement has the potential to extend working lives beyond the statutory pension age. Satisfaction with one’s job is an important predictor of whether someone will continue working after retirement (Eurofound, 2012). Reduced hours can contribute to this. For example, in 2011, over two-thirds (65%) of people in the EU said that they found it more appealing to ‘combine a part-time job and partial pension instead of full retirement’ (Eurobarometer, 2012 – see Box 1). If options to combine a part-time job with partial retirement were facilitated, this might even enable people who have already retired, either early or at the statutory pension age, to work, as many of them say they are interested in combining part-time work with pensions (Eurofound, 2014; Van Soest et al, 2007).

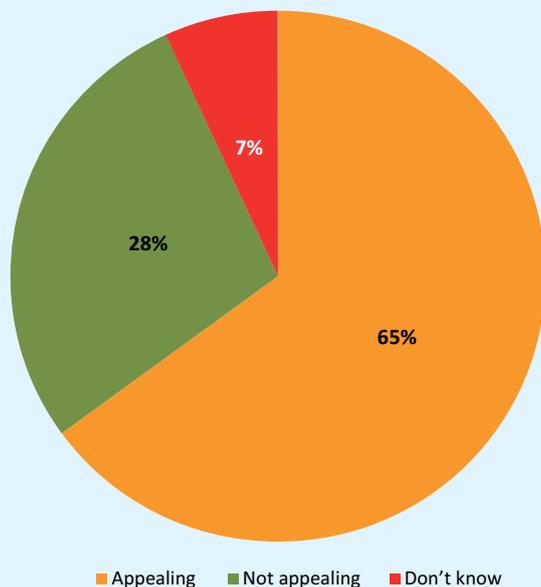
### **Box 1: Interest in partial retirement instead of full retirement among EU citizens**

The following question was put in a 2011 Eurobarometer survey to economically active (employed or self-employed) citizens aged 15 and over in all EU Member States:

*If it was possible to combine a part-time job and partial pension instead of full retirement, how appealing would this be to you?*

In the EU, 65% of people reported finding partial retirement more appealing than full retirement, while 28% found full retirement more attractive (Figure 1). This stated appeal does not take into account consequences for income or whether it is actually possible for people to take up partial retirement.

Figure 1: Appeal of partial retirement instead of full retirement, EU, 2011



Source: Compiled by Eurofound from Eurobarometer microdata

Partial retirement appealed to relatively few people in Romania (29%) and Greece (28%). In the remaining countries, proportions were between 44% (Cyprus) and 90% (Sweden). In the EU overall, partial retirement appealed to the same proportions of men and women (both 65%). People approaching the statutory pension age were more often interested, with proportions gradually increasing from 62% of 15–24-year-olds to 66% of 55–64-year-olds (65% of 65–79-year-olds).

Partial retirement had greater appeal than full retirement particularly among respondents who thought they would be able to continue working beyond age 65 in the same kind of job they currently have: it appealed to 69% of people who thought they could work until 65–69 and to 76% of those who reported they could work until 70. In addition, 62% of people who thought they could stay in their current job until 55–59 preferred partial retirement to full retirement. Health also matters, but even among people who were very dissatisfied with their health, 60% would prefer partial over full retirement, as would 68% of those who reported being dissatisfied with their health. Partial retirement appealed more often to people who reported no difficulties paying bills (68%) than to those with difficulties paying bills most of the time (57%). While partial retirement more often appealed to people in higher-skilled professions, such as managers (70%), it also appealed to many people in lower-skilled jobs, such as skilled and unskilled manual workers (63%). In the EU overall, the lowest proportions, but still more than half, were found among farmers (53%).

A survey in 2014 that covered 6 of the 28 EU Member States goes somewhat beyond retirement preferences in asking people about their retirement intentions (Aegon, 2014). In five of the six countries, a minority of people (from 29% in the UK to 37% in Germany) indicated that they would immediately stop working altogether and enter full retirement. Only in Spain did a majority of people indicate they would stop working altogether and enter full retirement. However, most people would continue only after changing the way they work, for example working part time or on a temporary contract. Overall, 50% in the UK, 46% in Germany, 45% in Poland, 43% in the Netherlands, 42% in Hungary and 19% in Spain said they would continue working after the statutory pension age, but only after making such changes in the way they work.

### Employers' perspective

As with workers, employer preferences regarding partial retirement are very mixed. However, in a survey among employers in 8 of the 28 EU Member States, a cross-country average of almost three-quarters (74%) reported favouring measures that allow for some kind of part-time retirement or bridge employment, in other words, incentives to combine retirement with work (Conen, 2013). Why would employers be interested in partial retirement?

#### *Maintaining and transferring skills*

Retaining older workers longer by facilitating partial retirement can maintain technical and tacit knowledge, improving the memory of the organisation. Furthermore, it facilitates knowledge transfer from older workers to younger ones.

#### *Fits with increase in part-time work*

Part-time work has steadily become more common in the EU, rising from 16.1% of employed people in 2002 to 20.4% in 2014.<sup>4</sup> The proportion ranges from 2.7% in Bulgaria and 5.2% in Slovakia to over 25% in Austria, Denmark, Germany, the Netherlands, Sweden and the UK. In all but 5 (Croatia, Latvia, Lithuania, Poland and Romania) of the 28 EU Member States, part-time work has become more common since 2002. A high prevalence of part-time work does not equate with opportunities to reduce working hours, however. In theory, it may be that people have always worked part time, but working time reductions for them and other workers are not facilitated. However, the extent of part-time work is an indication of how well adjusted the labour market institutions are for allowing older workers to reduce their working time. The data clearly indicate that this is increasingly the case, suggesting partial retirement is becoming easier to implement. Partial retirement schemes further facilitate this by providing a clear legal framework for reductions of working time among older people.

#### *Sustainable work and productivity*

Early retirement schemes have been used widely to let staff go under relatively favourable circumstances (Delsen, 1996). Publicly funded disability schemes have served the same purpose in various countries. Now that such options are being restricted in many Member States, workers who would otherwise have been 'inactivated' through these schemes now often continue in their jobs, sometimes regardless of deteriorating health problems or disabilities (Conen, 2013). Partial retirement provides one tool to address this issue, and it can be expected to gain importance with the increases in statutory retirement ages and discouragement of early exit. Empirical evidence on the impact of part-time work on productivity is mixed. However, it is clear that for specific groups of workers and firms, certain configurations of part-time work can increase, or sustain, productivity (Reday-Mulvey, 2000; Garnero, 2016).

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<sup>4</sup> EU-LFS data extracted from the Eurostat online database on 8 February 2015.

# Mapping partial retirement schemes 2 across the EU and Norway

The definition of partial retirement applied in this research is a broad one, including all schemes that provide partial pensions or benefits for older people to facilitate reduced working hours. This chapter presents an overview of all schemes identified in the EU and Norway, including both national and sector-level schemes. It discusses the extent of their coverage, the rationale underpinning them, their funding as well as the terms and conditions that apply to them. It also identifies current trends in such schemes. The discussion refers in places to the national case studies conducted for the current project – these can be found in Chapter 5.

## Partial retirement in the EU and Norway

Several countries and sectors have facilitated partial retirement over the past few years. At the same time, some schemes have also been abolished or restricted in various ways. Partial retirement schemes have frequently been implemented as part of broader reform packages. For example, when Poland decided in 2012 to increase the pension age to 67 by 2020, it also implemented a partial early pension scheme. In Finland, partial retirement was introduced along with a minimum retirement age of 55 when pension ages were harmonised across sectors.

Table 1 lists recent schemes in the EU and Norway. The schemes differ markedly but all will be referred to as ‘partial retirement schemes’ throughout this report. No recent national or sector-level schemes were identified in 13 of the 28 EU Member States: Bulgaria, Croatia, Cyprus, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Portugal, Romania and Slovakia. However, the schemes identified are probably not exhaustive. Examples from sector-level schemes focus on collective agreements that cover larger numbers of workers.

**Table 1: Examples of recent national and sector-level partial retirement schemes in the EU and Norway**

Country	Coverage	Name	Sector (if applicable)	Year
Austria	National	Altersteilzeit		2000
		Teilpension		2016
Belgium	National	Loopbaanonderbreking en tijdskrediet/Crédit-temps et interruptions de carrière		1985
Czech Republic	National	Důchod vyplácený v poloviční výši		2010
Denmark	National	Delpension		1986
	Sector	Rammeaftale om Seniorpolitik	Local government	2011
		Seniorordning	Industry	2012
		Seniorordning	Transport	2014
Finland	National	Osa-aikaeläke		1987–2017 (public sector) 1989–2017 (private sector)
		Osittainen varhennettu vanhuuseläke		2017
		Retraite progressive		1988
France	National	Cessation progressive d'activité	All public sector workers	1992–2004
		Préretraite progressive	All private sector workers	1992–2004
		Accord de branche relatif à l'emploi et au contrat de génération	Chemical	2014
	Sector	Accord national relatif au contrat de génération dans la métallurgie	Metal	2013

## Extending working lives through flexible retirement schemes: Partial retirement

Country	Coverage	Name	Sector (if applicable)	Year
Germany	National	Altersteilzeitgesetz		2004
		Teilrente		1992
	Sector	Tarifvertrag zu flexiblen Arbeitszeitregelungen für ältere Beschäftigte	Public sector	2010
		Altersteilzeit in der Chemischen Industrie	Chemical	2008
		Tarifvertrag zum flexiblen Übergang in die Rente Metallindustrie Baden-Württemberg	Metal and electrical in the Baden-Württemberg region	2008
Italy	National	Il pensionamento graduale		1996
Luxembourg	National	Pension de vieillesse anticipée partielle		1991
Netherlands	Sector	Deeltijdpensioen of ABP pension fund, first within VUT arrangement, from 1997 within 'FPU', and since 2006 within APB Keuzepensioen	Public sector and education	Early 1980s
		Deeltijdpensioen of PFWZ pension fund	Healthcare and social work	2001
		Deeltijdpensioen of PNO Media	Media	2008
		Deeltijdpensioen of PME	Metal and engineering	2003
Norway	National	Folketrygden		1967
	Sector	Option within the public sector Avtalefestet pensjon (AFP)	Public sector	1997
		Option within the private sector AFP	Private sector	1997–2010
		Option within the new private sector AFP	Private sector	2011
Poland	National	Emerytura częściowa		1998
Slovenia	National	Zakon o pokojninskem in invalidskem zavarovanju (ZPIZ-2)		2013
Spain	National	Jubilación parcial		2013
Sweden	National	Deltidspensionsförsäkring		1976–2001
		Socialförsäkringsbalken		2010
	Sector	Delpension (in Statens tjänstepensionsverk, SVP)	National government	2003
		Partiell särskild avtalspension in KAP-KL	Municipalities or county councils	2006
		Teknikavtalet	Technical – blue collar workers	2013
		Teknikavtalet tjänstemän	Technical – white collar workers	2013
UK	Sector	Universities Superannuation Scheme's 'flexible retirement'	Universities, higher education and associated institutions	2011
		Local Government Pension Scheme's 'flexible retirement'	Local government	2008
		National Health Service (NHS) employers' pension	Healthcare	2008

Notes: The Year column indicates the year schemes came into effect; if the scheme no longer exists, the year of abolition is also indicated. Schemes were included that existed in 2000 and/or later. The information reflects the situation in 2016, with the exception of Finland, where the planned 2017 reform is included.

Source: *Compiled by Eurofound from input by its network of correspondents, experts and own research.*

## Characterising partial retirement schemes

### Coverage

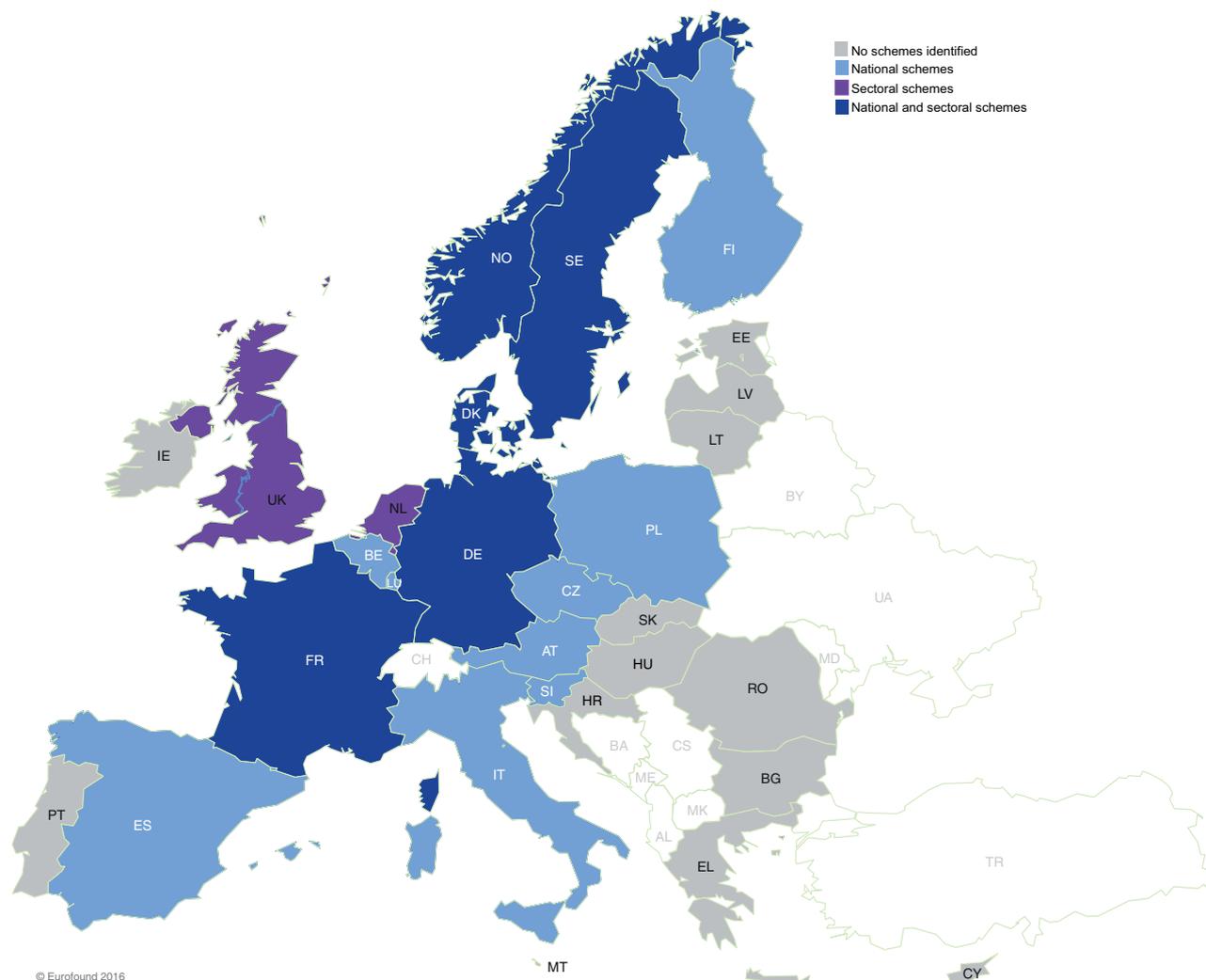
A partial retirement scheme can be set by national legislation. This does not always mean that all companies and sectors need to apply it. It may provide a voluntary framework to which companies may opt in or opt out (like the German partial retirement scheme), or it may be nationally mandated for all workers but separately for the public and private sector (such as the 1992–2004 schemes in France). Social partners are often involved in agreeing on and designing such national schemes, and may adopt specific configurations of the national scheme in collective agreements.

Partial retirement schemes may also be established by collective agreements covering specific sectors (Eurofound, 2013a), not based on any national legislation. Sometimes companies have the flexibility to set their own partial retirement scheme, within the broad guidelines of these agreements, which may be implemented at a later date. For example, the Rubber Group (part of the Continental Group) in Germany established its partial retirement scheme in 2013 within the framework of the 2008 chemical industry agreement listed in Table 1.

There are also partial retirement schemes set by single companies (not listed in Table 1). Often these are larger companies with their own pension funds (for example, DSM, Shell and Unilever in the Netherlands).

Overall, it is hard to identify a pattern along traditional country groupings (Figure 2). The Nordic countries, excluding Finland, have both national and sector-level partial retirement schemes, as do France and Germany. In Austria, Belgium, Finland and Luxembourg, only national schemes were identified, and in the UK and the Netherlands, only sector-level schemes were found. In Ireland, no scheme was identified. In the rest of the EU, no sector-level schemes were identified, but some countries have national schemes. In the central and eastern European Member States that acceded from 2004 onwards, partial retirement options are relatively uncommon, especially in the south and the Baltic states. However, the Czech Republic, Poland and Slovenia do have national schemes. In southern Europe, no scheme was identified in Cyprus, Greece, Malta or Portugal, but national schemes were identified in Italy and Spain. Even within this already diverse picture, schemes in countries with the same shading in Figure 2 actually differ greatly in rationale and design.

Figure 2: Nationally legislated or sector-specific partial retirement schemes in the EU Member States and Norway, 2016



Source: Compiled by Eurofound from input by its network of correspondents, experts and own research.

**Rationales: Varied, multiple and evolving**

The rationales underlying the schemes vary and have changed over time. Schemes are usually the outcome of a complex political process with negotiations between stakeholders (governments, employers and employees), often with different objectives. Rationales may thus be mixed, varying among stakeholders, and not always easily defined.

Some early national partial retirement schemes in Europe (from Finland and Sweden) were implemented partly with the objective of making the transition from work to retirement more gradual. In Norway, the statutory pension age was reduced from 70 to 67 in 1973, but in the private sector the pension was reduced from full to half if people combined it with income above a threshold (raised in 2002). So this ‘partial retirement scheme’ emerged partly as a move to prevent people from combining full pensions with income from work (Hernæs and Jia, 2013). Partial retirement schemes have also served as a reward or compensation for long or particularly ‘arduous’ careers (SPC, 2007). Often this compensation is early retirement (see, for example, ESIP, 2016), but sometimes it entails an option to partially retire. Some schemes are also driven by the goal to integrate inactive or unemployed people into the labour market (for example, the German *Altersteilzeitgesetz*, Austrian *Altersteilzeit*, Italian and Spanish schemes).

Often schemes have been implemented with multiple objectives in mind. For example, Berg and colleagues (2015) state that the German partial retirement scheme was initially implemented to promote gradual transitions between work and retirement, to extend working lives by offering an alternative to abrupt (early) retirement, and to encourage the employment of unemployed workers and trainees as older workers retired. The objective of providing an alternative to full early retirement has played a role as well among several early adopters (Laczko, 1988).

Few partial retirement schemes have been implemented with the single objective of extending working lives. However, it has certainly been part of the rationale for several schemes (see the case studies of the Czech Republic, the Netherlands, France and Germany). And, even if few schemes were established mainly to extend working lives, there has been a trend to adjust them based on this rationale (for example, the Austrian scheme; see also the German and French case studies).

### Funding

The (partial) compensation of wage loss due to reduction of hours has been funded by public funds, employer contributions or by employees themselves through saving schemes or reductions in their own future pension entitlements. Several schemes are funded by combinations of these sources (for example, in France and Germany). Sometimes funding comes from debts, to be funded by future taxes or pension reductions for future generations.

**Public funds:** Some of the national schemes have been predominantly funded by public subsidies, including the Austrian (Altersteilzeit), Belgian, French, German and previous Swedish (1976–2001) schemes. Even schemes at the sector level, which are not nationally legislated, sometimes receive public funding (such as AFP in Norway). Public funding may be channelled through the employer, pension funds or go directly to the employee. It may be conditional; for example, companies that opted for the German partial retirement scheme received a subsidy only if they replaced any reduction of hours within the scheme by recruiting unemployed workers or – for companies with fewer than 50 employees – apprentices (Huber et al, 2016). Subsidies may be paid by public bodies of varying nature. For example, compensation in the German scheme was paid by the Federal Employment Agency. Compensation can be in the form of partial pensions or benefits. Partial pensions may also be paid by pension funds.

**Employer funds:** Some sector-level schemes are financed by employers as part of collective agreements (such as the Swedish public sector scheme as well as the schemes run by Safran in France and Bayer in Germany – see the case studies).

**Employee funds:** Several of the schemes are funded by employees themselves through reductions in their future pension entitlements, which are discounted with the amount of pension received before the pension age. These include occupational and company schemes in the Netherlands, the transport sector and gardening and forestry sector schemes in Denmark, and the Czech, Norwegian and Swedish national schemes. Some schemes are funded by employee savings schemes (examples can be found in France and Germany – see the case studies).

Overall, a trend of decreased public funding can be observed in these schemes. Entitlement criteria to publicly funded schemes have been tightened (Austria) or subsidies have been removed altogether (Germany in 2009). National schemes that were publicly funded have also been abolished completely, usually after periods of increasingly restricting entitlement criteria (Finland, Norway and Sweden). In all these cases, the option to reduce working hours in combination with partial pensions was retained, but funding now mainly comes from company or employee funds.

## Terms and conditions of partial retirement

The rationale of the measures is often reflected by the design of the scheme. For example, when schemes are a reward or compensation for long years of hard work, working time reduction may be compensated by full pay (so that income does not change, regardless of the reduction in hours). In this section, various dimensions of the diverse terms or conditions of partial retirement schemes are discussed, but not exhaustively. For example, the dimensions discussed do not capture where a permanent contract may be required to be entitled to partial retirement (as in the case of the Deutsche Post scheme in the German case study), or the fact that some schemes require partial retirees to pledge in writing that they will not take up other professional commitments (Reday-Mulvey, 2000). However, the dimensions below emerged as important characterisations of terms and conditions attached to the scheme.

### Employer–employee agreement

The agreement of the employer is usually needed for an employee to take up partial retirement. Often, agreement is on a case-by-case basis. Employers may also cap the share of the workforce that can be partially retired. This has been the case with the German national scheme and has been applied, for example, in the chemical industry, where a maximum of 5% of staff can be simultaneously partially retired. In other examples, the employer has to accept by default, unless a good reason for rejection is provided (as in the large company examined in the Netherlands case study).

Sometimes partial retirement is a right for workers, and there is no legal requirement for the agreement of their employers. Examples include partial retirement in the transportation sector in Denmark, in companies with more than 10 employees in the Belgian scheme, and in the national scheme and some company schemes in France (see, for example, Safran in the case study).

### Age, contributions and tenure

This report focuses on partial retirement for workers close to the statutory pension age, rather than on schemes that facilitate working time reductions in the earlier stages of a career. However, these kinds of more general schemes may facilitate partial retirement; examples include the Life Course Savings Scheme (Levensloopregeling, mentioned in the Dutch case study), the *compte pénibilité* (mentioned in the French case study), and the Austrian Solidaritätsprämie (which is contingent on replacing reduced hours by hiring an older or long-term unemployed worker or trainee). Other examples are the general time credit system in Belgium and Reduced Full-time 80% (RV 80) and working time credits in Germany. This report does not include such more general schemes as partial retirement schemes, unless there is a specific version of the scheme that is accessible only to older people (such as the Belgian time credit scheme), but they are discussed in the context of the case studies, where relevant. The disability schemes mentioned earlier can also be seen as an example; while partial retirement is included if conditional on disability, more general disability schemes are not the focus of this report.

There is a minimum age for access to most of the partial retirement schemes identified. For example, workers need to be at least 55 to be eligible for the French chemical industry's partial retirement scheme, and 58 for the Danish gardening and forestry scheme. Sometimes, however, the minimum is set in terms of years of employment or contributions made to the pension scheme rather than a specific age. For example, in Italy men need to have contributed for 42 years and 6 months, and women for 41 years and 6 months. Often, the minimum is a combination of both age and years in employment or contributions made. For example, women can draw the Polish partial pension from the age of 62 after a minimum of 35 years in employment, and men can draw it from the age of 65 after a minimum of 40 years in employment. The partial retirement scheme in Spain requires people to be 61 years and 4 months old and to have contributed to the social security system for at least 34 years, or to be 61 years and 8 months old and to have contributed to the social security system for 33 years (in 2016).

Sometimes a minimum number of years of employment at the specific company is required (in Deutsche Post, it is five years). Some national schemes have different minimum ages according to sector. For example, the Finnish scheme used to have a minimum age of 58 for the public sector and 60 for the private sector (nowadays both are 61). Some partial retirement schemes discriminate according to sex; these include the Italian and Polish schemes mentioned above, but also, for example, the Austrian scheme (53 for women, 58 for men). Age may also vary according to the type of work people do or be linked to the employee's health (as in the metal company discussed in the case study of France).

In most schemes, partial retirement is accessible before the statutory pension age, but some schemes provide a partial retirement option only after that age (such as the Czech scheme, the French scheme until 2014 and the Norwegian national insurance scheme until 2011). In these schemes, people can opt to partially postpone their pensions and combine the partial pension with income from part-time work (or also full-time work, as in the Czech case). In Spain, partial retirement after the pension age (and a minimum of 15 years of contributions) does not require the partial retiree to be replaced by an unemployed person, which is a requirement for partial retirement before the pension age.

In Sweden, there is only a minimum age (61), and a partial pension can be drawn until any age, but most schemes have a maximum age up to which a worker can partially retire. Often, partial retirement can only be taken up until the statutory pension age; this is the case with the Austrian *Altersteilzeit* scheme and Luxembourg's partial early retirement scheme. In the Finnish scheme, people can enrol at the latest at age 67, and the scheme is discontinued when partial retirees reach 68. There are also examples of schemes that facilitate partial retirement before the statutory pension age and that can then be extended after that age. An example is the Dutch public sector's partial retirement scheme, which is accessible for people from age 60 until 5 years after the statutory pension age (65.5 years in 2016).

A trend can be observed in the age requirements for eligibility. Over the past decade, the minimum age at which people are entitled to partial retirement has been increased in many schemes, sometimes after earlier periods of decreases. For example, the minimum age for the Belgian scheme was increased from 50 to 55 in 2012, and between 2015 and 2016 gradually to 60. In Finland, it increased from 56 in 2002 to 61 in 2013. France is a rare case where the minimum age has recently decreased (from 62 to 60). This serves to make the scheme accessible for people before the statutory pension age (see the French case study).

### Working time reduction

Most schemes require a reduction of working time, but not all. Some are also open to people who enter the workforce on reduced hours or who already work reduced hours (such as the French national scheme and the Norwegian public sector partial retirement scheme).

The reduction of working time is usually subject to a minimum and a maximum. For example, reduced working time within the Universities Superannuation Scheme in the UK can range from 20% to 80% of the full working time, in the Spanish public scheme from 25% to 50%, in the Finnish public scheme from 35% to 70%, and in the French public scheme from 40% to 80%. In the Danish scheme, reduced working time should be between 12 and 30 hours a week. Sometimes, the reduction is restricted to one fixed proportion (as in the German scheme, where it is 50%) or a set number of fixed proportions (the Belgian scheme offers an 80% or a 50% reduction). Some schemes set a minimum of hours, and reductions cannot bring working hours below that minimum. Partial retirees in the Italian scheme need to work at least 18 hours per week, and in the Swedish public sector they must work at least 50% of full-time working hours. Other schemes just set a maximum of working hours, such as the Slovenian scheme, where a partial pension is conditional on working at most 50% of full-time hours.

This report focuses on reduced working hours. However, if partial retirement is conditional on reduced working hours, it may be particularly hard to verify this for self-employed workers. It is interesting to observe that the French partial retirement scheme is conditional on reduced working hours for salaried employees, but on decreased income for craftspeople and retailers, and on reduced land for farmers (see the case study of France). In other schemes, even for salaried workers there may be alternatives to reduced working hours. In the UK local government scheme, a worker aged 55 or over can draw a partial pension if they reduce their hours (and the employer agrees) or if they move to a less senior position.

There are also ‘decoupled’ systems, in which people can draw a partial pension from a certain age regardless of the number of hours they work. In contrast to partial retirement schemes where partial pension receipt is conditional on a reduction in working hours, in decoupled systems partial pension receipt and working hours are unconnected. These partial pensioners may, however, then use this income to compensate for income loss from a reduction in the number of working hours (or a move to a lower-paid, less intense job). Decoupled systems include the schemes in the Czech Republic, Finland (from 2017), Norway (from 2011 and 2008–2010 for people aged 67–69), Poland (from 2012), Sweden (from 2010) and the Dutch public sector scheme. Luxembourg’s partial pension is also unconditional on reduced working hours. However, the pension is reduced if income from work exceeds a certain threshold, which was previously 50% of the full pension, but since 2013 the reduction is more gradual, to between 1% and 99% of the full pension.<sup>5</sup> Effectively this implies that there are limitations to working time, in particular for people with higher salaries. It thus differs somewhat from the other partial retirement schemes, and in other countries and sectors there may also be early pensions that are reduced partially if combined with income from work above a certain threshold. However, as Luxembourg’s scheme is positioned as a partial pension scheme, it is included here.

### Duration, changes and advance notice

Schemes can be subject to a specific, minimum or maximum duration. For example, the partial retirement scheme of the chemical industry in Germany has a maximum duration of six years, and in the Austrian *Altersteilzeit* scheme, partial retirees have been entitled to partial compensation for up to five years since 2013 (down from seven years previously). The partial retirement scheme in Belgium has an option of a minimum of six or three months of reduced working time, with an unlimited duration until the pension age of 65.

Usually, workers need to apply for partial retirement a few months in advance of reaching the age at which they become entitled (four months in the Deutsche Bahn company scheme) or before the age at which they want to take it up, if this age is flexible (three months in the Belgian scheme and two months in the UK’s Universities Superannuation Scheme).

Schemes also differ in the way options are available for changing the conditions after enrolment. For example, in Finland, France, Norway and Sweden, it is possible to reverse partial retirement or to make increases or decreases in working time within the scheme. In Germany, workers sign up for five years and cannot withdraw once they have opted in. Sometimes it is possible only to reduce one’s hours further but not to increase them again (see the case study of the Netherlands). Even when the scheme allows for increases and decreases of working hours and salary, there are limitations to flexibility. For example, the UK university scheme requires reductions (or increases) of at least 20% of full time each time people make a change, and no further changes are allowed within one year following any adjustment. The French scheme allows partial retirees to change their working hours each year to anywhere between 40% and 80% of full working time, and their pensions are then recalculated.

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<sup>5</sup> On 31 December 2015, there were 161 partial retirees in this scheme, up from 78 on 31 December 2012.

### Wage compensation and impact on pension

In a partial retirement scheme, the compensation is usually a fixed proportion of the wage loss. The compensation covers 50% of the wage loss in Finland, for instance. In Germany, the minimum compensation was mandated nationally, but several industries provide more than the minimum (Berg et al, 2015).

Compensation may also be a fixed amount, such as in the Belgian partial retirement scheme, where wage loss is compensated by a fixed monthly payment of around €200 (€224 for single-person households and €186 for other types of households) for a reduction to 80% of full working time, and €400 for a reduction to 50% of working time. Another example is the Danish national scheme, where compensation for reduced working time was a fixed amount of DKK 91.64 per hour (€12.32 as at 30 June 2016) in 2015.

In decoupled systems, the amount of pension that can be withdrawn is usually subject to some limitations. For example, in Poland a fixed proportion (50%) of a pension can be withdrawn, while the Dutch public sector scheme sets a minimum proportion (10%).

The financial consequences of partial retirement are not restricted to current income: it may come at a cost to the partial retiree's future pension entitlements. There are two ways in which future pensions may be reduced. First, if wage substitution is financed by an early pension, the future pension may be reduced by the part that is withdrawn early (see the Netherlands case study). Second, whether financed by a pension or other benefits, when people reduce working hours, their annual pension accumulation is usually lower for the period in which they are in partial retirement than if they had continued working full time (but higher than if they had stopped working). However, sometimes pension accumulation is maintained during partial retirement, either fully or dropping less than proportionally to the reduction in hours (this is the case in the Belgian scheme and the Finnish scheme until 2011). Sometimes this depends on whether the employer and employee agree to make continued full social security contributions (see the France case study). Pension accruals (and contributions) may also be reduced proportionally during partial retirement, with no option for full accumulation (see the Netherlands case study).



# Reducing working hours in a move to retirement: Sociodemographic profile 3

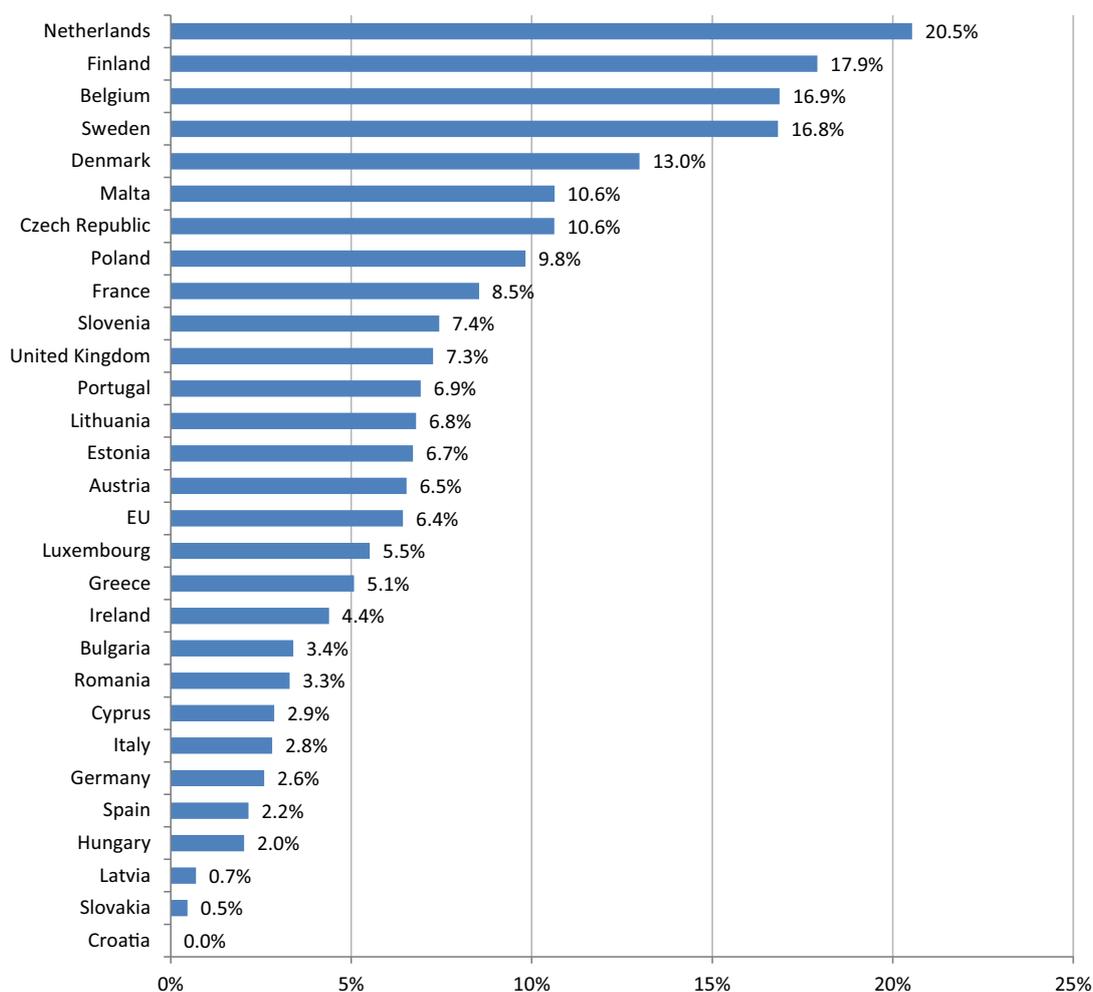
This chapter looks at the prevalence among older people in the EU of a reduction of working hours as a step to retirement. It is based on an analysis of the 2012 EU-LFS module ‘Transition from work to retirement’. The analysis is broken down on the basis of the following characteristics: age, sector, occupation, education and gender.

## Characteristics of people who reduce hours

### Age

It is most common for people aged 55–69 who are in employment or retired to report having at some point reduced their working hours in a move towards full retirement in the Netherlands (21%), Finland (18%), Belgium and Sweden (both 17%) (Figure 3). The likelihood for people aged 55–69 years to have made such a reduction increases with age, and in all these countries, it is most common for 65–69-year-olds to report making such a reduction. However, the differences between age groups are particularly pronounced in the Netherlands and Sweden, where 35% and 30%, respectively, of 65–69-year-olds reported having reduced their working time. For all four countries, it is less common for people aged 55–59 to have made such a reduction, ranging from 1% in Sweden to 14% in Belgium.

**Figure 3: Percentage of people aged 55–69 years who reported having reduced their working hours in a move towards retirement, EU Member States, 2012**



Notes: Data for the UK exclude inactive people; data for Ireland exclude people who were working without receiving a pension (Eurostat, 2014).

Source: Eurofound analysis of EU-LFS 2012 ad-hoc module microdata, December 2014 edition

The limited sample sizes do not allow for detailed country-level analysis, but some observations can be made for the EU overall with regard to the characteristics of people who reduced their hours and the work they do.

Of all people aged 55–69 years in the EU who are still employed and have reduced their hours in a move towards retirement,<sup>6</sup> 60% are also receiving pension income, while 40% are not. Overall, of all people in the EU who work part time, more than a quarter (27%) report doing so because they could not find a full-time job. However, this is a less common reason for the 83% of part-time workers aged 55–69 who have reduced their hours in a move to retirement,<sup>7</sup> with 5% reporting such involuntary part-time work. Older workers who have reduced their working time in a move towards retirement more often report certain other reasons for their part-time work than older part-time workers who have not taken this step (and so are more likely to be long-term part-time workers); these reasons include family or personal reasons other than looking after children or incapacitated adults (37% of the former group vs 22% of the latter group), own illness or disability (7% vs 4%) and reasons not captured by the answering categories (48% vs 24%).

### Sector

A reduction in hours in a move towards retirement is most common in professional, scientific and technical activities, where 10% of workers have done so, followed by agriculture, forestry and fishing, with 9% of workers doing so (Figure 4). Manufacturing is one of the sectors where it is least common, with 4% of workers having reduced their hours.

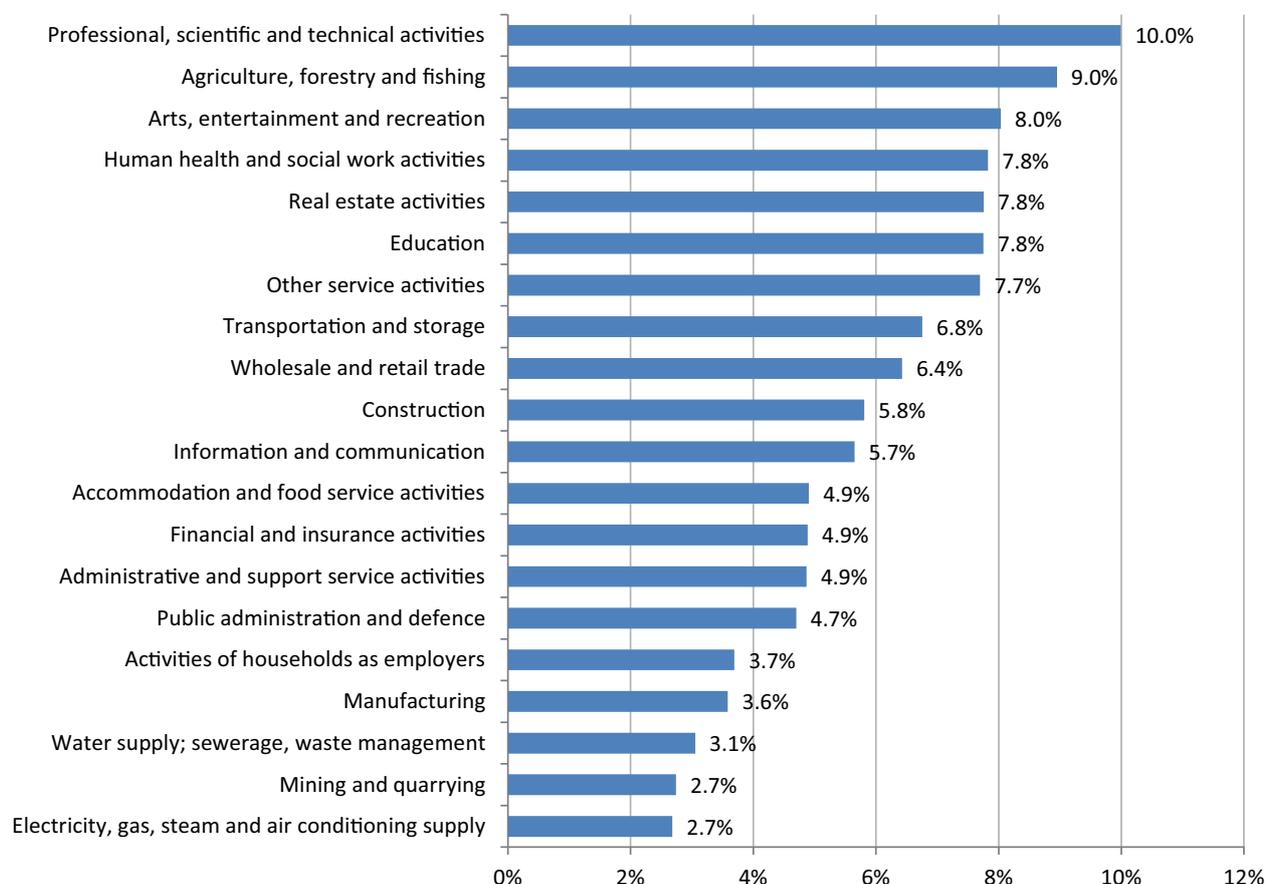
Because of larger numbers of 55–69-year-olds employed in certain professions and sectors, however, large numbers of workers in sectors where it is relatively uncommon (such as manufacturing) have reduced their hours. By contrast, few of the people who have reduced their working hours work in the arts, entertainment and recreation sector, even if it is relatively common in that sector. Of all the people who have reduced their hours in a move towards retirement, the largest group comes from the human health and social work activities sector, comprising 15% of the total. This is followed by wholesale and retail (12%), agriculture, forestry and fishing (11%), education (11%), professional, scientific and technical activities (8%), and manufacturing (8%).

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<sup>6</sup> The focus on employed workers allows UK data to be included (where the question was not put to inactive people). It may also give a more current picture, and makes it easier to interpret data, with current occupations and professions recorded, as opposed to retrospective data. It is somewhat less common for employed (6.4%) than for inactive (6.5%) 55–69-year-olds to have made a reduction in their working hours. One explanation of the difference is that the employed group is younger on average and working time reductions become more common with rising age.

<sup>7</sup> Some (3%) people aged 55–69 who reduced their working hours actually work full time (probably having reduced their hours from more than full-time hours).

**Figure 4: Percentage of workers aged 55–69 who reduced working hours in a move towards retirement, by sector, EU Member States, 2012**



Source: Eurofound analysis of EU-LFS 2012 ad-hoc module microdata, December 2014 edition

### Occupation

It is most common for skilled agricultural, forestry and fishery workers and professionals to have reduced their working hours as a step to retirement, with 9% of both occupational groups having made such a move. These are followed by service and sales workers, clerical support workers and managers (6% of each). It is less common among craft and related trades workers (4%), plant and machine operators (5%), elementary occupations (5%), and technicians and associate professionals (5%). The biggest group of those who reduce their working hours are professionals (comprising 24%), followed by service and sales workers (15%), technical and associate professionals (12%), skilled agricultural, forestry and fishery workers (10%), and clerical support workers (10%).

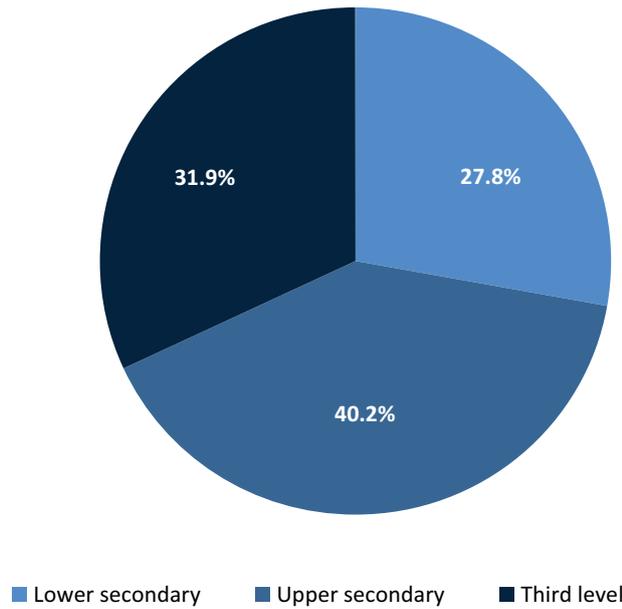
### Education

Almost one-third (32%) of people who reduce their working hours in a move towards retirement have completed third-level education (Figure 5a), while 40% have an upper secondary and 28% a lower secondary education as their highest completed educational level. However, a greater proportion (7%) of people with a high or a low educational level make such a reduction than people with the middle level of education (6%) (Figure 5b). Workers with a high level of education are most likely to have reduced their hours in any age group: 6% in the group aged 55–64 and 22% among 65–69-year-olds. Among workers with a medium or low educational level, the proportion is lower: 5% of 55–64-year-olds and 19% of 65–69-year-olds in both groups. One reason that people with a low level of education are more likely to have reduced their hours than people with a medium level is that the latter constitute a relatively small proportion of the oldest age

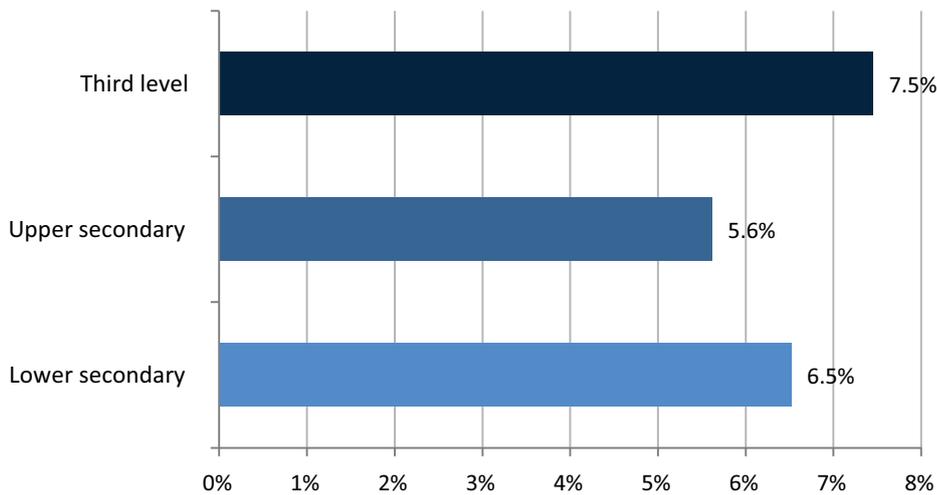
group, the age group that is most likely to have reduced its hours: 36% of 65–69-year-olds have a medium (and 34% a low) level of education, compared to 49% of 55–59-year-olds (26% of this group having a low level of education).

**Figure 5: Percentage of workers aged 55–69 who reduced their working hours in a move towards retirement, by education, EU, 2012**

a) Educational level of workers who reduced working hours



b) Workers who reduced working hours, by educational level



Source: Eurofound analysis of EU-LFS 2012 ad-hoc module microdata, December 2014 edition

## Gender

Women are more likely to have reduced their working hours as a step towards retirement: 7% of women have done so, compared to 6% of men. This aggregate gender difference can largely be explained by the fact that women work more often in sectors where such reductions are most common. In most of the sectors that employ the largest proportions of 55–69-years-olds, there are few gender differences. In some sectors, men are actually more likely to have reduced their working hours in a move towards retirement than women, most notably in education: 9% of men compared with 7% of women. The aggregate gender difference only holds to a large extent within construction, where 8% of women made a reduction, compared to 6% of men. However, when looking at the construction sector in more detail, the gender difference can be explained by women being over-represented in occupations where a reduction of working hours in a move towards retirement is more common. For example, 52% of women working in construction are clerical support workers compared to 2% of men. In contrast, 57% of men are craft and related trades workers compared to 3% of women. A greater proportion of clerical support workers (6%) reduce their hours in a move towards retirement than craft and related trades workers (4%).



# Evidence from practice: 4

## Have schemes contributed to extended working lives?

Several studies have estimated whether specific partial retirement schemes or, more generally, part-time work among older workers have extended working lives. Most studies focus on the impact on length of working lives, but others also look at the contribution to overall working hours in the economy. Some also conduct a cost–benefit analysis. This chapter describes these studies and synthesises their conclusions, and considers how they have contributed to a better understanding of the complex mechanisms at play. It provides an extensive body of evidence from practice, from which lessons will be drawn for the final discussion in this report.

### Research on partial retirement schemes

#### Austria

Graf and colleagues (2011) match a sample of people who entered the Austrian partial retirement scheme, *Altersteilzeit*, between 2000 and 2003 with a group of workers with similar characteristics who did not enter the scheme. They find that over a four-year period, male participants in the scheme worked 15 days longer and female participants 23 days longer than people who did not take up the scheme. However, the reduction in working hours had a larger impact: employment in full-time equivalents was reduced by 29 percentage points in the case of men and 25 percentage points in the case of women over the four-year period. The average period for which people were unemployed over a three-to-five-year period was reduced by 1–1.5 months.

The authors argue that the negative impact on overall working hours is partly due to the option to choose a ‘block model’: first, continuing to work full time and then using the reduction in hours to fully retire early instead of continuing to work part time. Another reason is the lack of incentives to work after the pension age. The authors further argue that the impact does not justify the cost.

#### Belgium

Albanese and colleagues (2015) conduct a survival analysis comparing a group of workers who partially retired between 2002 and 2003 with a control group who did not do so despite being entitled to. They investigate exits out of the labour market into various retirement schemes. The data run until 2011. Overall, the authors find that initially the partial retirement scheme prolonged the time spent in employment (during the first two years for men and the first four years for women), but subsequently it accelerated exits to the national early retirement scheme. In the beginning, the effect was positive presumably because participants were not yet eligible for occupational early retirement. On average, women become entitled to occupational early retirement at a later age because of a shorter employment history.

Overall, people who partially retired were more likely to leave employment earlier than those who did not partially retire. The effect is largest for exits to the national early retirement scheme, accessible from age 60 after 35 years of employment (the pension age is 65). Early pension receipt is based on the full-time wage equivalent of their part-time work. The effect is not significant for the occupational early retirement scheme, available after 20 years of employment from the age of 60 (or 58 in some sectors, and it can be 50, 52 or 55 in restructuring firms or arduous jobs), which pays half of the difference between unemployment benefit and the previous wage. For partial retirees, this occupational early retirement scheme is often less attractive as the part-time wage is counted as the previous wage, in contrast to the national early retirement scheme.

The study quantifies the monthly cost for the government (the cost of the publicly financed partial pension and lost income tax revenue) and the welfare cost to society (loss of production). It estimates a net monthly cost to government

of €878 and €696 and a monthly welfare cost of €1,706 and €1,345 per partial retiree for men and women respectively. Only when the assumption is made that the decrease in working hours will be fully replaced by hiring economically inactive or unemployed people, a positive welfare gain of almost €500 for society emerges in the first four years per female retiree.

**Methodological challenges:** The database does not contain information on education or pension receipt and available indicators for health can only be used as outcomes. Furthermore, as with all of the studies examined here, it is not possible to observe what partial retirees would have done if they had not entered the scheme. Partial retirement may well be used particularly by people who would have left the labour market had the scheme not been available. One can only control for this to a certain extent.

### Finland

Ilmakunnas and Ilmakunnas (2006) use data from 56–64-year-old respondents to the 2003 Quality of Working Life Survey. That survey included a question about whether people were partially retired and also about their intentions to work beyond the minimum retirement age (63). After controlling for various personal and company characteristics, the research shows that being partially retired had no significant impact on whether someone was planning to continue working after the age of 63. However, age had a strong positive correlation with the intention to retire after 63, suggesting that those preferring to retire early had already done so. Those with the highest educational attainment were most likely to plan to continue working after the minimum retirement age. Lower income, chronic disease (mental and physical) and being female show a negative association with the intention to continue working after 63.

**Methodological challenges:** The partial retirees may have included, for example, more people with care commitments (not among the variables controlled for) or people with disabilities, who may have reported that they had no plans to work beyond 63 but would otherwise have exited the labour market before that age. So, intentions to work beyond 63 may have been lower than average for these retirees, but the scheme may still have enabled them to work longer than they would have had they not had access to partial retirement. Furthermore, the study investigates retirement intentions, not actual length of working lives.

### Germany

A study by Berg and colleagues (2015) assesses the German *Altersteilzeitgesetz* national partial retirement scheme, which companies can choose to adopt or not. The study does not directly observe whether someone participates in the partial retirement scheme but uses part-time work as a proxy. The study compares the length of employment of people who reduced their hours and those who did not. It compares the period before the introduction of the partial retirement scheme (1993–1998), with two periods after the introduction, which differ in the usage of the block model, that is, the option to take partial retirement as a period of full-time work followed by full-time leave. The block model was less common in the first period (1999–2001) and more common in the second period (2002–2004).

The estimates suggest that initially people who were otherwise likely to retire fully now instead retired partially, with men extending their working lives (by 1.8 years, or 0.8 years in full-time employment), but not women. However, the authors argue that as the scheme evolved by facilitating the block model, many men and women used partial retirement to achieve earlier abrupt departures from work while technically remaining employed. Hence, in the second period the average extension of working life fell to around 1.2 years for men (and full-time employment by 0.2 years), while women worked 0.2 fewer years (and 1.2 years fewer full time) than before the policy was implemented. The authors explain the positive impact for men by the attractiveness of partial retirement, which encourages them to continue working until they become entitled to participate and work throughout the period the scheme lasts.

The authors also conduct a cost–benefit analysis, assuming 20% of partial retirees receive a €38,724 subsidy for the three years that partial retirement lasts on average in the sample. In their estimation, this cost is outweighed by the gain in tax income. In addition, there are savings to unemployment insurance, leading to a gain of €18,125 per partial retiree in the period when few partial retirees used the block model, and €17,625 in the period when many used that option. The calculation does not take account of savings to unemployment benefit or tax revenue gained due to the requirement to hire an unemployed person or trainee when the subsidy was used.

**Methodological challenges:** The study examines part-time work rather than whether someone participates in the partial retirement scheme (as noted above). For example, the authors acknowledge that some of the growth in part-time work among women aged 55 and over may be due to ‘secular trends, rather than the [partial retirement scheme]’ (p. 18). The study also does not analyse precise hours of work. This complicates the estimation of the impact on overall hours contributed to the economy and masks partial retirement take-up (conditional on reduction of hours) among people who already work part time.

Huber and colleagues (2016) investigate the same scheme, applying a different method and covering a different period, 2002–2008. They merge data from a company survey with cross-sectional data about the companies’ employees, based on social insurance records. Because of statistical issues, they include only male employees. They compare employees in firms that implemented the partial retirement scheme with those in firms that did not. The study estimates that in eastern Germany partial retirement raised employment rates by 5–6 percentage points among workers in firms that implemented the partial retirement scheme, compared to those that did not. It reduced unemployment by 4–5 percentage points for the period analysed. This reduction in unemployment can be explained by older workers retiring partially instead of exiting the labour market through unemployment and the requirement in subsidised partial retirement to hire an unemployed person to cover the hours reduced (see the section ‘Terms and conditions of partial retirement’ in Chapter 2). In western Germany, the results are initially similarly positive (for 2002–2004) but then early exits increase.

The authors also conduct a cost–benefit analysis, demonstrating that the net savings in public costs (taking account of tax revenue and social insurance contributions, and savings in unemployment and pension benefits) amount to roughly €3,000–€4,500 per partial retiree over 6.5 years in western Germany and €4,500–€7,000 in eastern Germany.

**Methodological challenges:** The study uses a sample with smaller-than-average companies that operate less often in service sectors, that use more skilled labour and more often operate in manufacturing. The results are thus representative only for this subgroup of companies. Furthermore, the data do not reveal whether a partial retiree used the block model or shifted to part-time work.

### Norway

Hermansen (2015) compares retirement behaviour (in the next two years) among workers aged 61 and 62 working in companies offering employees the option to decrease their working hours (an ‘hour-reduction scheme’) and in companies without this scheme. The majority of companies offering this measure (65%) subsidised the reductions in working time, so that the salary reduction was less than proportional to the decrease in working hours, or there was no salary reduction at all. So these are company-level partial retirement schemes as defined in this report. The remaining companies (35%) did not offer such a subsidy. Hence, while the study does not limit itself to partial retirement schemes alone, it assesses a scheme that facilitates working time reduction among older workers.

The results indicate no difference between the two groups of the likelihood that employees withdraw from the labour market with a full (early) pension in the following two years. This result holds before and after controlling for various individual and company characteristics.

**Methodological challenges:** The study does not fully control for factors related to health status, working environment and working conditions. If these factors were less or more favourable in companies that offered reduced working hours, it may under- or over-estimate the effect of reduced working hours. While the analysis does not support the notion that reduced working hours was a decisive factor for those who chose to opt for full early retirement, it does not investigate the duration of employment of those who kept working.

### Sweden

Wadensjö (2006) uses administrative data to determine how many hours people worked before enrolling in Sweden's previous national partial retirement scheme, Deltidspensionsförsäkring, in 1991 and how many after, in 1994. He then uses analysis of survey results (supplemented by administrative data) from 1974 and 1981 by Sundén (1994, as cited in Wadensjö, 2006) about the share of people who would have continued working to the same extent in the absence of partial retirement. Wadensjö's analysis suggests that the reduction of hours is outweighed by the increase in hours due to increased length of working lives. On average, the number of working hours per partial retiree increased by 4–5 hours. The number was higher for women (8.2–9.0 hours) than for men (1.4–2.3 hours). Taking into account the number of people who took up a partial pension (higher in 1994 than in 1991), the total contribution of the scheme to the economy is estimated at 6.7 million working hours in 1991 and 10.6 working hours in 1994. No cost–benefit analysis is conducted.

**Methodological challenges:** The estimate of the proportion of people who would have continued working full time if there were no partial retirement option is based on a different time period (the 1970s and 1980s) from the data on reductions in hours (the 1990s). These different contexts may have a distorting impact. Overall, the author acknowledges that the 'calculation is based on data which is not perfect for the task' (p. 27).

### Survey-based research on part-time work in old age

Rather than assessing specific schemes, other studies analyse survey data on part-time work or working time reduction more generally. However, they draw conclusions of relevance for partial retirement. Three recent studies of this type in the EU have been identified: two cross-national (Been and Van Vliet, 2014; Aranki and Macchiarelli, 2013) and one national (Machado and Portela, 2012). The parts of these studies that are relevant for the topic of interest here are summarised below, followed by a general discussion of methodological challenges of all these studies.

Aranki and Macchiarelli (2013) use data from the EU Statistics on Income and Living Conditions (EU-SILC) 2004–2009. They estimate the impact of part-time work, along with that of many other factors, on the length of working lives, using survival analysis, which estimates the likelihood that a person will retire at various ages. The EU-SILC data include details on income and wealth, allowing the authors to control for important financial determinants of retirement decisions. The study finds that working (or having worked) part time reduced the likelihood of retiring at the pension age. The impact on the probability of retiring early is not significant. This suggests that people who worked (or had worked) part time were more likely to work longer and so to retire at or after the pension age. The authors control for differences between countries, for example for part-time work being more common in countries where work after the pension age is more common.

Been and Van Vliet (2014) use EU-LFS data combined with national-level averages for unemployment, disability, self-employment and early retirement rates to analyse variation in labour market withdrawal of older workers across 13 European countries over the period 1995–2008. In the model applied by the study, individuals choose the most attractive option between disability, unemployment, self-employment, part-time employment and early retirement. These options are mutually exclusive: when early retirement is used often, it implies that the rates of other options are relatively low. The study thus seeks to control for the 'joint determination' of disability, unemployment, self-employment, part-time work rates and early retirement.

Overall, the analysis concludes that part-time employment leads to later labour market withdrawal. In particular, it finds that an increase in part-time work (by 1 percentage point) is associated with a decrease in early retirement (by 1.7 percentage points) among men. For women, the study does not find a significant impact. The picture changes when the model controls for involuntary part-time work, that is, when the part-time workers would have preferred to work full time. People who voluntarily take up part-time work extend their working lives on average more than those who do so involuntarily. More specifically, a 1.0 percentage point higher share of voluntary part-time employment decreases early retirement by 2.0 and 1.3 percentage points among men and women, respectively. The study further finds that a 1 percentage point higher part-time employment rate increases the average weekly number of hours worked by about 0.4 hours among men. The effect is smaller, or even absent, among women.

Machado and Portela (2012) also use EU-LFS data but focus on the 2006 ‘Transition from work to retirement module’ that asked people about whether they reduced their working hours in a move towards retirement.<sup>8</sup> Using detailed cross-sectional data for Portugal, the authors conduct survival analysis predicting the chance that someone will retire at a specific age. The retirement age of respondents is measured by a proxy: the reported age at which they started receiving a retirement pension (and the current age for people who were still employed). The study examines the impact of a voluntary reduction in hours of work before retirement on the age at which people retired. It shows that reducing hours of work before retirement is associated with early exits from the labour force and suggests that a reduction in hours of work signals ‘the worker’s wish to retire sooner rather than to announce the desire of remaining in the labour market’ (p. 1). The authors argue that a reduction of hours in Portugal (an EU country with relatively low wages on average) implies that workers will suffer a wage reduction, and they probably can only do so if they have a financial safety net.

### Methodological challenges

It is an issue for all these three survey-based studies that the results rely on weighted samples intended to be representative of the entire population and not on actual administrative data. Another general issue with surveys is that results are based on reported data. Such reported data are particularly problematic, for example, when length of working lives is calculated based on reported retrospective data about when respondents started work or how long their career has been (for example, see Aranki and Macchiarelli, 2013). Much of the survey data also ignore the possibility of multiple ‘retirement events’, when people make transitions in and out of work over their lives. Data is usually cross-sectional, so the possibilities of investigating retirement behaviour, such as the evolution of working hours and wages, are limited. EU-LFS and EU-SILC time-series data come with other challenges, including smaller sample sizes. Except for the study that uses EU-SILC data (Aranki and Macchiarelli, 2013), financial information is lacking in the datasets, so the study cannot reveal whether people who reduced their working hours had other income sources. Furthermore, the data are often collected through different surveys in different ways in the various Member States, with different questions asked of respondents (‘indicators’ are agreed at the EU level, not always the questions).

## What can be concluded from the research?

### Summarising the findings

There is a risk associated with presenting the studies discussed above in a summarising table, with overall conclusions on the impact of partial retirement on length of working lives and hours worked (Table 2). It may invite simplistic conclusions on whether partial retirement schemes ‘work’ or ‘do not work’, in general or in specific cases. This would ignore the complex contexts and the varying and evolving policy objectives underlying the schemes, as well as the methodological challenges to the studies. However, such a table is instrumental in providing an overview of the research that has been conducted and in giving a flavour of the diversity in methods and conclusions.

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<sup>8</sup> The 2012 EU-LFS module analysed in Chapter 3 is a second version of this module.

**Table 2: Does partial retirement or part-time work in older age extend working lives? Evidence from quantitative research**

Scheme assessed by the study	Data used	Impact of partial retirement or part-time work	Impact on		Reference
			Length	Overall hours	
<b>Austrian national partial retirement scheme (from 2000)</b>	Administrative data from social security and public employment service	Increases the probability of being employed (mainly in the first two years) and reduces that of being unemployed.	+	-	Graf et al, 2011
<b>Belgian national partial retirement scheme</b>	Stratified sample of merged administrative registers, 2002–2011	Initially prolongs employment, as participants keep accumulating a full pension, but when participants become eligible for early retirement, financial incentives induce them to leave prematurely.	-	-	Albanese et al, 2015
<b>Finnish national partial retirement scheme</b>	Quality of Working Life Survey, 2003	Impacts neither the probability of thinking about continuing working after age 63 nor plans to continue working in retirement.	0	-*	Ilmakunnas and Ilmakunnas, 2006
<b>German national partial retirement scheme</b>	Linked employer – employee data (survey), 1993–2004	Reduces the likelihood of retirement, with 1.8 years extension in the expected duration of employment for men.	+	?	Berg et al, 2015
<b>German national partial retirement scheme</b>	Linked data from employers (survey) and employees (administrative data), 2002–2008	Eastern Germany: 5–6 percentage point increase in employment and 4–5 percentage point decrease in unemployment rates. Western Germany: initially (2002–2004) similarly positive, but then early exits increase.	+	+	Huber et al, 2016
<b>Norwegian reduced hours schemes</b>	2010 company survey and 2000–2010 administrative data on their employees	No difference in the likelihood that a 61- or 62-year-old withdraws from the labour market with a full (early) pension in the next two years of their employment.	0**	?	Hermansen, 2015
<b>Swedish national partial retirement scheme (1976–2001)</b>	Level of Living Investigations (survey), 1974 and 1981, and social insurance (administrative) data	Hours gained due to increased part-time work instead of early exit outweigh hours lost due to people (who would have continued to work full time until pension age) working part time.	+	+	Wadensjö, 2006
<b>Part-time work among older people (13 European countries)</b>	EU-LFS (survey), 1995–2008	A 1 percentage point higher share of voluntary part-time employment decreases early retirement by 2.0 (men) and 1.3 percentage points (women), and increases average weekly hours worked only for men by 0.4.	+	+	Been and Van Vliet, 2014
<b>Part-time work among older people (EU, except Croatia and Germany)</b>	EU-SILC (survey), 2004–2009	People who work (or have worked) part time are more likely to retire on or after the retirement age.	+	?	Aranki and Macchiarelli, 2013
<b>Part-time work among older people (Portugal)</b>	EU-LFS (survey), 2006	Reducing hours of work before retirement is associated with early exit from work.	-	-	Machado and Portela, 2012

\*Not estimated by the study but logically derived: if the lengths of working lives are decreased on average or if they are unchanged, overall hours contributed to the economy is assumed to be negative on average (as participants in the scheme reduce their hours compared to non-participants). \*\*The study investigates the likelihood of exiting work at age 62–63; it does not investigate how long before or after that age people exit.

### Role of economic context and gender

The interaction between the design of the scheme, personal characteristics and context has an impact on the way certain factors play out. Two significant factors come to the fore in several of the summarised studies: economic context and gender.

### *Economic context*

Macroeconomic context can play out differently, depending on other aspects of the context and design of the scheme. Economic prosperity may hinder a positive impact of partial retirement schemes. For example, partial retirement has been used more often by people in western Germany than in eastern Germany to exit the labour market early because of favourable pension entitlements in the former (Huber et al, 2016). However, lack of growth can hinder the success of schemes by causing a lack of part-time opportunities. Delsen (1996) argues that this was one of the reasons for the initial low take-up of the Danish and Finnish partial retirement schemes introduced in 1987. An unfavourable economic context may also result in the scheme being used as a way to ‘partially dismiss’ workers.

### *Gender*

The impact of partial retirement on length of working life plays out differently for men and women, depending on the design and context of the scheme. While one should be careful about generalising and reinforcing stereotypes, such differences do point to important factors that need to be taken into consideration.

One factor that matters for the impact of partial retirement schemes is whether people already work fewer hours before entering (or not entering) the scheme. This impact is valid both for men and women. However, it is more common for women to do reduced hours of paid work. This difference expresses itself, for example, as partial retirement having a larger positive impact on the overall hours worked by women than by men in the context described by Wadensjö (2006), because people who work fewer hours make smaller reductions when entering a partial retirement scheme. When a study uses part-time work as a measure for partial retirement, it may conclude the opposite: partial retirement having a more positive impact for men. This is because such studies do not distinguish between people who have reduced their working hours and those who already have been working part time over a long period. For people who already work reduced hours, (continued) part-time work is more likely to be for long-standing care provision or domestic work (Been and Van Vliet, 2014). In contrast, for people switching to part-time work in older age (men typically), part-time work is more often used as an alternative to full early retirement, and thus lengthens their working lives. So the impact of part-time work on length of working life would have a more positive result for men than for women.

People who have interrupted their working careers may become eligible later for an early retirement scheme based on years of employment. In the Belgian case, this may lead to partial retirees with interrupted working careers exiting later through an early retirement scheme than partial retirees without such interrupted careers (Albanese et al, 2015). This would then lead to a smaller decrease in working lives among this group compared to other people in the partial retirement scheme. Again, this applies to both men and women in this situation, but women more often have interrupted employment histories. So, if a study does not control fully for past employment years, it would conclude that gender has an impact as such.

There are also gender differences in terms of access to partial retirement schemes. Sometimes this is implicit, for example because minimum accumulated pension or service years are needed (which tend to be lower on average for women), because partial retirement is not accessible to people who already work reduced hours or because sectors or professions where women or men are over-represented are more likely to offer partial retirement (Albanese et al, 2015; Berg et al, 2015; LFS analysis above). Sometimes the difference is more explicit. In particular, in some countries statutory pension ages for women are lower than those for men. If this is not matched by equal gender discrimination in the age at which people are entitled to partial retirement, access can differ by gender. An example includes one of the Austrian partial retirement schemes (Teilpension), about which it has been argued that it is only accessible for men as the female statutory pension age lies below the age at which people are entitled to the scheme (AK, 2016).

### When do schemes extend working lives and pay off for governments?

As shown above, it is a challenge to estimate the overall impact of partial retirement schemes on length of working lives, in particular if measured in overall hours contributed to the economy. Often administrative data on the number of working hours is unavailable. It is hard to be sure about what would have happened to people had they not entered a partial retirement scheme. It is also challenging to account for the impact of complex, changing contexts. Various methods can be applied, but all come with challenges, and schemes work out in different ways for different subgroups. Studies from outside the EU and Norway (for example, Ghent et al, 2001) reinforce these messages.

The studies do make clear that partial retirement is not straightforwardly translated into an increase in the hours contributed to the economy. In particular, they show that:

- the factors on which the impact of a partial retirement scheme depends include context (in particular, the presence and attractiveness of early exit schemes) and the design of the specific scheme.
- in order to understand what aspects of existing schemes can be effective in extending the length of working lives, it is important to look beyond aggregate results and averages and try to identify subgroups of workers for whom the schemes have extended their working lives and for whom they have not.

Do partial retirement schemes pay off in terms of government finances? Tax income for increased periods of work and reduced benefit payments related to early exit (for example, unemployment benefits) contribute positively if the scheme extends working lives, but negatively if results point towards the contrary. There are other aspects that could have been investigated in such analyses, such as the impact on healthcare costs. Results are dependent on the magnitude of taxes and benefits in a specific country context. Only the studies on publicly financed schemes that find partial retirement does extend working lives include a cost–benefit analysis, which indicates a positive result in the case of Germany (Huber et al, 2016) and a negative result in the case of Belgium (Albanese et al, 2015). One study on a public scheme that finds a positive impact on the extension of working lives acknowledges a cost–benefit analysis may challenge this result (Wadensjö, 2006), and another one, which finds a negative result, argues a cost–benefit analysis would not survive the test (Graf et al, 2011). The studies did not investigate if schemes benefit companies and their competitiveness, pension funds or various groups of workers.

The next chapter seeks to understand how partial retirement schemes can be designed to be most effective in terms of extending working lives. It does so by describing how partial retirement schemes have worked in practice and presenting some (mostly qualitative) assessment, drawing on examples from across Europe.

# Evidence from practice: 5

## Case studies of specific schemes

Case studies of partial retirement schemes were conducted for this study, complementing the body of quantitative evidence from the literature review presented in the previous chapter. These case studies draw on information from interviews with numerous stakeholders, national literature, administrative data, surveys and other documented evidence. The aim of the case study selection is not to achieve ‘representativeness’ of partial retirement schemes, but to maximise the likelihood that stakeholders can learn from these experiences. The case studies draw lessons from how these schemes have succeeded and failed in contributing to extended working lives. This requires ‘purposeful sampling’ (Patton, 2002). More specifically, variety was sought in the type of schemes and in the country context, as well as similarity in that there is some indication of effectiveness.

The case studies were conducted in Finland, France, Germany and the Netherlands. These countries were selected because they all have experiences with partial retirement schemes, but show diversity on whether these schemes were mainly at the national level (Finland) or the occupational or company level (the Netherlands). In the other two countries, there have been schemes at both levels recently. The case study focuses on the national-level scheme in the case of France and an occupational or company scheme in Germany, but schemes at the other levels are also briefly discussed. Another selection criterion was to have some diversity in geographical coverage. There were limitations to this, as in much of Europe no partial retirement schemes were identified, but this study sought, for example, to avoid including more than one Nordic country, as experiences may be too similar. For all schemes, there was some evidence that they are used by a significant number of people. Furthermore, their design, expert opinion or tentative evidence suggested that they may be at least to some extent effective in extending working lives. Schemes were also selected on the basis of being largely unstudied by the literature identified at the time of selection.

In addition to these case studies, ‘mini case studies’ are presented, based on desk research. These concern schemes in Norway and Sweden that are relatively well documented. They also include a scheme in the Czech Republic in an effort to present some evidence from a post-communist country, a context where partial retirement schemes appear to be rare.

### Finland

#### Context

Pensions in Finland are mainly funded by mandatory contributions paid into pension funds for people aged 18 to 68. Contributions are made by salaried workers and their employers, and by self-employed workers. The state makes contributions for certain social security benefit recipients. In addition, the state contributes to the financing of the schemes of the self-employed, farmers and sailors. People can opt to retire and receive their pension at any age from 63 to 68. They may postpone their pension after that age in return for an increase in pension of 0.4% per month.<sup>9</sup> Besides this earnings-related pension, residents over 65 with a pension below €766.85 per month (in 2016) are entitled to a publicly funded pension supplementing their income up to that level.

Once people start drawing a full pension, they must give up work but can start working again shortly afterwards. The old-age pension is not reduced if combined with income from work (subject to progressive taxes) but is subject to limitations when combined with an early pension (a partial or disability pension) or unemployment benefit. Among people of pensionable age in work, about half combine income from work with a pension.

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<sup>9</sup> During postponement, no additional pension is accumulated; pension increases are based on capital accumulated.

### The scheme

Pension insurance includes a nationally regulated option for partial retirement, which was introduced first for the private sector in 1987 and later for the public sector in 1989. The scheme was largely driven to facilitate smoother paths to retirement, but over time became more geared towards extending working lives. The introduction of partial retirement was part of a process of harmonising the statutory pension ages between the public and private sectors. Together with the individual early retirement scheme (abolished in 2005), partial retirement was part of a broader package of reforms with the principal aim of replacing the occupation-specific statutory pension ages common in the public sector.

The system will be changed in 2017 (see below), but in 2016 workers can still enrol in the partial retirement scheme from the age of 61 if they have been in full-time employment for at least 12 months during the previous 18 months. Another requirement is that the worker has made pension contributions for at least 5 of the past 15 years and does not draw any other pension. Agreement between the employer and employee is needed. The latest age at which people can enrol in the scheme is 67. All partial retirees have to leave the scheme when turning 68, the upper limit of the national statutory pension age.

Within the partial retirement scheme, working hours and salary must decrease to between 35% and 70% of the full-time equivalents. The pension fund compensates half of the loss in salary. In general, the income tax rate paid on a combined income from pension and work is lower than if the same income consisted only of a pension or wage. Also, because of the drop in income, a lower tax bracket may apply. Therefore, the decrease in net income is often smaller proportionally than the drop in salary, even if there were no subsidy. Pension accumulation initially continued at the same pace as when in full-time employment, but reductions in the accumulation rate were made in 1994 and 2003, and since 2011, accumulation has been reduced proportionally to the decrease in working hours.

Originally, the programme was open to people aged 60 to 64, but the qualifying age was lowered in 1994 to 58 years, mainly because it was hoped that partial retirement would become a more viable alternative to early retirement and unemployment benefits. The lower age limit was then further reduced to 56 in 1998. After studies could not provide any clear evidence that the lowering of eligibility age had a positive impact on the length of working careers (see, for example, Takala, 2001b), the age limit was restored to 58 years in 2003. In 2011, the age limit was raised to 60–67, and in 2013, the lowest qualifying age was raised to 61.

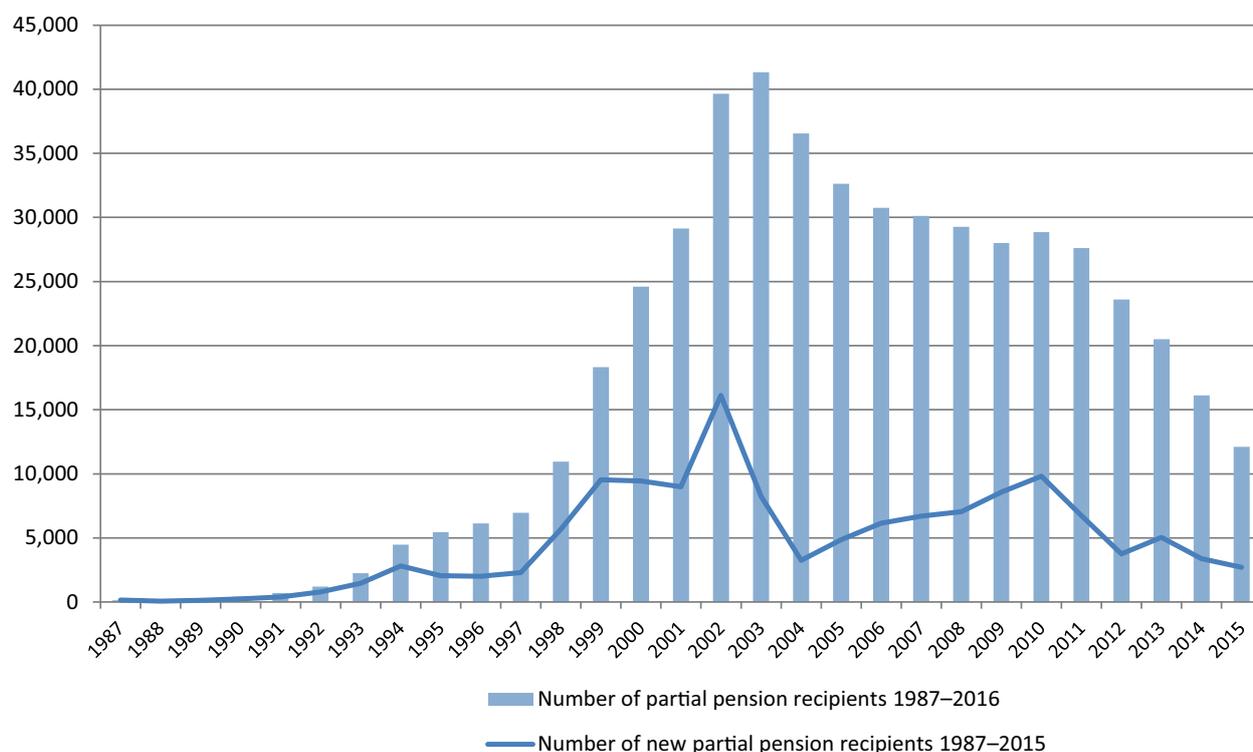
### Take-up

If people take up partial retirement, it is most common to do so at the age at which they become entitled to do so. However, many people also take it up later. In 2014, 3.7% of 61-year-olds (the lowest eligibility age) started to draw a partial pension. In that same year, 2.1% of 62-year-olds and 1.4% of 63-year-olds applied for the first time for a partial pension. The proportion of people who applied for a partial pension decreases further with age, reaching 0.2% for 67-year-olds. In previous years, similar proportions and trends were observed, with the exception of sharp increases at the earliest eligibility age, for example in 2010 and 2013, as a consequence of an announced increase of the lower age threshold in the following year. In 2002, the number of new partial retirees was highest (over 16,000), and 8% of 56- and 57-year-olds partially retired. This can largely be explained by the foreseen increase of the eligibility age by two years in 2003, with people using the last opportunity to partially retire at a lower age. In the next two years, no new age cohorts could start withdrawing the partial pension, and this was manifested in a decrease in new partial retirees.

Overall, Finland recorded the highest number of partial retirees in 2003, when over 41,000 people were enrolled (Figure 6). Since then, the number of partial retirees has steadily decreased, probably largely because of the increase in the lower age limit but also because of decreased pension accumulation during the period of part-time work. In 2015, there were approximately 12,000 people in the partial retirement scheme, out of an estimated 150,000 workers aged 60–67 in 2014 in Finland. Around 60% of partial retirees are women and 40% are men. Earlier analysis shows that such gender

differences tend to disappear when controlling for other personal and company characteristics (Ilmakunnas and Ilmakunnas, 2006). It also showed that the probability of taking up partial retirement is higher for people with longer careers and higher wages.

**Figure 6: Number of new and total partial retirees in the Finnish national scheme, 1987–2015**



Notes: Age limits were set at 58 in the public sector and 60–64 in the private sector in 1987–1994. The lower age limit was decreased to 58 in 1994 and to 56 in 1998 and then increased in 2003 to 58, in 2011 to 60 and in 2013 to 61. The upper age limit was increased to 67 in 2011.

In 2014, the average partial pension was €757 (€922 for men and €643 for women). In 2007, the main occupational sectors where partial retirees worked were social and healthcare services, education and industry. They were most common in small workplaces (fewer than 10 employees) and large workplaces (more than 500 employees).

### Assessment

In 2014, the length of working life of people who took up partial retirement in 2005 at the age of 58 was 40.2 years on average, compared to 38.9 among those who did not. This is explained by partial retirees having longer working careers before entering the scheme. On average, the transition to full retirement from partial retirement happened at the same age as that from full-time work to full retirement (63.7 years). People in partial retirement were more often white collar workers, who enter later into the workforce but have less broken careers than blue collar workers. However, they were more likely to continue working longer and have a lower risk of developing a disability.

These macro-data suggest that the impact of partial retirement on the length of working lives (and even more so the hours contributed to the economy) is not clearly positive at the aggregate level. Regardless of this, partial retirement still seems to have extended working lives for some groups of workers. A survey in 2007 asked partial retirees why they opted for the scheme (Table 3). The results reveal that for many partial retirees full-time work had become too demanding, or they

had opted for the scheme for health reasons; together, these two groups comprise 29%. These people may not have been able to continue working full time for as long as they were able to continue working part time. Many others chose the scheme in order to have more time for family and hobbies (16%) or because they had been working full time for too long (11%).

**Table 3: Reported reasons for partial retirement in the Finnish national scheme, 2007**

	Main reason %	At least one of the reasons %
Prefer to have more time for family and hobbies	15.6	33.3
Part-time pension is a soft transition to full retirement	12.2	52.9
Had been doing full-time work long enough	11.4	38.2
Full-time work was physically too demanding	10.5	22.0
Full-time work was mentally too demanding	10.0	30.7
Poor health	8.2	15.8
Partial pension together with work income are sufficient for living	5.1	43.6

Source: *Takala, 2007*

The survey also asked respondents about care duties, regardless of their reasons for partial retirement. Over one-third (36%) said they had care duties. Mostly these responsibilities had to do with grandchildren, a spouse or their own parents, or with their children (Takala, 2007). This group may have been able and motivated to continue working full time (except for those with demanding care commitments, or lacking motivation and sufficient wealth), but part-time work could have facilitated and motivated a better work–life balance for them, making longer working lives more likely.

Another survey question gives more direct evidence that partial retirement has enabled or motivated a group of workers to continue working longer. It asked partial retirees what they would have done if partial retirement had not been available to them (Table 4). Almost 11% said they would have applied to retire straight away; they were aged 63 and over and thus entitled to draw a full pension. The proportion was particularly high for people with health problems (28%). Partial retirement has likely prolonged their working lives and increased overall hours contributed to the economy. For those who said they would have continued working full time for a while but not until retirement age (many with bad health) and those who did not know what they would do, the impact may also have been positive but is more difficult to assess.

Almost half (49%) of partial retirees would have continued working full time without the scheme, a result very similar to earlier surveys in 1995 and 2001. Their working hours were reduced, probably without lengthening their working lives as they continued working until the retirement age, but now part time instead of full time. There may be situations when the scheme did increase partial retirees' contributions to the economy overall even when they could have continued working full time. This would have been the case, for example, if while in full-time work they had developed a health problem or disability, had been required to care for a dependant, or had been laid-off. Also, unforeseen health problems or disabilities, or care commitments may have arisen during their partial retirement, which they would not have been able to combine with full-time work.

**Table 4: What partial retirees would have done had partial retirement not been available in the Finnish national scheme, according to health status, 2007**

Self-reported health	Continued working full time until pension age %	Continued working full time but not until pension age %	Applied to retire straight away %	Don't know %	All partial retirees %
Good	64.9	18.5	5.4	11.2	55.1
Moderate	35.3	33.0	14.2	17.5	36.1
Poor	10.7	45.3	28.0	16.0	8.8
All health statuses	49.3	26.2	10.6	13.9	100.0

Source: *Takala, 2007*

The scheme has been criticised for being unfair to people who already work part time and are thus not entitled to partial retirement. It has also been criticised for being unfair in effectively providing a subsidy for people who are often from higher socioeconomic groups, financed by all members of the pension scheme. Part of the reason why fewer blue collar workers than white collar workers are enrolled is that they may not be able to afford a drop in salary or in future pension accumulation. For example, an interviewee stated ‘mostly it is a question of money [for those who do not take partial retirement], for example many with a migrant background do not take it if they haven’t been working in Finland for a long time even when they clearly wish they could’ (vice-principal of Helsinki Vocational College, 18 February 2016).

The scheme is not open to people who are already fully retired, so it fails to activate people who would like to partially ‘unretire’. A study showed that two-thirds of employers would be interested in offering temporary or part-time work to people already in retirement, especially employers in the municipal sector (often education and health and social care) (Tuominen et al, 2004).

Furthermore, the scheme is not accessible to people who have not been able reach an agreement with their employers on part-time working. An earlier study among small and medium-sized enterprises suggested that about 9 out of 10 applicants for partial retirement would have been approved, but many experienced difficulties moving to part-time work due to the nature of their role at work (for example, having a supervisory position, the impracticality of dividing tasks or the work not being regular or full time) (Takala, 2001a). So, on the one hand, workers who may have liked to participate in the partial retirement scheme were not facilitated by their employers. On the other hand, workers who did not wish to use the scheme have sometimes been pushed into it by employers seeking to reduce their workforce.

Workers who were able to partially retire and did so voluntarily may still have had problems with part-time work in their organisation. For example, according to the 2007 survey mentioned above, a group of partial pensioners also reported problems with part-time engagement and staying up-to-date with affairs in the workplace (mentioned by 22%) or feeling estranged from the work community (13%).

Another issue is the administrative cost for pension providers to continuously verify the hours and income of partial retirees, as partial pensions are linked to a reduction in working hours and earnings.

From 2017, the system will change. Under the revised system, partial pensions can be drawn from two years before the statutory pension age, against a permanent reduction of 0.4% of the pension entitlement for each month the pension is advanced, and irrespective of working hours. Finland thus follows Norway and Sweden in abolishing the current national partial retirement scheme and ‘decoupling’ work and receipt of one’s pension. The new system facilitates the postponement of pensions beyond the minimum retirement age in return for an additional pension accumulation of 0.4% per month. It is expected that these changes will remove the administrative burden of verifying work reduction and will help people to combine work and pension receipt in a more flexible way.

### France

#### Context

France has a public pension scheme managed by the state, financed by employer and employee contributions, and supplemented by tax funds. This pension scheme is complemented by mandatory occupational pension schemes, managed by sectors or companies. France also has a means-tested publicly financed pension scheme, which brings income up to about €800 per month for people with pensions below that.

The minimum age at which people can start drawing the public pension is 62 for those born after 1 January 1955 and 60 for people born before 1 July 1951, increasing by 4 months annually for people born between 1 July 1951 and 31 December 1951, and 5 months each year for subsequent cohorts. Companies and sectors have varying pension ages for their pension plans. Since 2009, an employment contract can be compulsorily ended because of age when an employee is 70 years old, up from 65.

The principal ways to exit the workforce before the statutory pension age include: a) retirement from arduous work up to two years before the statutory pension age; b) retirement at age 60 or before, after a minimum length of insurance and contributions or for having started working at a young age; and c) retiring with a disability between 55 and 59 if a minimum number of employment-related contributions have been made during the period with a disability.

Several reforms since 2003 have sought to increase employment of older workers. For example, early exit has been discouraged by increased taxes for companies implementing voluntary early retirement plans. Also, since 2012, unemployed older people are no longer exempt from the requirement to demonstrate that they are looking for work in order to qualify for unemployment benefit.

People can postpone their pensions after the age at which they become entitled to a full pension. If entitlement is based on age, regardless of contribution period, the pension is increased by 2.5 percentage points per quarter for people aged between 65 and 67. For people who become entitled to a full pension before that age, based on their years of contribution, their pension increases less rapidly, by 1.25 percentage points for each additional quarter worked.

People can also opt to receive a pension and combine it with income from work. However, if the income from work surpasses 1.6 times the minimum wage or, if higher, the last salary before the pension, the pension is reduced. In 2013, 351,100 people receiving a public pension combined their full pension with income earned from a job covered by the public scheme. In 2014, the number had increased to 369,801. Since 2015, these workers do not accumulate new pension rights but do still pay social contributions (called 'solidarity contributions'). In 2014, 85% of these working retirees were 70 years or younger. The men in this group earned on average €11,920 per year and the women earned €6,720, and half of them worked for at least four years after the statutory pension age.

#### National scheme

The national partial retirement scheme (*retraite progressive*) was created in 1988 and was accessible only after the age at which people became entitled to a full pension. The stated objective was to encourage people to postpone their pensions partially to improve the financial situation of the pension fund, 'maintaining an acceptable ratio between active and inactive', but also to give more options to employees for their retirement. Since 2015, the scheme has been open to people from two years before the statutory pension age, who have paid social security contributions for at least 37.5 years. The scheme facilitates partial retirement by partially replacing the wage loss arising from a reduction in working time with a partial pension. Employers have to agree. The partial retiree must work between 40% and 80% of the standard hours (35 hours at national level but lower in some companies or sectors). For example, a partial retiree who reduces their working hours to 50% of full-time hours receives 50% of the full-time salary and 50% of their public

pension. It should be noted that this does not add up to 100% of the full-time salary as the pension is lower than the salary. On average, a full pension is 70% of salary, so the partial retiree will receive a total gross income of about 85% of their full-time salary.

The scheme is open to people who already work part time. For craftspeople or retailers, the measure operates not in hours, but in income and involves reductions to between 20% and 60% of former average annual income. Farmers have to reduce the area farmed. Each year, the amount of partial pension can be changed if the person's working time has changed. Pension accumulation over the period of partial retirement is reduced proportionally. However, if the employee and employer make full social security contributions (to which the employer has to agree), the pension is accumulated at the full rate.

In 2017, another national scheme is scheduled to be implemented, which can be used to partially retire (but is not the focus of this case study). Workers with arduous jobs will have an account (*compte pénibilité*) in which they can accumulate points to retire early or partially, or to finance training with the aim of changing to a less arduous job. The possibility of working part time for up to two years (at 40% to 80% of a full-time job) comes with the right to maintain a full-time salary.

### Occupational and company schemes

This case study focuses on the national scheme, but there are also examples of partial retirement schemes at sector and company levels. Some information about two sector-level schemes is presented below and how one of them operates in a specific company. Such schemes were often triggered by the requirement that sectors or companies employing 50 or more people establish a plan by 2010 to address the issues of an ageing workforce. Companies that do not comply could be fined 1% of their aggregate wage costs. All such plans must include provisions on at least three of six items. Under the two items 'improvement of working conditions' and 'facilitating the work-to-retirement transition', social partners have introduced the option for employees to work part time a few years before they retire.

**Chemical sector scheme:** The partial retirement scheme in the 2014 sector-level collective agreement in the chemical sector sets out that from the age of 55, employees may agree with employers to reduce their working hours, with a partial compensation of the wage loss decided at the company level. The sector agreement asks (but does not require) employers to maintain the level of social contributions for the employee so that their pension continues to accumulate at the same rate. The agreement also asks employers to voluntarily make contributions based on the former full-time salary to a saving scheme that can be used for working time reductions.

**Metal sector scheme:** The partial retirement scheme in the metal sector was established in 2013. It is open to all employees exposed to arduous work as defined in the collective agreement (involving repetitive work, night shifts or physical hazards). The agreement states that the aim is to keep older workers in employment. From five years before statutory retirement, employees can partially retire if the employer agrees. The sector-level agreement does not prescribe any form of wage compensation. However, it is still considered a partial retirement scheme, as several employers (such as Safran below) do compensate wage reduction to varying extents. Furthermore, the agreement explicitly invites employers to develop a 'working time account' in which employees can save some rest periods, untaken holidays or compensation for overtime. Employees can use the salary from saved time to compensate for the loss of wage if they want to work part time before retirement. The sector-level agreement also mentions that employers may add some hours or days to this account if the employee expects to use it to finance a working time reduction before the pension age. As with the national scheme, if the employer agrees, the employee and employer may continue making social security contributions based on full-time work so that the employee may continue accumulating a full pension.

*Example of a metal sector company:* Safran is a large company in the metal sector whose specific adoption of the agreement entitles employees 55 years and older to work 80% of their current working time for 18 to 30 months prior to their retirement. This varies according to their working patterns and health (18 months if they work typical hours, 24 months for shift workers). Under this initiative, workers receive 90% of their previous salary, and the employer's social security contribution (and thus pension accumulation) is maintained on a full-time basis. It is a right of the employee, so no employer agreement is needed.

### Take-up

#### National scheme

Take-up of the national scheme peaked at 1,216 people in 1994 after a gradual increase since its establishment in 1989. After that, the number decreased, falling to 505 in 2005, but since then take-up has increased, rising to 3,057 in 2014 (with a decline only in 2010). However, the largest annual increase since its establishment came in 2015, when the number of beneficiaries had risen to 5,208 by the end of year. In 2015, 3,871 partial retirements were granted compared to 1,502 in 2014, representing a 258% increase in new partial retirees in one year. The number of people who started drawing partial pensions as a share of the total number of people who started drawing pensions doubled from 0.3% in 2014 to 0.6% in 2015. The average age of beneficiaries in 2015 was 62.7 years and the majority (63.5%) of new entrants were women. The average monthly partial pension was €403: €438 for men and €383 for women (Table 5). This compares to an average full pension paid by the public scheme of €663. Most partial retirees (86%) reduced their working hours by 50% or less, so they receive 50% or less of their pension entitlement based on the contributions made so far.

**Table 5: Average monthly partial pension payments in the French national scheme, 2015**

Pension or working time reduction	Partial pension paid €	Full pension entitlement €	Number of participants
20% to 30%	283	1,040	2,205
> 30% to 50%	462	966	2,281
> 50%	580	894	722
	<b>Average: 403</b>	<b>Average: 987</b>	<b>Total: 5,208</b>

Note: Data is from 31 December 2015.

Source: *CNAV, 2016*

#### Metal sector company example

The metal industry employers' organisation UIMM has no current data about the number of partial retirees in the sector. However, in the company Safran, take-up has increased, reportedly because of increased awareness and because of the age structure of the workers: more people reached the age at which they became eligible. According to the most recent assessment, of about 3,400 employees aged 55 years and older (and thus entitled to partial retirement), 976 (29%) partially retired in 2014 compared to about 20% (605 of about 3,100 employees) in 2013. In 2012, over 20% of employees at least 55 years old took up partial retirement, compared to 10% in 2010.

### Assessment

#### National scheme

In 2012, the Social Affairs Inspectorate advised that the partial retirement scheme be discontinued as it was deemed too costly for pension schemes, too complex for beneficiaries, and too similar to the option to combine income from work and pensions (Inspection générale des affaires sociale, 2012).

Another reported weakness of the scheme was that many older people were unaware of it. In a 2010 survey, 29% of young retirees reported knowing about the scheme, 36% reported having heard of it but did not know exactly what it was, and 35% reported never having heard of it (Drees, 2011). In 2012, awareness seemed to have decreased: 22% of young retirees said they knew of the scheme, 38% had heard of it but did not know what it is, and 40% had never heard of it (Drees, 2013). In 2012–2013, according to the Pensions Guidance Council (Conseil d'orientation des retraites, 2015), 18% of new retirees were aware of the partial retirement scheme.

Before the reform implemented in 2015, an impact assessment confirmed that partial retirement was largely unknown to people covered by the scheme and to companies. It also argued that communication on the scheme was inadequate, that the application process was complex and restrictive, that the name of the scheme did not reflect the idea of sharing time between work and retirement, and that the link between working time and partial payment of the pension was unclear. It further judged that the need to reach the pension age to be eligible made the scheme less effective. It should be mentioned, however, that the assessment's main criterion was whether the scheme worked as a mechanism for the transition between activity and retirement rather than to extend working lives.

From 2015, people are eligible two years before the statutory pension age (a minimum of 60). Secondly, the minimum contribution period for eligibility for partial retirement now takes into account contributions to all pension schemes (not only the public scheme). Thirdly, working time cannot be reduced to below 40% of full-time employment. Lastly, the calculation for the partial pension has been simplified. Some recent press articles have highlighted the positive points of the scheme, but also that workers are largely unaware of it (Le Monde, 2015, 2016). This publicity, however, may contribute to increased awareness.

The sharp increase in new applicants in 2015 seems to have been facilitated by these changes, mainly the option to apply before reaching the statutory pension age: 70% of the new beneficiaries/applicants had not reached this age. There are geographical disparities; for example, there are large increases in the cities of Lille (+491%, from 43 to 254 applications) and Clermont-Ferrand (+376%, from 21 to 100), which may be due to stepped-up proactive promotion by certain regional centres of the public pension fund.

However, regardless of the capped reduction of working time (to 40% of full-time hours), in practice it seems to be also used to retire early. The employee first works a period full time even if on a partial retirement scheme and then stops working altogether. Sometimes partial retirement is taken together with company or sector-level schemes or the saving accounts described above, which also in practice facilitates early retirement. One recent partial retiree interviewed was among those using the reformed partial retirement scheme in combination with a company saving account (where she had been depositing the additional month's (13th month) salary that workers in some Member States receive every year) to retire early. The company seems to find it easier to manage people who stay employed full time and then retire early than to employ older workers part time. This usage is at odds with the rules of the scheme (which requires employees to work at least 40%), and if detected, partial retirement could be cancelled, according to the National Old-Age Insurance Fund (CNAV). However, this has never happened in practice.

### *Metal sector company example*

The scheme operating in the metal sector company is also used to anticipate retirement. According to a trade union representative, about three-quarters of the 976 workers who have partially retired use the scheme to work full time for the first year and to stop working in the second year, basically to retire one year earlier. The remaining quarter did choose partial retirement with the aim of staying in work until their statutory pension age but reducing their working time.

### Germany

#### Context

Germany's pension system is based largely on mandatory contributions by employers and employees. The level of pension depends on the number of years contributed (with a pension reduction of 3.6% for every year of retirement before the statutory pension age) and the average salary during the contribution period. Current contributions by workers and taxes pay for current pensions of retirees. About half of workers in Germany also participate in a voluntary occupational scheme. People over 65 with very low income and assets are entitled to a needs-based pension supplement.<sup>10</sup>

The statutory pension age is being increased stepwise from 65 to 67 by 1 month per year until 2023 and 2 months per year until 2029. In 2016, the statutory pension age is 65 years and 5 months. Various options for early labour market exit have been restricted in Germany in recent years.

- Early retirement: The minimum age increased from 60 to 63 between 2006 and 2011.
- Unemployment: The maximum duration of (higher) earnings-related benefits has been cut from 32 months to 18 months for people aged 55–57 and 24 months for people aged 58 or more. After eligibility for earnings-related unemployment benefits expires, means-tested flat-rate benefits step in.
- Disability pensions: An example of the changes here is that the distinction between 'inability to work' and 'inability to work in the previous job' has been abolished. This implies that people more often have to accept a different, less attractive job instead of a disability pension.

In contrast to these trends, the recent 'pension at 63 reform' allows earlier retirement without deductions for those with at least 45 contribution years. The age of 63 applies to people born in 1951 and 1952. For younger cohorts, the early retirement age rises stepwise up to 65 for the cohort of 1964. Not only do working years count, but also time spent on childcare, informal elderly care, sickness or rehabilitation benefit, receipt of further training, and military service or alternative service (with upper ceilings for each activity). Unemployment benefit also counts, but not in the two years before early retirement to avoid 'voluntary unemployment' bridging the years to retirement at 63. After the introduction of the reform, employment rates of those below age 63 continued to rise, but those of 63–65-year-olds started to decline (Bundesagentur für Arbeit, 2015).

#### The schemes

This case study focuses on occupational partial retirement schemes, but it is important to realise that there are also nationally legislated schemes. Furthermore, in Germany more generally, some employers make contributions to a *Demografiefonds* (demography fund), agreed at sector or company level. Some companies also run accounts (with varying names) where employees can save days or earnings to be translated into time off at a later age.

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<sup>10</sup> In practice, they do not always receive it, as elsewhere in the EU with similar benefits (Eurofound, 2015).

### *National schemes*

Germany has a partial retirement scheme (*Altersteilzeitgesetz*), which was publicly subsidised until the end of 2009, which facilitates a 50% working time reduction. Companies can choose to participate or not. If companies participate, they receive a subsidy only when the partial retiree is replaced by an unemployed person or, for smaller companies, a trainee. Workers are able to enrol six years before they reach the statutory pension age. The scheme requires that partial retirees be paid at least 70% of their pre-partial-retirement earnings, and pension benefits accrue at a minimum of 90% of the rate obtained under full-time work (Berg et al, 2015). Wage earnings in excess of 50% of prior earnings are exempt from income taxes.

A second, parallel national partial retirement option (*Teilrente*) has existed since 1992. From the age of 63, people can receive a partial early pension and work part time simultaneously up to the statutory pension age. Part-time work can be at 33%, 50% or 66% of the full-time working hours. The wage substitution calculation is complex, but an average earner loses about 17% of their earnings if they reduce their working time by 50%. Regulations concerning additional earnings without pension deductions are also complex. In May 2016, the German coalition government agreed to increase the level of additional earnings allowed for those entering *Teilrente* at 63 and to simplify the regulations.

### *Occupational schemes*

**Deutsche Bahn:** The railway company Deutsche Bahn established the *besondere Teilzeit im Alter* (special part-time in old age) programme in July 2013. This partial retirement scheme allows older workers to take 45 additional free working days per year, reducing working time to 81% of full-time hours. The employee's wage is reduced, but not proportionally: to 90% of the full-time wage in 2015, up from 87.5–88.5% previously. To be entitled, workers should be at least 59 years old (down from 60 up to 2015) and have worked for Deutsche Bahn for over 20 years. To be eligible, they must also meet one of the following criteria: have worked for 10 years in the recent past in rotating shifts; worked regularly at night (80 hours between 20:00 and 6:00 per year); worked on-call; could not do any of these types of work due to an assessment by a company doctor; (since 2014) have worked for at least 10 years in the recent past for 80 hours per year with a hardship allowance; (since 2014) be severely disabled. The programme is also open to people who already work part time. Workers have to apply at least four months prior to the start of their partial retirement. A working time reduction can be taken in one of three forms: a) as 45 additional holidays, which can be used, for example, by taking full weeks; b) regular free days, usually in the form of a 4-day working week; c) as an exception, it may also be agreed that the worker continues working full time at the beginning and then retiring early. The programme is financed by the employer. An employee contribution via longer working times was agreed, but partially revoked in an altered agreement. The trade union argues that the financing of the programme did not reduce the general wage rise (5% or more in each of the last two years).

**Deutsche Post/DHL:** In this company, employees are entitled to partial retirement six years before the pension age and need to apply at least six months before they become eligible. For example, employees born in 1958, reaching the pension age at 66, can retire partially from 60 to 66. They also need to be with the company for at least five years and on a permanent contract. In the partial retirement contract, the end of part-time work and beginning of retirement needs to be agreed. They are also required to have saved up parts of their remuneration while working with the company; in particular, they need working time credits equivalent to 55% of their yearly gross income. The scheme is a version of the national *Altersteilzeitgesetz* scheme, where employees can reduce their working time to 50% of full-time hours. The salary is reduced to a base value of 79% for high-wage earners and supplemented to up to 87% for low-wage earners. The supplement comes from the demography fund, which has received annual company contributions of €200 per full-time worker since 2013 and employee contributions of 0.5% of the wage increase in 2012.

**Chemical sector:** The chemical industry agreed in 2008 to the establishment of a demography fund. It was financed by a minimum annual employer contribution of €312 per full-time worker (increasing annually with wage rises). Companies

could agree with workers to use this fund for various purposes. Most use it to increase pensions. In 2012, it was decided to stimulate reduction of working time to enable workers to adjust to specific life phases and to find ways for a gradual transition to retirement. To achieve this goal, between 2013 and 2015 employers had to pay additional annual contributions of €200 per full-time worker. A new element is the RV 80: working time is reduced by 20%, leading to a four-day working week, while the full wage continues to be paid. This can be used to take time out for childcare or for flexible retirement, for example.

*Example of chemical sector company:* Bayer is the second largest company in the chemical sector. It contributes €550 per full-time worker in 2016 (€750 in 2017) to its demography fund. Since 2007, Bayer has also operated an interest-bearing ‘long-term account’, where workers can save days and money for reducing their working time later. Bayer focuses on: a) employees in full and continuous shift work aged 55 year and older, and b) employees working the day shift aged 57 years and older. Under the collective agreement Demo 1 (from 2010), shift workers and workers suffering from long-term illness aged 55 years and older can get up to 20 additional paid free shifts. This is supplementary to ‘old-age spare time’ (Altersfreizeit), which usually allows 2.5 paid spare hours per week per employee aged 57 or older working the day shift. A second collective agreement, Demo 2, from 2013 enables shift workers to reduce their working time by a certain number of ‘demography days’ per year, including ‘old-age spare time’: by 20 days for workers aged 55, working two shifts, and workers between 57 and 60 years; by 25 days for workers aged 60–63; and by 30 days for those aged 63 up to retirement age.

Additionally, employees who are ill for a long time (at least 120 calendar days without interruption) are entitled to up to 80 hours of paid leisure time. When turning age 60, shift workers get an additional 25 spare days, and when turning 63, they get 30 additional spare days. Since February 2015, the long-term account can be used in combination with demography days, which leads to further reduced working weeks, of three or four days. To be able to use this model, workers must have a sufficient savings in their long-term account, have reduced their working time within Demo 1 or Demo 2, and have submitted an application six months before enrolling. According to Bayer, the rationale of these schemes is to reduce ‘load situations’ to recover from stressful work situations, with the overall objective being to enable these employees to work as long and healthily as possible up to the pension age.

### Take-up

#### *National schemes*

Take-up of the national scheme in companies that received a subsidy peaked in 2004 at over 54,000 partial retirees, so presumably the retirees were replaced by unemployed people or trainees. After the subsidy was abolished at the end of 2009, new subsidies were still handed out based on agreements from before 2010, but replacement by an unemployed person or trainee only occurred after that date. After decreasing from 40,822 in 2009 to 36,074 in 2012, the number of subsidised partial retirees dropped more dramatically to 20,007 in 2013, 4,433 in 2014 and 960 in 2015 (Bundesagentur für Arbeit, 2015). Most partial retirements within the national scheme, though, were not subsidised. At its peak in 2007, around 500,000 were enrolled, amounting to about one in five older workers in Germany (Brussig et al, 2009). The parallel scheme (Teilrente) has about 2,000 new entrants each year; the figure was 2,176 in 2014 (Deutsche Rentenversicherung Bund, 2015).

### *Occupational schemes*

**Deutsche Bahn:** Of the 12,000 or so workers who were entitled to enter the scheme, there were 924 partial retirees in April 2016, up from 317 at the beginning of 2015. The trade union argues that possible reasons for people not enrolling are:

1. the ‘pension at 63 reform’ allowing for an early exit;
2. an employer-initiated old-age part-time scheme continuing to operate (similar to the national scheme, with a 50% time reduction), which in practice is used often as a block model, that is, a period of full-time work followed by early retirement;
3. a psychological barrier to part-time work, as the partial retirement scheme contains real part-time work; in contrast to the old-age part-time scheme, the use of a block model for early retirement is rarely available;
4. in the period shortly after the scheme’s establishment in July 2013, employers showed a lack of enthusiasm and invested little in promoting the scheme at the local level, since they feared a lack of skilled labour;
5. some issues concerning the planning of work shifts (who works when) were unclear.

**Deutsche Post/DHL:** About 21,000 (90%) of all workers opted to have a working time account; the proportion of delivery workers was larger. The partial retirement scheme was used by approximately 3,600 workers in 2015–2016.

**Bayer:** In 2014, about 27,600 employees were entitled to use the long-term account and about 10,600 employees (38%) made use of it. About 1,500 employees covered by the collective agreement use the model of paid reduction of working hours (about 94%).

### **Assessment**

The impact of the previously subsidised public scheme has been described in Chapter 4 (in the section ‘Research on partial retirement schemes’) and is not the focus of this case study. However, some additional remarks are worth making. Since 2002, the scheme started to be used increasingly as a block model, with 17% of partial retirees working full time for three years and then retiring three years early (up from 10% in 2001), instead of working part time for six years. Another important observation is that many companies applied the scheme without the subsidy, reportedly to circumvent the requirement to need to substitute the reduction in hours with the work of a new employee. For the parallel scheme (Teilrente), no impact assessments were identified. The scheme is attractive in particular if combined with additional earnings, from a second job. This, in combination with complicated rules concerning additional income, could be the reason that many people do not use the scheme. In addition, many may not know about its existence.

Bayer, Deutsche Post/DHL and Deutsche Bahn all have various schemes allowing workers to partially retire a few years before the statutory pension age. It is hard to properly assess the impact on length of working life based on the available data. Concerning Deutsche Bahn, assessment is difficult because the programme is new, but the design of the scheme as such can be compared to the alternative older part-time scheme. The trade union states that the number of working hours are higher in the new scheme, realising 5 years of 1,649 working hours (8,245 hours in total), compared to 2.5 years of 2,039 working hours (5,097.5 hours in total) in the old one. The new scheme is sometimes used as an early retirement (block model) scheme but not as often as the old scheme; in this case, by 135 (15%) of the 924 partial retirees. The result is that people stay attached to the company longer, even if working part time.

Some further observations can be made. Deutsche Bahn finds it particularly easy to administer and plan with the option where free days are allocated as if they were holidays, as this fits with the usual procedures and does not require a changed plan of action. In Deutsche Post and Deutsche Bahn, wages are not supplemented fully. Generosity was lower in the case of Deutsche Bahn, but the subsidy increased in 2015. In Bayer, wages are subsidised fully. The scheme with

lower wage compensation is less likely to tempt workers who are able to continue full time to reduce their hours. As in the previously subsidised public scheme, in some of the schemes there are more options than in others to opt for the block model, effectively retiring early. For example, an estimated 50% of Bayer's employees see the possibility of retiring earlier as the biggest benefit of the long-term account; for about 30%, the biggest benefit is being able to take care of close relatives. Deutsche Bahn seems relatively effective in discouraging use of the block model (even if it is arguably easier for the company to administer), signalling a particular potential to extend working lives.

All three companies target workers with arduous jobs. These workers are particularly likely to be unable to work until the pension age if their working time is not reduced. For example, at Deutsche Post this group includes many workers with physically demanding jobs (handling heavy mail and dealing with poor weather conditions), where 75% of postal delivery workers (compared with 53% of employees in sales and 52% of drivers) report not being able to work until the statutory pension age (Rohoff, 2014). For the other companies, enabling employees to work until the statutory pension age may be only one of several rationales behind the schemes, which may also include rejuvenating the workforce, and could be seen as a reward for long and hard work. The schemes receive funds from demography funds, whose financing in turn is part of collective agreements. They are part of package deals where generally the labour side receives these contributions (which are then used for older workers) and the employer side pays lower wage increases. Possibly, from an employer perspective, they save wage costs.

## The Netherlands

### Context

In 2016, at the age of 65.5 (gradually increasing to 67 in 2021) everyone who has resided for over 50 years in the Netherlands receives a tax-financed basic pension of €1,209.71 per month (including a €71.56 'holiday supplement') or €834.99 if married or living with partner, regardless of income and wealth. There is no option to postpone the pension or to partially receive it before or after the statutory pension age. Employees and employers make contributions to the scheme until the employees reach the statutory pension age. Social security benefits are discontinued at that age, except for a minimum income scheme, for which the requirement to look for work is dropped at retirement.

The second most important source of pension income in the Netherlands comes from mandatory sector- or company-specific pension schemes, funded by employer and employee contributions. In contrast to most such occupational schemes in Europe, these pensions are largely paid for by saved funds and not by contributions made by current workers and employers or by taxes. While people in these schemes to a relatively large extent save for their own pensions, there are transfers. In particular, groups with lower life expectancies (such as men and lower socioeconomic groups) pay relatively more into the scheme than they get out of it in terms of pensions, and people who have been judged not fit for work benefit from contributions made by employees (Hoff, 2015). The statutory occupational pension age is often lower than the tax-funded pension age, so there can be a period when one receives only the occupational pension and not the public pension. From 2006, the government has discouraged pension funds from facilitating early retirement. Many of the occupational schemes are relatively flexible. Participants can typically choose to retire any time from the age of 60 until 70, and they can claim a higher than normal pension at the expense of reduced future amounts (a 'high-low arrangement'), or vice versa. Several pension funds offer partial retirement options (for example, those listed in Table 1).

Another national scheme, the Life Course Savings Scheme, is relevant in the context of partial retirement, even though it was abolished in 2012. From its establishment in 2006, it facilitated tax-free saving of salaries and holidays, which could be used for periods of leave throughout the life course, including partial retirement.

## The schemes

This case study of the Netherlands concentrates on occupational pension schemes, several of which offer the option to partially retire. It appears that partial retirement is generally chosen by few people, but the scheme in the healthcare and social work sector is among those with the highest take-up rates. Hence, this section focuses on the partial retirement scheme in this sector. The Netherlands has the highest proportion of part-time workers in the EU, mainly among women. This was already the case before partial retirement schemes were established. In the healthcare sector, part-time employment is particularly common. Two other partial retirement schemes, which differ in important ways from the healthcare sector scheme, are also discussed. The first concerns a smaller partial pension scheme covering the media sector, and the second, a company-specific scheme in a sector with relatively high wages, and low female and part-time employment rates.

National legislation in the Netherlands does not allow for a reversal of the amount of pension received; in other words, it does not allow for a reduction of pension received after a partial or full occupational pension has been initiated. This has implications for the individual schemes: in none of them is it possible to reverse receipt of a partial pension – a partial retiree cannot decrease the proportion they draw or cease the pension altogether. National regulation also implies that people are not allowed to accumulate a full-time pension while working part time. It should be noted that pension contributions and pension savings are tax free in the Netherlands; that is, taxes are paid only when the pension is received, not on the part of one's income that is contributed to the sector-level pension fund. Some limitations in terms of pension accumulation are justified by the argument that there should be limits to tax-free savings. Furthermore, the idea behind some national regulations is to discourage people from leaving the workforce early.

### Healthcare sector scheme

The Care and Well-being Pension Fund (PFZW) is the second largest pension fund in the Netherlands, covering about 22,800 employers, with over 2.5 million participants. The scheme's statutory pension age equals the public pension age. Average retirement age is steadily moving toward the statutory pension age and has converged for men and women, from 61.2 in 2007 (61.7 for men and 61.1 for women) to 64.0 both for men and women in 2014 (Van Houte, 2015). Average old-age pensions in the healthcare sector scheme were around €8,000 per year in 2014. Almost 20% receive a pension of less than €1,000 per year and 11% receive one of €20,000 or more (LTB, 2014, as cited in Van Houte, 2015), and pension reductions have been made recently. The option to partially retire was introduced around 2000. It is available five years before the statutory pension age, enabling people to withdraw up to 50% of their pension. Partial retirement can be continued up to five years after the statutory pension age.

*An example of how it works:* An employee aged 62 who earns €50,000 and has accumulated an annual pension of €20,000 partially retires, working 50% of full-time hours from 62 to 67. The person's income remains the same, consisting of a €25,000 salary and a €25,000 partial pension. When they reach the age of 67, because they withdrew part of their pension early, their annual pension now is not €20,000 but €12,949. This is complemented with the public pension of about €14,500 for a single person, so from the age of 67, the retiree will receive a pension income of about €27,500 per year.

### Media sector scheme

The PNO Media pension fund covers pensions for about 420 employers, with 15,300 participants. Overall, there are 27,300 people who at some stage in their lives worked in the sector and contributed to the scheme, and 9,210 people are currently drawing a pension from it. Partial pension can be drawn from 10 years before the national pension age and up to 5 years after that age. Agreement between the employer and employee is needed, and there are no prescribed limitations to the weekly hour reduction. Pensions are accumulated on a part-time basis during participation in the partial pension scheme, but accumulation stops after the pension age.

*Large company scheme*

In this large company (that wishes to remain anonymous), the average effective full retirement age is around 61, up from 60 over the past few years. The company implemented the partial retirement scheme in the 1990s within a wider package of measures to facilitate sustainable work. In agreement with the employer, workers can reduce their hours to between 90% and 40% of a full-time job and withdraw a partial pension from the age of 55 (see Box 2 for an example). In general, this means that working time is reduced to a four-day, three-day or two-day working week. People who already work part time (but more than 40% of full-time hours) can avail of the scheme only if they reduce their working time to any of these three options. It is possible to continue partial retirement beyond the statutory pension age of the company’s scheme (67). Workers can also take partial retirement as a ‘high–low arrangement’, resulting in a larger share of pension being received between 64 and 67, reducing the drop in income in that period but increasing the drop in the future pension. Once in partial retirement, it is not possible for an employee to increase their hours again, only to reduce them further. People who no longer work within the sector or company nevertheless remain entitled to the partial pension. However, the hours they work need to correspond to (or lie below) the proportion of pension withdrawn. These last two rules emerged from the national regulations explained above.

**Box 2: Illustration of the financial consequences of partial retirement in a scheme of a large company in the Netherlands**

A worker with annual earnings of €50,000 has been with the company for a long time and retires at the age of 64 (Situation 1 in the table below). Up to the public statutory pension age, the worker’s income will consist only of the early occupational pension, about €20,500 per year, 41% of their previous salary. From the age of 67, this is supplemented with the public pension of about €14,500 per year (assuming the worker is single), increasing the worker’s income to 59% of their previous salary.

Alternatively, the worker could partially retire, reducing their hours to 50% at the age of 64, to fully retire at 67 (Situation 2 in the table below). In this case, their salary is halved to €25,000 and complemented with an early partial withdrawal of €10,200 from their pension. Overall, their income from 64 to 67 will be about 70% of their previous salary. Pension accumulation continues at a part-time rate, resulting in an annual full occupational pension at 67 of €23,800. After receiving the public pension from the age of 67, the worker receives 77% of their previous salary.

	<b>Situation 1: Full early retirement at 64</b>	<b>Situation 2: Partially retiring at 64, with 50% work and 50% pension</b>	<b>Situation 3: Continue working full time</b>
<b>Annual income from age 64 to 67</b>			
Salary	€0	€25,000	€50,000
Occupational pension	€20,500	€10,200	€0
<b>Total</b>	<b>€20,500</b>	<b>€35,200</b>	<b>€50,000</b>
<b>Annual income in retirement, from age 67</b>			
Occupational pension	€20,500	€23,800	€27,000
Public pension	€14,500	€14,500	€14,500
<b>Total</b>	<b>€35,000</b>	<b>€38,300</b>	<b>€41,500</b>

## Take-up

### *Healthcare sector scheme*

Initially take-up of partial retirement was low, but participation took off after early full retirement was restricted in 2006. At first glance, take-up of partial pensions has decreased in recent times, from 7,000 people under age 65 drawing partial pensions in 2013 to 5,500 in 2014 and 3,500 in 2015 (Van Houte, 2015; Van Houte, forthcoming). However, it is important to distinguish between people drawing flex pensions and those drawing old-age pensions. Flex pensions were designed to present an attractive route to early retirement, and one option within this scheme was partial retirement. Access to flex pensions is being restricted, however, with 5,200 people under 65 drawing them in 2015, down from 28,000 in 2013. The proportion drawing partial pensions showed an estimated decrease from 5,000 in 2013 to 1,000 in 2015. Partial retirement is also possible within the old-age pension scheme, where it is basically the only way to leave the workforce earlier, at least on a part-time basis. People participating in the old-age pension scheme fund partial retirement themselves, with reduced pension withdrawal and accumulation. Among people under age 65 who draw old-age pensions, there was a steep increase in partial retirees from 2013 to 2014, from 16% (2,000) to 22% (4,000). However, this is partly because people on partial flex pensions were transferred to the old-age pension scheme. When these people moved on to retire fully, partial retirees in the old-age scheme decreased to 12% (2,500) in 2015. Less than 1% of people continue working after statutory retirement, and almost none of them is partially retired.

A popular type of flexibility has been the high–low arrangement, where a person first receives a high pension, which is at most one-third higher than the low pension they receive afterwards. It is mainly used by people who retire early (about three-quarters of them choose to do so) to bridge the period that they may be entitled only to the sector-level pension and not yet to the public one. However, about 8% of people who use such an arrangement retire at or after the public statutory pension age and thus prefer a higher pension in the short run (and a lower pension later on) for other reasons.

### *Media sector scheme*

The media sector pension scheme had 9,210 pensioners enrolled in 2015 (up from 9,043 in 2014 and 8,931 in 2013). In 2015, 306 started drawing the old-age pension (265 in 2014 and 279 in 2013). Of these, 12 started drawing a partial pension (17 in 2014 and 9 in 2013). Overall, over the past three years, 4.5% of the new pensioners started drawing a partial pension.

### *Large company scheme*

The number of people applying for the partial retirement scheme oscillates: 21 in 2013, 29 in 2014, 15 in 2015 and 6 in January 2016. Interest is larger among blue collar workers than among white collar workers. One of the types of pension flexibility that is most used is the high–low arrangement. Many choose this option to enjoy a pension when they still expect to be in good health. This is in contrast to the healthcare sector scheme, which has lower wages and pensions and which appears to be more often used as a way to bridge the time between retirement and the age at which they become entitled to the complementary public pension.

## Assessment

As mentioned already, there is no partial retirement option in the public pension scheme. A recent survey among members of one of the largest associations of older people indicates that 61% of working older people would be interested in such an option (ANBO, 2016 – see Q10). Proposals to increase flexibility have been made by the social partners and members of Parliament, but they have been rejected so far on the basis that the benefits (including freedom of choice) would not outweigh the downsides (Ministerie van Sociale Zaken, 2015). It was argued that the yearly reduction or increase of pension for early or late withdrawal needs to be 6.5 percentage points of the full pension (if continued contributions were made until the statutory pension age). For people who rely mainly on the public pension,

reduced future entitlements may take their income below the subsistence level, so the option would be open mainly for higher earners. People with larger pensions and higher life expectancies might be prompted to postpone drawing down their pensions and effectively take advantage of tax-free savings. It was further argued that in any case, people can already work after the pension age and may as well save up their pension rather than postpone it. It was also felt that the implementation cost would be too high and would involve larger pension expenditure in the short run.

The defunct Life Course Savings Scheme, which facilitated partial retirement, was considered costly and seemed to favour people with higher incomes (Delsen and Smits, 2014). Furthermore, usage of the scheme was dependent on employer agreement, and sometimes effectively resulted in involuntary early retirement. It also proved costly for companies to administer.

With regard to the occupational schemes presented in this case study, most interviewees argued that with the increases in the statutory pension ages and discouragement of early exit schemes, partial retirement will become more popular. Currently, though, even the largest pension fund in the Netherlands (covering civil servants) has only a few hundred partial retirees. A comprehensive assessment of partial retirement schemes is being conducted (Netspar, 2014); results should appear in 2017. This case study points to various reasons for low take-up.

**Healthcare sector scheme:** It is hard to conclude from the data whether working lives have been extended by partial retirement. Up until the government mandated restrictions to early retirement, part-time retirement existed but interest in it was low. Take-up increased considerably subsequently, mainly because it was the only way to at least partially retire early with some pension receipt. Interviewees agreed that partial retirement seems to have potential for the near future in terms of contributing to extended working lives, particularly because with the increase in the public pension age, many may need to work longer to accumulate enough pension entitlements to have a sufficient income in old age. Some are expected to do so part time in combination with partial pensions. Interviewees believed that partial retirement was one of the few types of flexibility that may still be relevant for this group, as pensions may be too small for people to opt for other types of flexibility. It was also argued that flexibility comes with administrative costs.

**Media sector scheme:** It was mentioned that an important barrier to take-up of this scheme is lack of communication (and thus awareness) of the possibility to retire partially. Furthermore, the employer may not reach an agreement with the employee, and employees may be reluctant to request it. Even if part-time work is more common in the Netherlands than any other EU Member State, one argument that has been put forward is that workers may not request partial retirement more generally (not only for the media sector scheme) because they fear being marginalised if they work part time (Van Alphen, 2014). The pension fund that administers the scheme states that partial retirement provides an option that may improve quality of life for a group of people. The partial retirement option operates basically at no administrative cost to the scheme, so even if interest remains low, it provides an additional option for members of the fund, with little benefit in abolishing it.

**Large company scheme:** It was noted that many white collar workers may prefer to reduce their working hours without drawing an early partial pension. This way, their future pension is not reduced and their part-time salary is relatively high anyhow, and often their partners also contribute to the household income. Blue collar workers (often men) receive salaries above the national average, but they are more likely to need a partial pension if they reduce their working time. The company applies the principle that requests for partial retirement are approved unless there is an important reason not to. However, some workers may not feel comfortable discussing a decrease in working time with their employer. Information provision was deemed important, in particular interactive approaches; group sessions were particularly effective, especially if targeted at workers aged 50 and over. Around that age people start becoming truly interested in the complex details surrounding pension options. It was also stated that groups need to be 'small enough for people to

raise their hands' but large enough to be achievable with available resources. Employees can also calculate their pension options with a company-specific pension planner tool in a secure environment on the internet. It is expected that more people will take up partial retirement because of the large proportion of workers who will reach 55 within the next few years and because of increases in the statutory pension age.

## The Czech Republic

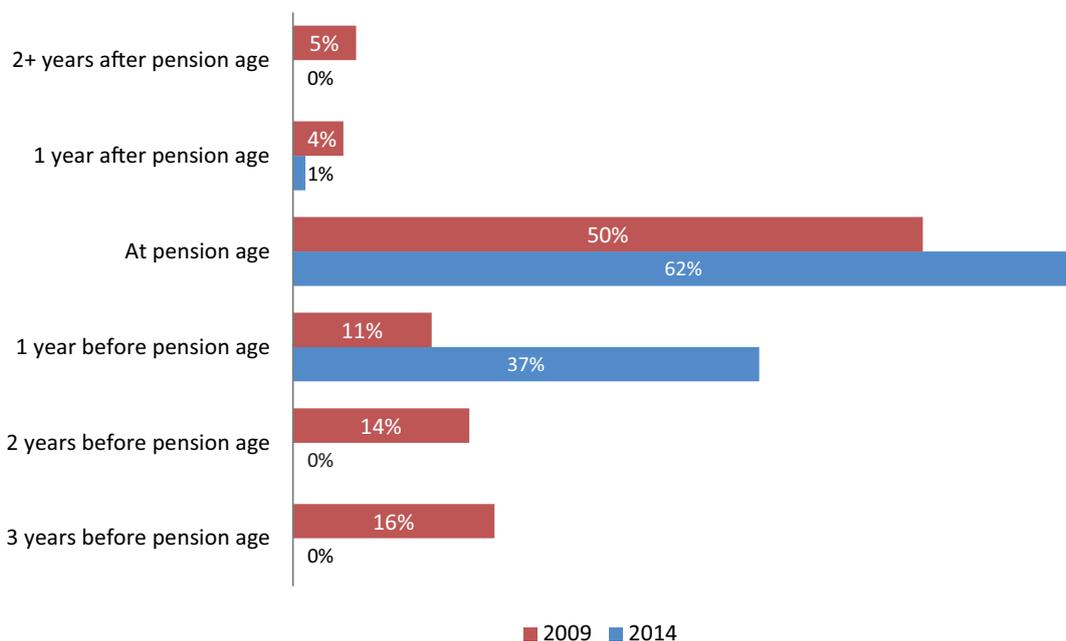
The Czech Republic's statutory pension age differs for men and women, and for women depending on the number of children they have raised. In 2016, it is 63 years for men and 62 for childless women. This differentiated statutory pension age will converge gradually until 2041, when it will become 67 for all.

People have four retirement options, depending on their preferences and eligibility:

1. Early retirement can be taken up from five years before reaching the statutory pension age, provided the applicant is at least 60 years old and has a pension age of over 63 years (in the case of a man, or the established age for a woman depending on the number of children she has). Otherwise, early retirement can be taken from three years before reaching the statutory pension age. In the case of early retirement, the pension amount will be decreased by approximately 4.4 percentage points of the basis amount for every year of pension taken up before the statutory pension age. As soon as income from work is earned, the pension from early retirement is discontinued.
2. A person can claim pension benefits at the statutory pension age. In this case, the pension is not reduced if income is earned from work. The retiree pays the same social contributions as any other economically active person and accumulates further pension entitlements. The pension is recalculated (and increased) once a year.
3. A person can postpone receipt of their pension until after the statutory pension age. There is no upper limit regarding postponement and for every 90 calendar days of employment activity, 1.5 percentage points of the basis amount is added to the pension.
4. A partial pension can be taken up only when reaching the statutory pension age, not before. This is effectively a partial postponement of one's pension, whereby a person draws half of their pension, regardless of being employed or not. If they do work, 1.5 percentage points of the basis amount is added to their pension for every extra 180 calendar days worked.

In 2014, over 60% of workers retired at the statutory pension age (Figure 7). The second most common choice is to retire one year before the statutory pension age (37%). Around 1% of those retiring in 2014 had postponed their pension by one year after reaching the statutory pension age, and none of the new retirees deferred their pension two or more years.

Figure 7: Timing of public pension withdrawal in the Czech Republic, 2009 and 2014



Note: Data includes both full and partial pension withdrawal.  
 Source: Based on data from the Ministry of Labour and Social Affairs

The partial pension was introduced in 2010. Combining a partial pension with income from work is expected but not required, so people can continue working full time or part time or cease working entirely while receiving half of their pension.

According to the Ministry of Labour and Social Affairs, only two applications for the partial retirement scheme were received in 2014. The reasons for the lack of interest in the scheme are unclear. However, since its implementation, the scheme has not been promoted. Hence, it might be the case that many people are unaware of the possibility to draw a partial pension or find it complex to claim it. Furthermore, since the scheme is not available for people before the statutory pension age, incentives may be weak for people at the statutory pension age to take up half of their pension. People seem to prefer to draw the full pension, combining it with income from work, whether full or part time. A rough estimate by the Ministry of Labour and Social Affairs suggests that between 150,000 and 200,000 pensioners combine income from work with an old-age pension (Škorpík, 2016).

## Norway

Norway's National Insurance Scheme (NIS) pays a minimum pension to people aged 67 and over who have lived in the country for at least 40 years. For those who have been in work, the amount of the NIS pension (since the pension reform in 2011) is based on the income earned between the ages of 13 and 75. For people born before 1963, however, the NIS pension is at least partially based on the 20 years worked with the highest income. This group must also have worked for 40 years to be entitled to a full pension. The pension further depends on the age cohorts' life expectancy.

Before 2006, only public sector employees and about half of all private sector employees were also covered by occupational pension schemes. Since 2006, all employers are obliged to offer occupational pension schemes to their employees. The occupational pension scheme in the public sector depends on one's employment history and amounts to 66% of final salary, while most occupational schemes in the private sector are dependent on contributions, which amount to a minimum of 2% of yearly salary.

All public sector employees and about half of all private sector employees (Nergaard, 2009) have also, since 1988, been covered by the public sector *Avtalefestet pensjon* pension scheme (AFP). The AFP pension is not set by national legislation, but by collective agreements, although it is financed partly by the state. AFP was originally an early retirement scheme, received only between age 62 (gradually reduced from 66 initially) and 67 and only by those who actually retired before the age of 67. In 1997, it became possible to draw a partial AFP pension and combine it with reduced working hours (for example, to combine a 40% AFP pension with 60% of full working hours). In the public sector, it is still an early retirement scheme.<sup>11</sup> In the private sector, however, the AFP pension became a lifelong supplementary pension from 2011, and all private sector employees covered by a collective agreement will now receive the AFP pension, whether they retire before the age of 67 or not.

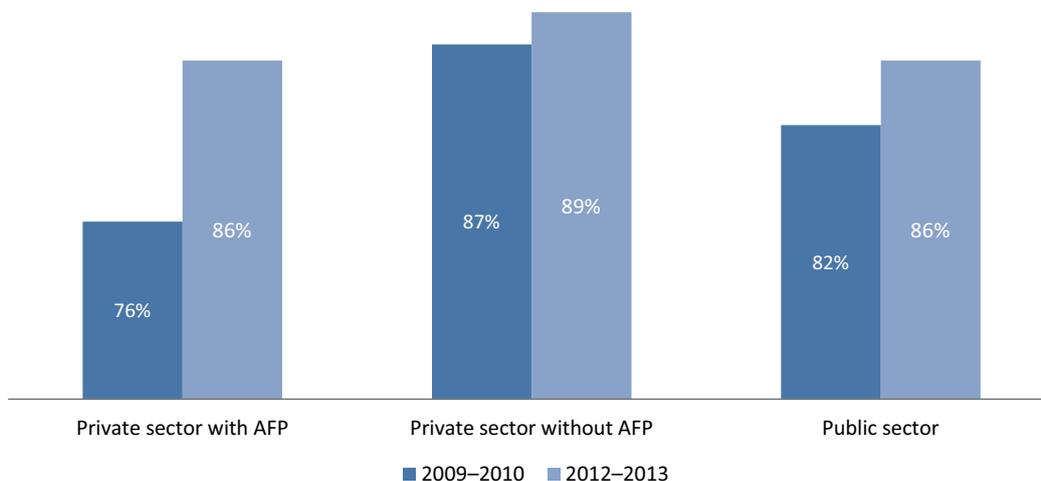
A reform implemented in 2011 made pension receipt and retiring from work two independent decisions that no longer need to be taken at the same time in the private sector. The NIS old-age pension and the AFP pension can be drawn partially or fully between the ages of 62 and 70 (for AFP) or 62 and 75 (for NIS). The yearly pension benefit rises by about 5% for each year the NIS pension is fully deferred, until age 75. Public sector employees can also claim the NIS pension, but if they do, they cannot claim AFP. Employees can change the proportion of pension they draw down each year to certain specific percentages of the full pension (0%, 20%, 40%, 50%, 60%, 80% or 100%). Overall, the pension reform discouraged early retirement and made partial pension combined with work more attractive by increasing the flexibility and accessibility of partial pensions.

The proportion of people aged 62 to 66 years in employment was higher in 2012–2013 than in 2009–2010 (Figure 8). The rise was particularly large in the private sector with AFP, where the proportion who continued working one extra year increased from 76% before the reform to 86% afterwards.

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<sup>11</sup> In December 2015, the Norwegian government proposed a similar change to the public sector's AFP, together with a proposal to change the occupational schemes for public sector employees from being dependent on employment history to being dependent on contributions. These government proposals are now being negotiated between the government and the public sector social partners.

**Figure 8: Proportion of employees aged 62–66 who continued working in the Norwegian schemes, 2009–2010 compared to 2012–2013**



Source: *Norwegian Labour and Welfare Administration (cited in Midsundstad, 2014)*

A study by Hernæs and colleagues (2015), using detailed longitudinal administrative data to examine the labour supply responses to the reform, also documents an increase in labour supply among workers aged 62 and over in the private sector with AFP. This increase seems to be caused primarily by the change in the AFP pension in the private sector from an early pension to a supplementary pension.

A growing number of people in Norway have chosen to combine employment and retirement since 2011 (Midsundstad, 2014). The proportion of people aged 60 to 66 combining work and the AFP and/or NIS old-age pension increased from 9.2% in 2010 to 43.9% in 2015 (Nordby and Næsheim, 2016). However, most private sector employees aged 62 and over who receive an old-age pension draw a full pension rather than a partial pension. At the end of 2015, 11% of all 62–66-year-old pensioners received a partial pension (Amundsen et al, 2016). Since the reform, over 80% of those combining work and receipt of a pension in the private sector work at least 30 hours per week (Ellingsen et al, 2013). People aged 62–66 worked on average 33.6 hours per week in 2014 (Pensjonspolitisk arbeidsgruppe, 2016). The main driver of continued employment seems to have been the strengthening of economic incentives to continue working after the age of 62, rather than partial retirement. Relatively low part-time employment rates among older workers in the private sector may be explained by the lack of a tradition of part-time work and opportunities for it in many private sector industries, especially in male-dominated sectors. According to a Norwegian company survey from 2010, 4 out of 10 private sector employers stated that it was difficult or impossible for them to offer older workers (aged 55 or over) part-time work or reduced working hours (Midsundstad and Bogen, 2011). This may partly be explained by different organisational and technological constraints, as findings from eight case studies in four different sectors in 2009–2010 indicate (Midsundstad and Bogen, 2011).

## Sweden

The Swedish partial retirement scheme *Deltidspensionsförsäkring* (now discontinued) was introduced in 1976, following the implementation of partial retirement in Norway in 1973. It differed from the Norwegian scheme in that it was not only available after reaching the minimum statutory pension age, but from five years before pension age (which was 65, lowered from 67 in 1976), so from the age of 60 at the time of introduction. It was introduced mainly as an option to gradually withdraw from work before retirement, in contrast to the Norwegian scheme (see the section ‘Rationales: Varied, multiple and evolving’ in Chapter 2). The introduction of partial retirement came with other changes in the pension system

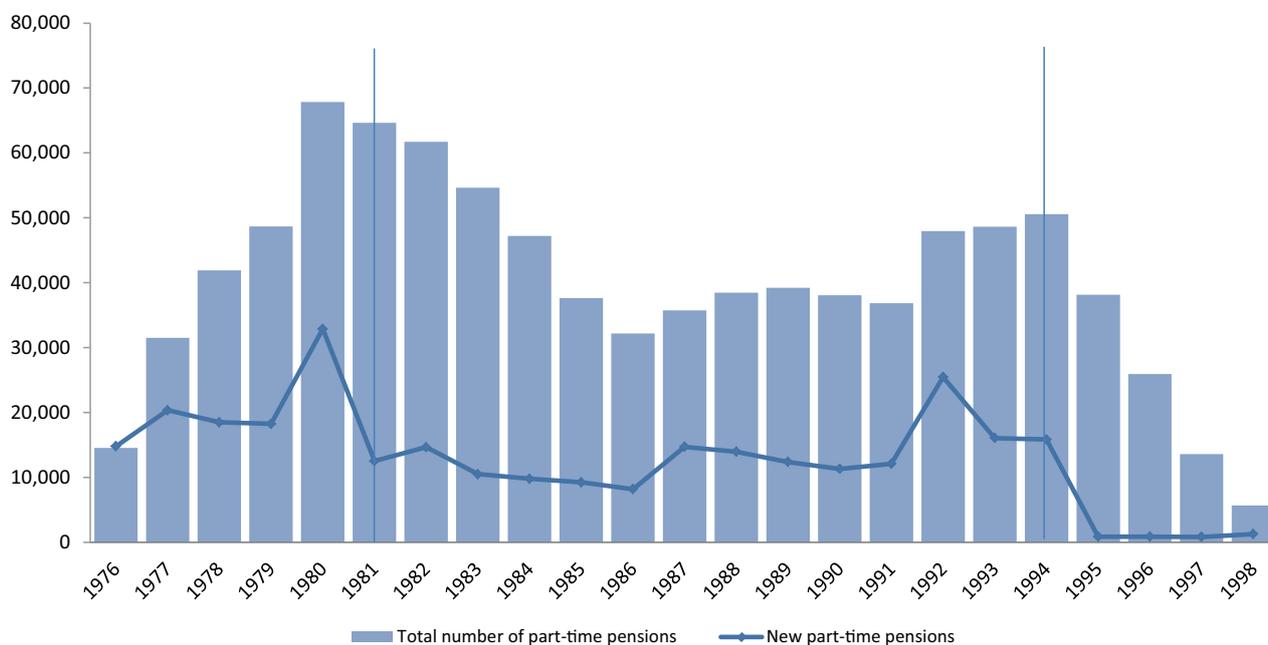
that occurred in the 1970s, related to early exit routes. In particular, in 1970, an option for older workers to get a disability pension for combined medical and labour market reasons was introduced. In 1972, an option to get a disability pension for labour market reasons only was added (for people who had exhausted their rights to unemployment benefits).

In order to qualify for partial retirement, an employee was required to have pensionable earnings for at least 10 years after the age of 45 and at least 5 months of employment over the last year. Working hours had to be reduced by at least 5 hours per week, and the remaining working hours had to be at least 17 hours per week. The scheme replaced 65% of the loss in income resulting from the reduction of working hours (Schludi, 2005). The future pension was not reduced as a consequence of early partial withdrawal. The partial pension was publicly funded, mainly by a payroll tax of 0.5%.

Although employers were not forced by law to grant a reduction in working hours for employees, nearly all applications for the scheme were reportedly approved. The cooperation of a company's management in reducing working hours has been judged to have been an important aspect of the implementation (Ginsburg, 1985).

In 1980, the government announced a reduction of the proportion of the compensated loss of salary from 65% to 50%, to be implemented in 1981. The alleged reason was to reduce the costs (Wadensjö, 2006). As a result of the announcement, many employees rushed to apply for the scheme in order to avail of the 65% compensation, leading to a peak in applicants in 1980 (Figure 9). In 1981, the number dropped dramatically. Take-up reached another peak in the period 1992–1994 when there was a debate about abolishing the scheme. Several restrictions were implemented subsequently. The lower age limit was raised to 61, and the maximum reduction in working hours was set at 10 hours per week. Take-up dropped, and the scheme was finally abolished in 2001.

Figure 9: Number of new and total partial retirees in the Swedish national scheme, 1976–1998



Note: The two vertical bars indicate two of the larger restrictions applied to the scheme since its implementation: the reduction of salary compensation in 1981 and the increase of the lower age limit from 60 to 61 in 1994.

Source: Wadensjö, 2006

An analysis of labour survey data, while not directly measuring partial retirement, revealed that among people aged 60–64, it was mostly low-wage workers who worked part time (Lachowska et al, 2008).

An early evaluation argued that take-up of the Swedish scheme was relatively high for various reasons (Reday-Mulvey and Delsen, 1996). First, the flexible arrangement of the labour market made part-time jobs available. Second, there was an effective partnership between the state and enterprises. Third, the compensation of wage loss was considered generous. According to the evaluation, all these factors were facilitated by the relatively low prevalence of age discrimination in Sweden compared to other countries.

A study evaluating the impact of the partial retirement scheme suggested that it increased the total number of hours worked in the economy (see Chapter 4 for a description of this study by Wadensjö (2006)).

After the termination of the publicly funded national partial retirement scheme, other schemes that facilitate partial retirement were established. At the national level, the Socialförsäkringsbalken scheme enables people to take up 25%, 50% or 75% of their pension after the age of 61, independent of working hours. This decoupled system, introduced in 2010, facilitates reduction of working hours by supplementing income with a partial pension. In addition, several sectors have established their own partial pension schemes (see Table 1). An example is the public sector scheme. Of the 9,496 new entrants to this scheme between 2003 and 2007, 47% reduced their working time by 20% or less, and 37% reduced their working time by the maximum of 50% (Lachowska et al, 2009).

# Challenges and opportunities 6

Partial retirement schemes were identified at national or sector level in just over half of the EU Member States. Schemes vary in rationale, coverage and design. Flexibility is limited in various ways, for example in terms of the age at which people have access to the scheme or the reductions in hours they can make. However, all schemes facilitate a reduction of working hours by providing a partial pension or benefit.

Many people reduce their working time without using a partial retirement scheme. They have no access to a scheme or they choose not to use it. These people have to or are able to accept the drop in their income. This is probably true for many of the roughly two-fifths of workers aged 55–69 who have reduced their working hours but who are not receiving any pension income, and consequently no partial pension. Whether the income from part-time work is enough to make ends meet depends largely on the country, profession and individual situation. If the reduction in working time is voluntary, it is often decided in the household context and anticipated for some time.

Among the remaining three-fifths who reduce their working hours in a move towards retirement, many combine the income from reduced working hours with income from a full, and not a partial, pension. However, the countries where it is most common to reduce working hours in a move towards retirement (Belgium, Denmark, Finland and Sweden) all have experiences with partial retirement schemes. It is also true that reductions of working time in a move towards retirement are less common in countries where no such schemes were identified (Hungary and Slovakia). Nevertheless, some countries where reducing hours in a move towards retirement is uncommon do have partial retirement schemes in place (Germany, Italy and Spain). Take-up may be relatively low, or it may be rare to make reductions outside these schemes, because, for example, part-time options are very limited or pensions are reduced by law when combined with income from work, even if part time.

The theoretical case for partial retirement is clear, but this research has shown that partial retirement schemes are relatively marginal even in many countries where they are in place. Practical experiences with partial retirement show mixed results in their effectiveness in extending working lives. Evaluations of partial retirement schemes vary in outcomes among schemes and among studies. Overall, it is hard to find unequivocal evidence of a positive impact on the aggregate length of working lives and – even more so – on overall hours. Studies that assess schemes face numerous methodological challenges. It is hard to control perfectly for not knowing what partial retirees would have done had they not partially retired. Some estimates based on asking partial retirees what they would have done had the scheme not been available probably come closest, but only a few such surveys were identified (Finland 2007, Sweden 1974 and 1981), and reported intentions may differ from actual outcomes.

One should be careful about drawing general conclusions from existing schemes, as they differ greatly in design and context. However, several lessons seem relevant across countries. In particular, this research looks beyond the question ‘do these schemes extend working lives or not?’. Most partial retirement schemes do so for some people, but not for others. Several schemes have encountered unexpected issues, and adjustments have been made to solve them. It is important to look beyond aggregate and average numbers to understand how policies have increased working lives for some groups of people and not for others, and to learn from such experiences for future policy design. Overall, effectiveness depends on the detailed design of the measures, on how they are implemented and on the context.

There are other ways to facilitate part-time work and sustainable work; partial retirement is just one tool among many. However, if policymakers, social partners or pension funds are considering implementing or improving partial retirement schemes, this study provides some guidelines below on how to improve their effectiveness, and discusses challenges and the broader context.

## Effectiveness, efficiency and fairness

### Interpreting take-up numbers

Sometimes a policy is judged successful if take-up is high. However, partial retirement schemes are particularly effective in extending working lives if they are taken up only by people whose working lives are actually extended by the policy, and not by those who could and would have continued working full time anyway. High participation numbers may suggest this latter group are taking up partial retirement as well. For example, the Belgian scheme has among the highest take-up numbers, at 88,000 in 2011 (up from 8,700 in 2002). While the scheme seems to extend working lives for some smaller subgroups of workers, the evidence suggests that on average people reduce their working lives through the scheme (Albanese et al, 2015; Van Looy et al, 2014). In the Finnish case study, 49% of partial retirees indicated they would have continued working full time until the statutory pension age if partial retirement had not been available. High take-up may also suggest that the scheme is used by a group of people who could reduce their working time in a move towards retirement without needing supplementary income. Such groups can be found particularly in sectors, professions and countries where wages are relatively high and part-time work is easily accessible; they also comprise people who have partners with high incomes. These people may take up partial retirement if it is subsidised (for example, the Austrian and Swedish schemes) but may choose to reduce their working hours while not drawing an early pension if funded by their own future pensions (as with the large company examined in the Netherlands case study). Employers may also be faced with too many employees simultaneously reducing their working time, or this being done by staff with skills that they badly need (Deutsche Bahn in the German case study). It has been noted that the employer organisations in Austria for this reason demanded partial retirement be conditional on the agreement of the employer rather than a right, in addition to arguments that it may be too costly (Eurofound, 2013b).

However, partial retirement schemes cannot be effective if too few people participate (see the case study of the Czech Republic). Low take-up can signal failure and does not guarantee that the target group is reached. Conversely, schemes with high take-up may be effective. This is particularly true if there is a very attractive early exit route available at an age when these people become entitled to a partial pension, and basically all who opt for the partial retirement scheme (instead of the full early exit scheme) extend their working lives. The Swedish scheme with particularly high take-up numbers was judged relatively successful in extending working lives on aggregate. However, its cost-effectiveness has been challenged, and it certainly has not extended working lives for all participants, as groups of people who could have continued working full time were likely to have reduced their hours (Lachowska et al, 2008).

### Attractiveness and access

Partial retirement schemes can be more or less attractive depending on the degree to which wage loss due to working time reduction is covered and on the consequences for beneficiaries' future pension. To extend working lives, partial retirement schemes should be attractive enough to compete with full early exit options that may be available to the workers concerned. If a scheme encourages workers to continue working part time rather than to exit early, it extends working lives by definition. However, if partial retirement schemes are too attractive compared to full-time work, or if early exit schemes are non-existent, people who would be able to continue working full time for longer are incentivised to reduce their hours. This is a delicate and important balance to strike, which may need to be optimised by trial and error, and adjusted to a changing context.

Similarly, schemes should not be accessible at too early an age, unless they compete with an early exit scheme accessible at that age. If people reduce their working hours too early, working lives would need to be extended too long to compensate for the decrease in hours. The recent trend of increasing minimum ages at which people are eligible for a partial retirement scheme may thus be explained by partial retirement schemes being increasingly geared towards extending working lives. However, if the minimum age is too high, it may be too late to enable people to extend their working lives. People may have already withdrawn from the labour market because they could not combine work with

care commitments, health problems or disabilities, and health problems and disabilities may have been exacerbated by working full time. The ideal age for access to a partial retirement scheme differs across countries, time, sectors, professions and individuals. Rather than setting a specific age, incentives to embark on partial retirement schemes could be designed to apply in a more gradual way, with disincentives decreasing with age.

Very attractive partial retirement schemes may still be effective if they are accessible only at a later age. They may fail to enlist people who are unable to continue working full time until the age they become entitled to the scheme. However, they can motivate other workers not to use early exit options and to instead wait until they become entitled to the attractive partial retirement scheme. This may apply especially if partial retirement can be taken in the format of a period of full-time work followed by full retirement (a block model, which is effectively an early retirement scheme). It can then still provide an incentive for people to work until the age at which they are entitled to a partial pension, and to complete the period of full-time work within it (Berg et al, 2015). However, caution is needed, as experience has shown that such attractive schemes also appeal to people who could and would have continued working full time for longer. The fact that they work the initial period full time in a block-model usage of a partial retirement scheme already signals that they are able to do so.

### Partial retirement after pension age

If work after the statutory pension age is facilitated, it is more likely that well-designed partial early retirement schemes pay off in terms of extending working lives. Even if, at the aggregate level, a partial retirement scheme may not contribute to an increase in hours contributed to the economy, it is clear that it does enable at least some groups of people to extend their working lives. The contribution of these groups to the aggregate impact of the scheme can be amplified by facilitating them to continue on partial retirement beyond the statutory pension age.

Partial retirement schemes may be extended until well after the statutory pension age (see the Netherlands case study), with workers deferring part of their pension and gaining entitlement to a higher future pension. However, partial retirees who reach the statutory pension age may also exit the scheme and combine a full pension with income from work, be it part time or full time. Previous research argued that, while facilitating the combination of pensions with income from work may contribute to increased economic activity among older workers, the direct contribution to sustainability and adequacy of pension systems is less clear-cut (Eurofound, 2012; 2014). Experiences with low take-up of partial retirement schemes that are accessible only after the statutory pension age (the Czech scheme, the French scheme until 2014 and the Norwegian scheme until 1988) suggest that it is a challenge to coax people to opt for partial deferral rather than to combine income from work with pensions. The French scheme sought to encourage people to opt for partial retirement rather than combining a full pension with part-time work by maintaining the requirement to make social contributions in both cases but granting additional pension accumulation only in the case of partial retirement.

Combining income from pensions (whether early or normal) with income from work (whether part time or full time) has been facilitated in many countries over the past decade (Eurofound, 2012). For example, in 2012, in Luxembourg the ceiling at which income from work could be combined with an early pension was raised from 120% to 150% of the social minimum wage (after the statutory pension age, there are no restrictions). Combining income from work with that of a pension has been allowed in France since 2004. In Spain, it has been allowed since 2013 up to €9,172.80 per year (the cross-sector minimum wage). If an income is above this threshold, the full pension needs to be changed into a 'flexible pension', which is about half of the full pension. However, there are exceptions if a person is a member of a professional organisation established before 1995, or if they receive a disability or widow's pension. In Bulgaria, the requirement to terminate the employment contract when applying for retirement (and then to continue on temporary contracts) was abolished in 2015. While across the EU many barriers remain for employers to employ people after the statutory pension age and for employees to continue working after that age (Eurofound, 2012), the trend is likely to contribute to the extension of working lives. For example, in Norway, pensions paid to people aged 67–70 used to be reduced by 40% if

they received earnings from work above a certain threshold. From 2008, this earnings test was abolished. Midsundstad (2014) summarises various assessments of this reform. It seems to explain the 10% increase in weekly average working hours for employees aged 67–70, and the increased likelihood (by 4 percentage points) of someone in employment at age 66 in 2007 to continue in employment in 2008 at the age of 67. Incentives in terms of current income seem to have greater impact than those of future pension income.

Overall, it may be more realistic to assume that many people will draw their full pension once they become entitled to it rather than a partial pension, unless the incentives for partial postponement are considerable. Regardless, facilitating work beyond the statutory pension age has the potential to amplify the impact of partial retirement schemes on the extension of working lives.

### Administrative cost

Flexible retirement schemes often come with administrative costs for partial pension or benefit administrators, whether pension funds, ministries, social security institutions or unemployment agencies. When people can make changes regularly in their pension receipt, this may require complex recalculations. The connection between working hours and pension or benefit receipt also comes with an administrative cost for the controlling body. It is particularly resource-intensive if the data are not already gathered for other purposes (such as tax administration) and if databases cannot be connected. In the Austrian *Altersteilzeit* scheme, the cost of ensuring companies fulfilled the requirement to replace a partial retiree with an unemployed worker or a trainee if the block model were used was one argument for suspending this rule between 2009 and 2012 (BMASK, 2012, cited in Eurofound, 2013b).

### Fairness

Several of the schemes are more often taken up by people in higher socioeconomic groups. If this extends their working lives, it may provide opportunities for redistribution from continued high tax contributions (Adema et al, 2015). However, it also comes with challenges for fairness if lower socioeconomic groups benefit less immediately from these schemes. Furthermore, for them, the schemes may be more effective in enabling them to continue working than for higher socioeconomic groups. Some schemes address this by targeting certain groups, for example shift workers with health problems or with physically or mentally demanding jobs (see the French and German case studies). Other schemes are designed with incentives that have the potential to reach lower-income groups more effectively. For example, Deutsche Post/DHL pays an additional subsidy from its ‘demography fund’ for low-wage earners who reduce their hours (see the German case study). In the Belgian and Danish schemes, a fixed subsidy is paid for a reduction in hours equal for all partial retirees, thus the decrease in salary is relatively high for high-wage earners. However, how such incentives play out in practice depends on complex interactions with various early exit routes. Workers on very low incomes may still not use such schemes as they cannot sustain any drop in income. Furthermore, it may be hard to tally this approach with optimising the incentives to encourage people to continue working full time if they are able to.

If partial pension or benefit receipt is conditional on a reduction of working hours rather than on the actual working hours, this may be unfair to people who already work part time. The same holds true for people who are currently economically inactive or unemployed and are thus unable to reduce their working hours, but instead increase them if they start working part time.

Formal access varies across sectors that are covered. Sectors not covered by collective agreements with partial retirement schemes (and often the self-employed) have no access if there is no national scheme. Because of issues related to the compatibility of part-time work with company activities (as discussed above), administrative complexity and lack of awareness (see below), employees of smaller companies may be particularly likely to be unable to take advantage of partial retirement options. In the Austrian scheme, for example, participants were more often found in larger firms (Graf et al, 2011). However, it has also been argued that large firms may not offer opportunities for part-time work, because

they may not be flexible enough (Kantarci, 2013). Access across professions also varies, as in some it is easier to facilitate part-time work than in others. Finally, as partial retirement schemes tend to restrict access by age, they exclude younger people for whom a reduction in working hours may be similarly important (Horemans, forthcoming).

Inequality in access is particularly relevant if schemes are publicly funded. Public funding can be considerable. For example, in the Austrian scheme, where at its peak in 2004 about 40,000 workers participated, public funding amounted to 0.25% of GDP (Graf et al, 2011), or €563.5 million, falling to €207 million in 2012 (Eurofound, 2013b). Other schemes may involve smaller amounts – for example, the total public expenditure on refunded hours in the Danish scheme was DKK 15 million (€2 million) in 2013.<sup>12</sup> An alternative funding method is based on payments by employees, employers or both into a specific fund that can be used for partial retirement. A challenge is that people may take up the scheme because they contributed to it and because it is attractive, thus shortening their working lives. Furthermore, if there is no direct and urgent need for a company to provide partial retirement options, employer funding may be particularly challenging for less prosperous firms.

### Funding with participants' own pensions

There has been a trend towards funding partial retirement through individual pension entitlements. Early withdrawal then comes at the cost of lower future pensions, and part-time work at the cost of decreased continued pension accumulation. However, if working lives are extended long enough, the total accumulated future pension can still be higher. Funding partial retirement through one's own pension entitlements is usually actuarially neutral, that is, it leaves the estimated present value of pension benefits over the life span unchanged on average for all members of the pension fund or system. Often, though, the payments are not made from the saved pension contributions of the employee and employer in the past, but by contributions made by current workers and employers. It is hard to avoid any distributional impacts in this long-term context. Furthermore, such calculations are based on averages. So, from this perspective too, even in actuarially neutral systems it is hard to prevent distributional aspects altogether as, for example, life expectancies differ between population groups.

A significant barrier to partial retirement funded with employees' own pensions is that workers may not be able to afford reductions of working hours and already have low pensions. This may be particularly true for low-skilled workers, who are more likely to be unable to work until the retirement age and for whom working time reduction in older age could provide a solution. If people decide to receive their pensions too early, they may endanger their future income. In the Netherlands, this is one of the reasons why partial early pension withdrawal is not allowed in the basic public pension, thereby guaranteeing a basic standard of living for older people. Norway has built in a precondition to prevent excessive erosion of future pensions. In order to be able draw a partial (or full) pension at 62, accumulated pension entitlements must exceed the minimum pension level, adjusted by changes in life expectancy (Midtsundstad, 2014). As a result, in practice, many people (in particular women) with low wages, broken careers and part-time work histories are not entitled to a partial (or full) pension at 62.

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<sup>12</sup> This represents a decrease from DKK 25 million (€3.4 million) in 2010, probably because of a decreasing target population (60–64-year-olds) and possibly because of increased usage of an early retirement scheme (efterløn), which has been gradually phased out since 2011.

### Decoupling work and pensions

Several of the countries with early experiences of partial retirement schemes have moved on towards decoupled systems, where people can draw partial (or full) pensions independent of whether they work or not. This includes the private sector scheme in Norway (from 2011, and 2008–2010 for people aged 67–69) and the national schemes in Sweden (from 2010) and Finland (from 2017). Funding comes from the retirees' own pension entitlements. These retirement schemes are highly flexible and avoid the administrative cost of verifying working hours. They also resolve some of the accessibility and fairness issues mentioned above, such as lack of access to employer-subsidised partial retirement and subsidies being used for higher socioeconomic groups. However, decoupled systems also come with challenges.

The first challenge is related to the more general issue of funding partial retirement with workers' own pensions. If partial pension receipt is not dependent on the reduction of working hours, more people are likely to draw their pension early, with consequent challenges for sustainable and adequate pension systems. In Norway, 45% drew their pension before the age of 67 in 2012 (facilitated by the 2011 reform), which was reported to be more than expected (Dahl and Lien, 2013). Of those combining work and receiving the pension, over 80% worked at least 30 hours per week. The Norwegian Labour and Welfare Administration investigated why many older employees chose to combine the decoupled flexible old-age pension with work (Midtsundstad, 2014). They found that men and less-well-educated workers had a higher probability of combining work and an old-age pension than women and better-educated workers. Most (90%) of those who drew their pension before the age of 67 said their main reason was that they wanted to enjoy their pension while still healthy and in good shape. Those who expected to have a lower-than-average life expectancy had a higher probability of combining work and receiving their old-age pension. Over 70% claimed that it was economically profitable to withdraw the pension early, and 40% claimed that drawing the old-age pension gave them an opportunity to reduce their weekly working hours. Just one-quarter (25%) had actually reduced their working hours, although many planned to do so in the near future. One in three planned to work until the age of 67.

In the Netherlands, one of the arguments against implementing early partial pensions has been that there may be a 'selection effect': people with low life expectancy more often drawing an early pension to enjoy the money 'when they still could', thus presenting challenges to the sustainability of pension schemes. It has also been argued that it is better not to decouple pension receipt and work because the selection effect diminishes the implicit taxes on continued employment (Adema et al, 2015). Overall, it is a challenge to design a decoupled system so that it does not stimulate early pension withdrawal as such, but facilitates the reduction of working hours for people for whom this would help extend their working lives.

There is another reason why decoupled systems may not be preferable in certain contexts. Partial retirement schemes where partial pension or benefit receipt is conditional on working fewer than full-time hours provide a legal framework and mindset, enabling such opportunities for workers in companies where it may otherwise be hard to achieve such options. Therefore, in countries, sectors and companies where part-time work is common, decoupled systems may be preferable. In other sectors, partial retirement schemes where a reduction of working hours is coupled with a partial pension or benefit receipt may be more effective. Partial retirement schemes (along with other measures facilitating part-time work) can pave the way potentially as a first step in a two-step process. The second step may be to consider a decoupled system, with its reduced administrative cost and more flexibility in aligning pension receipt paths to preferences (regardless of working hours).

### Part-time work: Barrier or opportunity?

Opportunities to reduce working hours may be limited in specific sectors and for specific jobs, and options to switch employers may be limited (Kantarci, 2013). A survey among employers in five Member States found that many thought it was difficult to fit part-timers in their organisation: 71% in Hungary, 48% in Greece, 34% in Spain, 21% in the Netherlands and 15% in the UK (Van Dalen, 2010). Regardless of the reasons, many workers have the impression that

their employer would not allow them to move from full-time to part-time work, with fewer than one-third of workers claiming that their employers would cooperate in the Netherlands (22%), UK (26%) and Germany (31%) (Aegon, 2014).

Reluctance to take up part-time work may also come from workers, even if it could enable them to continue working longer (Kantarci, 2013). They may fear the consequences for their status in the organisation (Lachowska et al, 2009) or they may expect that, in practice, their workload would not decrease proportionally, with more unpaid overtime. Workers may also assume that their employer would not consent or may not feel comfortable raising the issue (as in the large company in the Netherlands case study).

There are few givens, and preferences are dependent on a changeable cultural context. Part-time opportunities are not an independent factor but can be increased. Partial retirement schemes can contribute to such an increase, as shown by evidence from Belgium (Horemans, forthcoming), Finland (see the case study), Germany (Berg et al, 2015) and Sweden (Wadensjö, 2006). Mismatches between people's preferences and opportunities may be resolved by challenging assumptions on both sides: employers assuming people are not interested and workers assuming employers are unwilling (Eurofound, 2012). Pre-retirement one-to-one conversations can resolve misunderstandings but rarely take place (for example, in Denmark, these are included in various collective agreements). They can also serve to discuss training needs, with employers more likely to invest in training if they expect employees to spend longer with the company, and employees themselves making such investments too.

Partial retirement may be easier to implement in contexts where part-time work is more common. However, it may be most likely to contribute to extending working lives in countries (many with no national or sector-level partial retirement schemes) and large sectors (manufacturing) where part-time work remains less common. By facilitating reduced working hours by providing a framework for it, partial retirement may pay off more than in contexts where well-paid part-time work is already common.

### **Working time reduction: Facilitating varying types and paths**

Partial retirement is often presented as a way to gradually phase out work towards full retirement, and is referred to as 'phased retirement'. However, it should not be assumed that workers and employers prefer such gradual paths. Often this may be true, but it is clear that preferences are heterogeneous. There may be specific periods when workers need or wish to make use of partial retirement, such as reducing their working hours to care for a partner or to take a break mentally or physically. This may be followed by a need or wish to increase working hours again.

The first type of flexibility in working time reduction concerns facilitating such reversals of working time reductions. A challenge is that it may be hard for employers to accommodate such flexibility, particularly smaller companies that may have been required to substitute the reduced working time with working time from another person. Advance notice can help to some extent. Sometimes a specific duration is agreed in advance, after which the worker returns to their previous hours, which may facilitate planning for the employer but provides less flexibility (but arguably more certainty) for the employee. Some schemes where a company needs to replace the worker with an unemployed or inactive person do not allow for reversals, and in partial retirement contracts, part-time work for the entire period must be agreed (as in the German public scheme and the long-term account at Bayer – see the German case study). National pension regulation (see the case study for the Netherlands) and the complexity of recalculation may also be a barrier to reversals. While a prohibition of reversals may make people consider carefully before making any reductions, facilitating reversals has a clear potential to extend working lives.

A second type of flexibility in working time arrangements concerns facilitating various forms of part-time work, permitting work reductions across months or years, and not only across days or weeks. Workers may, for example, wish to have long summers off or to take a year off. When partial retirement schemes include options to distribute free time

over months or years rather than reduced working weeks, this may or may not be easier for employers to manage. A risk is that such schemes are used effectively as an early retirement scheme, with the employee taking all the free time as early retirement after a period of full-time work. This can shorten working lives (see the section ‘Attractiveness and access’ above).

### **Partial retirement to restructure the workforce**

Partial retirement schemes have sometimes been used by companies as a way to downsize or otherwise restructure the workforce. The need to restructure may induce employers to think of part-time options for workers who already wanted to work part time but who have not yet been catered for. However, it has also involved involuntary partial retirement, sometimes as an alternative to unemployment.

Partial retirement schemes risk being used to target older workers in times of downturn. It has been argued that they offered ‘employers a way to legally target specific age groups for transition out of the establishment when pension system reforms had increased statutory pension ages and made buy-outs or other mechanisms more expensive’ (Berg et al, 2015, p. 27). Wages that increase with tenure or age (‘seniority wages’) are also an issue, as older workers’ wages may have become disproportional to that of younger colleagues and out of line with productivity. Partial retirement is a means in this context for employers to reduce part of the wage cost. However, old-age discrimination is also a major factor because of the many stereotypes of older workers.

Involuntary partial retirement may be preferable to forced full exit as it keeps older people attached to the labour market, prevents unemployment and may be less stigmatising than exit through unemployment or disability schemes. It also results in smaller income reductions than a full early exit, particularly if work is sustained longer by the employer, with longer pension accumulation. However, built-in options to increase working hours again would be desirable, and can be found, for example, in the French, Norwegian and Swedish national schemes.

The general economic climate plays a role in the design of schemes and how they play out in practice. In the long run, extended working lives are likely to result in more competitive economies. Nevertheless, in the short term, the causal relationship may be the reverse as there are more options for (and there is greater popular acceptance of) extending working lives in growing economies. Thus, partial retirement schemes are more likely to be effectively used as a tool to extend working lives in favourable economic climates. Regardless of the general economic climate, the situation in specific industries or firms also influences the way schemes operate. For example, Graf and colleagues (2011) show that 42% of all partial retirees work in firms with declining employment, while one-quarter work in a growing firm. They draw no conclusion from this, but it may suggest that schemes are sometimes used by organisations to downsize. Even within organisations, economic performance matters. Departments that are economically in decline may use (involuntary) partial retirement to reduce costs. This is shown by Lechawska and colleagues (2009), who investigated Stockholm University’s partial retirement scheme, where departments funded 25% of the 60% wage-loss compensation mandated by the public sector scheme. The other 75% was funded by the university as a whole. So, departments compensated 15% (25% of 60%) of the wage decrease, which seems appealing for departments seeking to reduce wage cost. In contrast, Stockholm University’s most successful departments used (voluntary) partial retirement schemes as a reward.

### **Awareness and simplicity**

Schemes may be rarely used if they are too complex or not well-publicised. This also leads to unequal opportunities to access partial retirement. Unawareness among people entitled to partial retirement has, for example, been reported as a reason for the low take-up of schemes in Finland in the early phase of the scheme (Delsen, 1996) and France (see the case study). Uncertainty about the implications for one’s future pension can also form a barrier. Besides the complexity of the scheme itself, implications for social security contributions and taxes can be similarly complicated.

Companies, sectors and pension authorities can play a role in information provision about retirement options, including partial retirement. As retirement decisions are usually not made on an ad-hoc basis, it is important that people are made aware well before they become eligible to apply. Naturally, such information should be presented to workers alongside other pension-related issues. It seems to be particularly important to raise awareness close enough to retiring age for people to become interested, and to be responsive to individual considerations (as in the large company examined in the Netherlands case study). Interactive sessions targeted at people a few years before they become entitled to pensions may be most effective. Company-level information sessions are particularly useful in relation to partial retirement, as they may also signal real possibilities to reduce working time. However, smaller companies, in particular, may not have the resources to devote time to this. Furthermore, employers themselves may also be unaware of partial retirement schemes and may find them complex to administer.

### Interaction with taxes and broader institutional arrangements

Tax rules interact in many ways with partial retirement schemes. Tax rates may differ for pension and wage income, or they may be lower if income comes from a combination of pension and salary rather than from one source alone (see the Finnish case study). Also, with progressive tax systems (where higher incomes are taxed at a higher rate than lower incomes), a switch to part-time work can result in a less-than-proportional reduction of net wage income even without the wage compensation of a partial retirement scheme.<sup>13</sup> And, wage compensation is often larger proportionally in net terms than in gross terms. It is important to take such interactions into account when reforming tax or retirement rules, as they can amplify or reduce the impact of well-thought-out incentives in the retirement system. As an illustration of the importance of these issues, in 2011, 66% of people in the EU reported that a major reason why people aged 55 and over stop working is ‘pension and tax systems mean that it is not beneficial to continue working’ (Eurobarometer, 2012).

Clarity around the interaction of incentives with other institutional arrangements also matters. For example, in countries with minimum income schemes, and where pensions can be partially drawn at an early age at the cost of future pensions, people may be tempted to draw much of their pension early, particularly when their future pension is already low. Their income in old age will be topped up to the minimum anyway. There may also be an interaction with long-term care systems, where people prefer early pension withdrawal when they anticipate that long-term care contributions they might make late in life will depend on income. Sometimes being in receipt of a pension (rather than age) entails benefits such as price reductions in cultural activities and public transport (Sweden), which provides an incentive to draw at least a partial pension as soon as possible.

Such issues are overlooked if one focuses narrowly on pensions. But also within the pension system, the focus may be directed too narrowly on wages and pension accrual. Incentives can come from other aspects of pension design. For example, retirement schemes based on earnings in the final years of a person’s career can discourage people from extending their working lives through schemes such as partial retirement (Chen and Scott, 2003; Belloni et al, 2006). If the partial retiree has a partner and if widow’s or partner pensions exist, these can also influence a worker’s decisions about partial retirement. Lastly, national, sector, company and private pension schemes may interact (SPC, 2007). For example, the French case study showed how national partial retirement is sometimes combined with company schemes in order, effectively, to fully retire early.

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<sup>13</sup> For example, in Germany, a worker (single with no children) with an annual gross income of €50,000 has a net income of about €29,000. With 50% gross income (€25,000), net income would be €17,000, or 58%.

## Taking account of the broader context

### Inactive and unemployed older workers

Employment rates among older people have increased over the last decade but are still below those of younger age groups. Furthermore, they have increased largely because cohorts with higher female employment rates have moved into the next age cohort in several countries. This development is likely to come to a standstill (Kantarıcı and Van Soest, 2008). People unable to combine full-time employment with care responsibilities, health problems or disabilities may be integrated into the labour market on partial retirement schemes, working on reduced hours with a partial pension or benefit. There is also a group of people who are retired fully but who would be interested in returning to the labour market. Such ‘unretirement’ is not facilitated by many schemes, which are contingent on a reduction of working hours (see the Finnish case study). Even when not dependent on a reduction in hours, partial retirement has a limited potential to integrate or reintegrate people into the labour market, whether from inactivity or unemployment. Other policies are better suited to achieving that goal. Furthermore, because partial retirement schemes tend to focus only on workers, they run the risk of amplifying the gap between those inside and outside the labour market.

There is another (economically active) group for whom the benefit in extending working lives would lie in increasing their working hours rather than decreasing them. In many countries, enabling people to continue longer in work will not be enough to achieve the desired employment rates among older people. In addition, while 45% of workers in the EU aged over 50 would like to work fewer hours regardless of the drop in income, 11% want to work more hours (Eurofound, 2014). In 2015, 21% of part-time workers over 50 said they worked part time because they were unable to find a full-time job, up from 16% in 2006 (Eurostat, 2016).

### Micro-, meso- and macro-level impact

As argued above, partial retirement schemes are likely to contribute to extending working lives for some groups (a micro-impact) even when they do not result in longer working lives on average because they reduce working lives for a larger group or to a larger extent (a meso-impact). But partial retirement schemes may still contribute to extended working lives if the macro-context of their implementation is taken into account. More specifically, partial retirement schemes are often part of a package negotiated between social partners. They can, for example, compensate workers to some extent for measures to discourage early retirement or for increases in the statutory pension age. If one takes this macro-perspective and compares the situation before the scheme was in place with that after the scheme was implemented, the impact on length of working lives is likely to be more favourable.

### Looking beyond increasing overall hours worked

The discussion so far has assumed that the desired outcome of partial retirement is increased length of working lives and, in particular, the aggregate contribution to hours worked in the economy. This is the focus of the report, and the rationale for this perspective has been discussed in Chapter 1. However, there are other assessment criteria one may consider. This is true for companies, workers and society alike.

For individual older workers, partial retirement can contribute to quality of life, even if it does not lengthen their working lives. It allows them to match their working hours more closely to their preferences. It can also smooth their path to retirement, enabling them to gradually get used to giving up working and to a decreased income (Latulippe and Turner, 2000). At the same time, partial retirees stay connected to the labour market, which makes it easier for them to increase their hours again if they wish. It has been shown that they may wish to do so, often not only for financial reasons but also to continue contributing in an area of their interest, to keep learning and to stay socially integrated (Eurofound, 2012).

For companies, the impact on the aggregate number of working hours may be less significant than the time a worker remains attached to the company. This allows them to retain knowledge for longer, facilitating knowledge transfer. Furthermore, if there is an increase in economic activity and partial retirees are able and willing to increase working hours again, it is easier to draw on these workers than if they had retired fully.

Partial retirement can also benefit broader society even if it does not extend working lives, for example by facilitating older workers to carry out caring activities. This saves public funds and can be good for the quality of life of those being cared for. Partial retirees are also likely to contribute to the quality of society by increased involvement in volunteering (Eurofound, 2014).

### **Future perspective**

This research serves as a basis for the argument that it is important to look to the future rather than to overly rely on past experience. Part-time work has become increasingly common; partial retirement may thus become easier to implement. Second, work after the statutory pension age is increasingly being facilitated by the removal of various barriers. As discussed earlier in this chapter (see the section on ‘Partial retirement after pension age’), this has the potential to amplify the positive impact partial retirement has by enabling or motivating at least some groups to extend their working lives. Most importantly, though, with increased statutory pension ages and reduced options to fully retire early in many countries, measures to extend working lives are likely to be sought more. These can include other elements, but a reduction of hours may be considered as a tool to facilitate longer working lives. More governments, employers and employees are likely to be looking into such options.



# Potential lessons for policymaking 7

Practical experience of partial retirement has shown mixed results. Assessment of schemes is methodologically challenging, but no scheme was identified that unambiguously extended working lives for all participants. On the aggregate level, reduction in hours for all participants has frequently outweighed the increase in hours because of extended working lives for some of them. Partial retirement is likely to extend working lives more often for groups such as people with health problems, disabilities, care responsibilities and physically or mentally demanding jobs than for other groups of workers (see, for example, the Finnish case study; Pagán, 2009).

Policymakers, social partners and pension schemes that are considering establishing or reforming a partial retirement scheme as a tool to extend working lives can learn important lessons from past experiences in terms of challenges for effectiveness, efficiency and fairness, while acknowledging the broader context.

## Effectiveness, efficiency and fairness

- Take-up numbers should be interpreted carefully. Partial retirement schemes with high take-up may be successful in extending working lives, but they may also signal that schemes are overly attractive and possibly not cost-effective. Many people who are partially retired may have been able and motivated to continue working full time. Lower take-up numbers, however, are no guarantee that the right target group is being reached. They may also signal failure in the scheme's design or implementation.
- In order to be effective in extending working lives, partial retirement should be an interesting alternative to full early exit, but continued full-time work should still be encouraged and supported. It is a delicate balance to set the financial incentives in terms of the impacts on future pensions and on current income.
- If partial retirement starts too early and hours are reduced too much, too many working hours may be decreased for too long. If it starts too late and hours are decreased too little, it may not enable people to work longer.
- Partial retirement is sometimes used as an early exit scheme when it allows working time to be concentrated in a first period, followed by a period of leave. If very attractive, this may still motivate people not to exit the labour force until they become entitled to do so, but it often shortens working lives.
- In most schemes, partial early retirement extends working lives for at least some beneficiaries. The positive impact for them can be amplified by facilitating the extension of partial retirement beyond the statutory pension age. While it seems hard to avoid schemes that shorten working lives for others, such amplification can help outweigh this negative impact.
- The effectiveness of schemes can further be enhanced by facilitating the reversal of working time reductions, enabling workers to increase their working hours. Notice periods for workers to announce changes to agreed fixed periods of partial retirement may be needed particularly for small companies to allow employers to adjust.
- Low-paid workers may more often need working hour reductions to extend their working lives but are often unable to afford to do so even if wage loss is partly compensated.
- Several of the schemes have been used more by higher socioeconomic groups. This raises distributional concerns, particularly if schemes are publicly funded. However, it is hard to prevent distributional impacts altogether, especially when schemes are funded in alternative ways.
- Making partial pension receipt dependent on a reduction of working hours may be unfair for people who already work reduced hours (as is the case for many women), who are too young to qualify or who increase their hours by entering the labour market from unemployment or inactivity into a part-time job.

- Challenges remain in terms of employers' ability to facilitate part-time work, for example because of the nature of the work or the size of the company. Employees may also be reluctant to shift to or request part-time work because they fear the impact on their status or their work, or that it might result in unpaid overtime. Or part-time work might be seen in other ways as something unusual in a worker's specific cultural context.
- Partial retirement often depends on agreement between employer and employee. The employer may not accept an employee's request for it. The employee may feel hesitant to raise the issue, sometimes assuming a rejection from the employer. Institutionalised pre-retirement conversations between employer and employee may help. Conversely, workers may also be pushed into involuntary partial retirement in attempts to restructure the workforce, presenting a framework to target older workers and reducing part of the wage cost.
- Partial retirement schemes may not work in countries, sectors or professions where part-time work is unusual. Paradoxically, though, such schemes also can have the most potential in countries, sectors or professions where part-time work is least common. These may often concern people who may be unable to work up to the statutory pension age, and reduced hours could enable them to keep working. It is also less likely that workers who would benefit from it have already moved to part-time work, and – besides providing financial incentives – partial retirement could present a framework to stimulate working time reductions and contribute to a 'culture of part-time work'.
- Flexibility in the types of working time reduction can facilitate a better match to employees' and employers' preferences by, for example, spreading free time over weeks, months or years. Employers may find certain configurations easier to adjust to or administer, and older workers are a heterogeneous group with varying preferences and needs.
- Pension schemes interact with tax and social security systems, and these interactions need to be taken into account. They may create unintended incentives for partial retirement as well as making it complex for eligible workers to understand the consequences of partially retiring. The impacts of interactions can be anticipated if institutions communicate and – where possible – coordinate effectively among each other.
- Information provision and simplicity matter. People will not benefit from flexibility if they are unaware of schemes or of how to take advantage of them. Lack of information also leads to unequal opportunities in access to partial retirement. Holding interactive information meetings in the years before people become entitled to a pension can help to improve awareness and to explore other issues, such as training. If provided by companies, this can also signal that the employer is open to considering flexible options, and issues such as training can be explored. However, companies may not have enough resources, may not be aware themselves of complex pension issues, and may be held back by the administrative complexity of schemes.
- Flexibility often comes with an administrative cost for the organisation that administers the scheme. Simplifying and automating administration can contribute to decreasing such expenditure. Costs can be particularly high if frequent changes are allowed and, when partial pensions are linked to working hours, in verifying working hours.

### Taking account of the broader context

- Partial retirement schemes are just one tool to facilitate working time reductions. Working lives can be extended by other diverse measures, including those focusing on other aspects of working conditions apart from working time.
- This research has demonstrated that much can be learned from past experience, but it is important to be aware of changing contexts. Withdrawal of early exit schemes and increases in pension ages are likely to increase the need for people to use measures that enable them to continue working until the statutory pension age and accumulate an adequate pension, and for employers and policymakers to facilitate them. Furthermore, part-time work has become more common across the EU, and partial retirement may thus become easier to implement. Lastly, work after retirement has been facilitated in many Member States, thus amplifying the impact that partial retirement has on the working lives of certain groups.

- Partial retirement schemes generally focus on people in work. In order to increase employment rates, integration of economically inactive and unemployed people into the labour market is needed. Partial retirement schemes have sometimes prevented unemployment, but policies focusing more specifically on facilitating work for the unemployed and inactive are more suitable.
- Policymakers should be careful to avoid overemphasising employment rates if an increasing share is part-time work. It is important to be aware that, even if a partial retirement scheme extends working lives (and employment rates), it may still reduce overall hours contributed to the economy.
- Partial retirement schemes are more likely to have a positive impact on employment rates than on overall hours contributed to the economy. While the latter may seem more significant initially, there are broader benefits of increased length of working life (even if on reduced hours). In particular, return to full-time employment is relatively easy when a worker's preferences or economic conditions change, and companies retain – and nurture – knowledge for longer.
- Even when partial retirement does not extend working lives, it may actually have contributed to later labour market exits if the broader context is taken into account. In particular, it may have been negotiated as an alternative to an early retirement scheme, or early partial retirement may have been negotiated along with an increase in the retirement age.
- This research has focused on the impact on extending working lives, but policymakers may also consider the impact on quality of life and society; flexibility allows closer alignment of the retirement path with preferences and can facilitate volunteering activities and care commitments.



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*Many EU Member States have implemented reforms to improve the sustainability of their pension systems. However, the impact of discouraging early retirement and increasing the pension age on effective retirement ages is limited, as many people are unable or unmotivated to work until pension age. Reduction of working time is one approach to enabling people to work longer than would have been feasible if they continued working full time. But a barrier to reduction of hours is the loss of income. Partial retirement schemes address this barrier by substituting part of the income loss with a partial pension or benefits. This report investigates how partial retirement schemes can contribute to sustainable and adequate pension systems by enabling and motivating people to extend their working lives. It maps schemes at the national and sector levels in the EU and Norway, examines their characteristics and assesses their impact on the extension of working lives.*

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