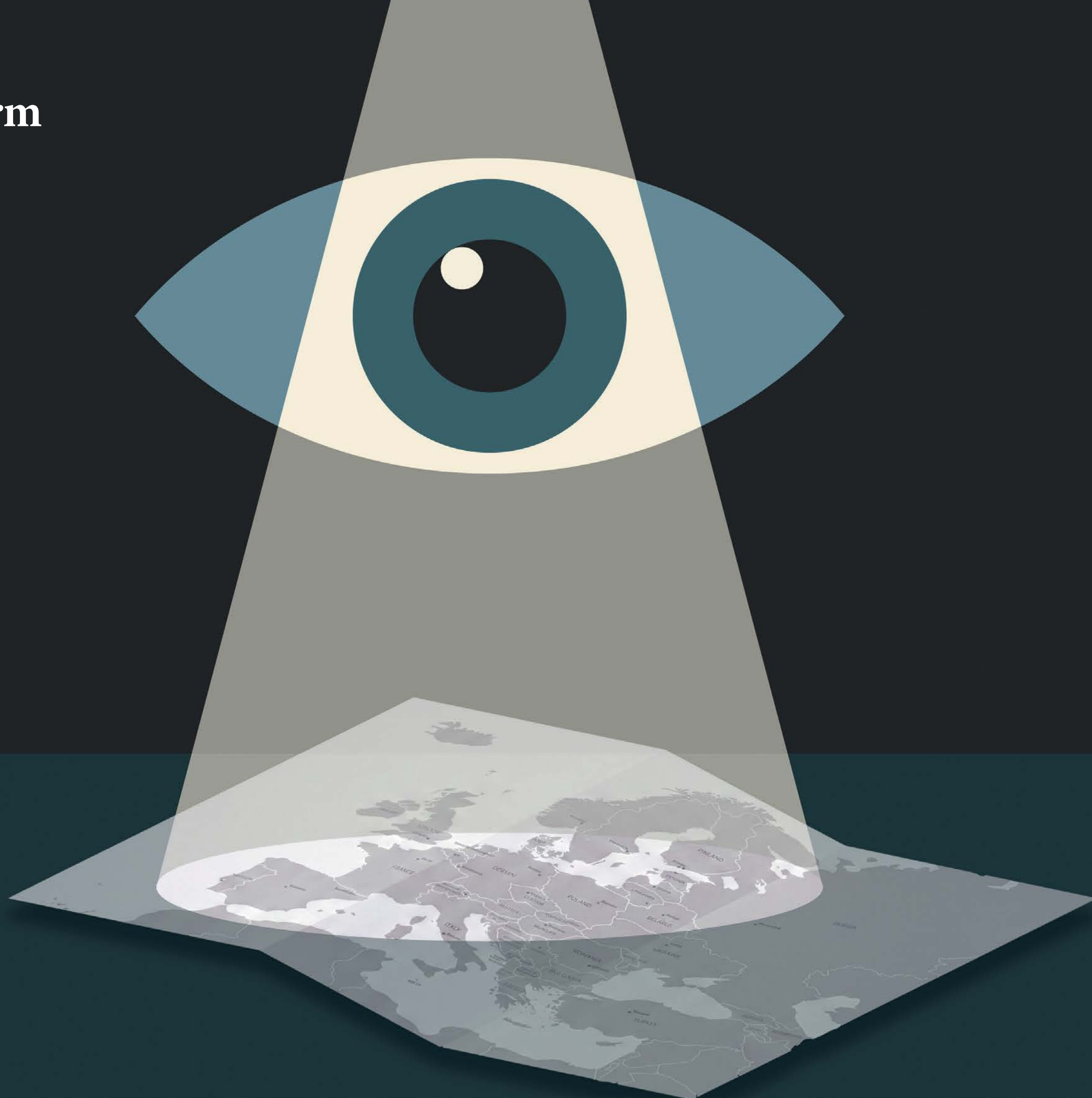

REFORM

Savings under scrutiny

From France and Hungary to Estonia and Slovenia, a series of recent Organisation for Economic Co-operation and Development (OECD) Economic Surveys has placed pension reform firmly on the agenda. *Callum Conway* rounds up the organisation's latest country recommendations and the very different retirement challenges facing policymakers across Europe

Ageing populations are forcing European governments to revisit questions that have shaped pension policy for decades: How long should people work? How generous can state provision remain? And where should private and occupational pensions play a greater role?

The OECD's latest economic surveys show these questions are becoming increasingly urgent, although its recommendations vary sharply from country to country. In some of Europe's more generous first-pillar systems, the emphasis is firmly on fiscal sustainability, later retirement and tighter early-retirement routes.

Elsewhere, particularly where future public pension provision is expected to be less generous, the OECD is placing more weight on funded retirement saving, occupational pension coverage and second-pillar participation.

The organisation's latest recommendations therefore give a snapshot of the very different stages of pension reform across Europe.

HUNGARY

Retirement age should move with longevity

Hungary received one of the OECD's clearest calls for further pension reform, with the organisation warning that ageing-related spending pressures would place increasing strain on the public finances.

Pension expenditure is projected to increase by 4.4 percentage points of GDP by 2070, while the statutory retirement age, currently 65, is not linked to life expectancy. Therefore, the OECD recommended gradually linking the retirement age to longevity.

Under one scenario examined in the report, which reflected two-thirds of future gains in life expectancy in the retirement age, it could rise to around 67 by 2045 and 69 by 2070.

The Women-40 scheme was another focus. It enables women to retire after 40 years of eligibility without an actuarial reduction, contributing to almost half of women retiring before the statutory age, at an average age of around 60.

The OECD suggested linking the 40-year requirement to developments in life expectancy, while retaining scope for some early retirement with actuarial reductions.

It also questioned the cost of additional pension payments, recommending that Hungary consider capping the 13th- and 14th-month pension benefits, for example, at the average pension level, to protect lower-income retirees while limiting payments to those on higher pensions.

FRANCE

Resume reform and consider going beyond 64

France's pensions debate remains dominated by retirement age, and the OECD's latest recommendations offered little support for stepping back from reform.

The organisation said implementation of the suspended 2023 pension reform should resume from 2028, ultimately raising the statutory retirement age from 62 to 64. It also suggested that this may not be sufficient over the longer term.

Indeed, public pension spending stood at around 14.1 per cent of GDP in 2025 and, even with the 2023 reform implemented, is projected to remain at around this level over coming decades.

Meanwhile, the French Pensions Advisory Council expects the pension system's financing requirement to increase over the longer term.

The OECD therefore argued that France should consider moving its statutory retirement age closer to that of comparable countries and linking it to changes in life expectancy.

Such a move, it claimed, could deliver a double benefit by reducing pension expenditure while increasing labour supply and tax revenues.

AUSTRIA

Reduce the cost of one of the OECD's most expensive systems

Austria's pension system also attracted scrutiny because of the scale of first-pillar expenditure.

Public pension spending is among the highest in the OECD, at around 14.7-14.8 per cent of GDP, and is expected to continue increasing until around 2035.

Austria is already gradually raising women's statutory retirement age from 60 to 65 between 2024 and 2033, bringing it into line with men.

But the OECD called for further changes to guarantee long-term sustainability.

Its central recommendation was to link the statutory retirement age to future gains in life expectancy, with continued restrictions on early-retirement routes.

It also suggested a modest reduction in pension accrual rates, which remain among the highest in the OECD, and reform of pension indexation so adjustments differ between lower and higher pensions.

Austria has already tightened access to its corridor pension, with the required contribution period gradually increasing from 40 to 42 years and the minimum entry age moving from 62 to 63.

SLOVENIA

Build the second pillar alongside retirement-age reform

Slovenia illustrates a different challenge, with the OECD focusing not only on the sustainability of the public pension system but also on the underdevelopment of private retirement provision.

Recent reforms will gradually raise the statutory retirement age from 65 to 67 between 2028 and 2035 for those with at least 15 years of contributions. Those with 40 years of contributions will be able to retire without penalty from 62 rather than 60.

Regardless of these changes, the OECD said Slovenia should consider linking its minimum retirement age to life expectancy over the medium term.

However, its recommendations also placed considerable emphasis on occupational pensions.

In Slovenia, private pensions remain underdeveloped, and the OECD recommended employer matching contributions or automatic enrolment in occupational pension schemes to increase retirement savings. It also called for continued efforts to raise awareness of workplace pension provision and to foster greater competition among providers.

ESTONIA
Rebuild second-pillar saving after liberalisation

Estonia's challenge is less about the cost of generous public provision and more about ensuring sufficient private savings as the role of state pensions declines.

A 2021 reform gave individuals broad freedom to withdraw their second-pillar pension savings. Around one-third of contributors subsequently withdrew their funds, equivalent to approximately 4.6 per cent of pre-reform GDP.

Although assets have since recovered, participation and contribution levels remain a concern.

The OECD argued the future old-age provision would increasingly depend on private savings and called for clearly defined conditions around withdrawals from the second pillar. It also recommended measures encouraging workers who have withdrawn their savings to make up for missed contribution years.

At present, those leaving the second pillar cannot rejoin for 10 years, although the government has proposed reducing this to five years. The OECD went further, recommending abolition of the existing 10-year re-entry rule and a review of the favourable tax treatment of third-pillar payouts.

LATVIA
Address poverty while protecting funded provision

Latvia faces an especially difficult balancing act between retirement adequacy and system sustainability.

The OECD warned that old-age poverty could increase without further policy intervention, partly because future pension replacement rates are low.

The report noted that the contributory minimum pension after a full 43-year career was equivalent to about 17 per cent of the average wage in 2024, while non-contributory old-age safety-net benefits were roughly 10 per cent.

The OECD therefore recommended increasing minimum pension provision and strengthening the safety net for older people.

It also acknowledged concerns about access to contributory pensions after the minimum contribution period was increased from 15 to 20 years.

Alongside adequacy, funded pensions remain an important part of the debate.

The OECD has voiced concerns about measures that temporarily shift contributions away from the funded second pillar towards the first pillar and has stressed the importance of maintaining strong long-term retirement savings.

As in several other countries, longevity also features in the recommendations, with greater alignment between retirement-age rules and rising life expectancy seen as a potential way to strengthen sustainability.

ITALY
Preserve life-expectancy link and avoid reopening early retirement

Italy's pension system is another of Europe's most expensive, with pensions accounting for a very high share of public spending.

Its statutory retirement age is 67, while future increases are linked to life expectancy.

The OECD welcomed the 2026 Budget's decision not to extend the temporary Quota 103 and Opzione Donna early-retirement programmes and to maintain planned increases linked to longevity.

However, it warned that breaking the life-expectancy link would produce lasting fiscal pressures and reduce labour-force participation.

Instead, the organisation recommended rationalising the remaining early-retirement pathways and improving older workers' ability to remain in employment, including through skills development and opportunities to move away from physically demanding occupations.

At the same time, supplementary pensions are becoming more important in Italy.

Around 10 million workers were enrolled in supplementary pension schemes by the end of 2024, although total assets covered just 10.8 per cent of GDP.

Other recent reforms have strengthened automatic transfer of severance pay contributions into private pension funds unless workers opt out, while the 2026 Budget introduced more incentives to participate in the pension system.

PORTUGAL
Extend longevity link to early retirement

Portugal already goes further than many countries in adapting retirement ages to demographic change.

Its statutory retirement age is linked to life expectancy and increased to 66 years and nine months in 2026.

However, the minimum age for early retirement remains fixed at 60 for those who meet the relevant contribution requirements.

The OECD recommended extending life-expectancy indexation to that minimum age.

It also suggested reviewing early-retirement arrangements for specific professions and strengthening incentives for workers to delay retirement.

The report noted that around 20 per cent of new retirees with full contribution histories in 2023 had retired before the age of 60.

Although Portugal's statutory and effective retirement ages are already comparatively high, the OECD argued that further changes may be needed, as pension expenditure is expected to increase until the mid-2040s.

At the same time, it cautioned that reform should protect retirement adequacy, particularly for workers on low incomes or in physically demanding occupations.

ROMANIA
Protect second-pillar gains and continue reform

Romania's recent pension reforms received a more positive assessment, although the OECD urged the country to maintain momentum.

The 2024 reform changed benefit calculations, strengthened the relationship between contributions and pensions, and contained measures designed to improve long-term sustainability.

In addition, the retirement age for women is being increased, while the overall retirement age is due to become linked to life expectancy from 2035.

Alongside the public system, Romania's mandatory second-pillar defined contribution scheme is expected to become more important.

OECD modelling suggested that, once mature, the DC system could add around 20 percentage points to the replacement rate of a median worker who entered the labour market in 2022.

Meanwhile, recent measures have also removed exemptions from second-pillar participation for sectors such as IT, construction, agriculture, and food, thereby widening coverage.

The OECD noted that the combination of public and private mandatory pensions could produce replacement rates above the OECD average, and noted that the 2024 reform had been effective in improving outcomes for lower earners.

However, it also stressed the need to complete reforms to special occupational pensions and maintain the contributory principle.

Different systems, similar demographic pressure

The OECD's recommendations differ across Europe, but the direction of travel is clear.

Countries including Hungary, Austria, France and Italy face pressure to contain public pension costs and encourage longer working lives, while Estonia, Slovenia and Romania are being pushed towards stronger funded and occupational provision.

Latvia highlights the continuing adequacy challenge, while Portugal shows how longevity links could increasingly extend into early-retirement rules.

A common theme is the greater use of automatic mechanisms, including retirement ages linked to life expectancy and default participation in private pensions. These can reduce the need for repeated reforms, but they do not remove difficult trade-offs around adequacy, coverage and the ability of different workers to remain in employment for longer.

Across Europe, ageing populations are forcing governments to rebalance public provision, funded saving and working lives. The solutions remain national, but the overall direction is towards later retirement, stronger supplementary pensions and systems that adjust more automatically to demographic change.