

## FLEXIBLE RETIREMENT

# A longer path ahead

As people live longer, the workforce is moving away from the traditional notion of retirement to a more flexible way of thinking. But how far has flexible retirement been implemented at a policy level and is this working? Paige Perrin reports



Europe's retirement landscape is transforming. Amid longer life expectancy, labour shortages, and pension adequacy challenges, policymakers across the continent are considering more flexible options.

This can be seen through the UK's 2015 pension freedoms, which gave savers greater control over how and when they draw pension income, Belgium's introduction of flexi-jobs for pensioners in 2018 and in 2024 Norway began permitting public sector employees to draw pensions while working – previously restricted to those in the private sector.

Additionally, this year, the Swedish parliament

voted unanimously to allow more flexible rules on payments from pension insurance and pension savings accounts.

These changes reflect broader trends, such as retirees re-entering the workforce, older employees deferring full retirement, and growing demand for part-time and bridge employment.

Research from Insurance and Pension Denmark shows that approximately 10,000 Danish state pensioners return to the labour market annually.

This raises an important question on the effectiveness of current retirement systems and the necessity for flexibility in retirement policies.

## Movement of policy

Despite the clear shift toward flexible retirement, policies on this vary across Europe. According to the OECD, all EU member states and Norway, except the Netherlands, have implemented deferred retirement policies in their statutory pension scheme.

In Austria, early retirees can continue to work as long as their earnings don't exceed a set threshold. If this is surpassed, they lose their early retirement pension for that month.

Additionally, Sweden, Finland, and Norway have introduced flexible pensionable ages, allowing workers to adjust their retirement to better align with life expectancy.

In Sweden, its shift toward a target retirement age has brought several policy changes, according to Skandia pension economist, Mattias Munter.

New tax rules now let pension providers offer flexible payments in the first five years of retirement. Swedish Pensions Agency analyst, Erik Ferm, notes that as of 2023, the Employment Protection Act allows people to work until 69, with a review due by June 2025 to align this with the target retirement age. Tax credits for workers aged 66 and over will also be adjusted in 2026 to match the new retirement benchmark.

France's pension system offers incentives for deferring retirement and working longer. The 'surcote' or deferred retirement bonus allows workers pensions to increase by 1.25 per cent per quarter – 5 per cent per year extra on a savers basic public pension – for each additional quarter worked after reaching both the legal age and full contribution duration.

In Norway, the government is amending its pension system to raise age limits, improve pensions for people with disabilities, and allow private sector employees to earn occupational pensions from day one.

Norway is also exploring aligning the standard

retirement age across public and private sectors to 72, in response to an ageing population and increased labour demand.

"An ageing population and increased demand for labour make it increasingly important to facilitate flexible and extended working lives in Norway and across Europe," a Norwegian Ministry of Labour and Social Inclusion spokesperson emphasises.

## Is policy working?

Finnish Centre for Pensions senior adviser, Niko Väänänen, and Ferm both say, in their countries, Finland and Sweden, that the number of those who have opted to postpone retirement and utilised flexible pensions has increased over the years.

However, Väänänen says this has not been the case for all savers and believes the current framework in Finland is still not "well suited" for those who want to transition to another job near retirement age.

He explains Finland is currently studying the Singaporean model of bridge employment, where with the support of the employer, a worker can move to a job more suited to their state of health when they are nearing retirement age.

Ferm says that despite the Swedish policy framework making flexible retirement possible, he argues it's not just about regulations and policies, as attitudes and workplace culture matter also play an important role.

"We have to improve the work environment to make it possible to extend working life within more occupations... A long-term effort is required going forward, in which all stakeholders take responsibility for continuing to contribute to the development of opportunities for an extended and more sustainable working life. The government also has an important role, by creating favourable conditions through appropriate legislation," he says.

Munter argues that the real area for change is people's behaviour, explaining: "What we are yet to see is that great shift in people's behaviour, although the number of people past their retirement age who have some sort of working income is steadily rising."

In Norway, a Norwegian Ministry of Labour and Social Inclusion spokesperson suggests education could also help this move towards a more flexible retirement system.

"There is a need for increased awareness and knowledge among employees and employers," they say. "Employers are adapting. More employers are offering adapted work tasks, reduced working hours, and senior arrangements to retain older employees

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A report from the OECD, *Flexible retirement pathways - An analysis of policies in 28 European countries*, published in February 2025, stated: “While employment rates of older workers and effective retirement ages over the last decade have increased considerably in all 27 member states and Norway, it is not possible to infer a direct correlation between pension reforms, including those aimed at creating flexible retirement pathways, and the time when individuals effectively withdraw from the labour market.”

The report also highlighted some other trends of flexible retirement, including the fact that early retirement is particularly prevalent among women, especially those with caregiving responsibilities.

Additionally, the report found that individuals with higher incomes and those in white-collar jobs are more likely to continue working beyond the pensionable age and take advantage of deferred retirement options. Meanwhile, workers in physically demanding roles and those with lower levels of education tend to retire earlier.

Väänänen says: “A significant portion of this disparity in Finland was linked to factors such as physically less demanding jobs, greater control over work hours, and better self-rated work ability among those in higher occupational classes.”

### Now what?

Väänänen proposes that Finland should develop and support a variety of retirement options while rethinking the mandatory retirement age of 68, as circumstances and motivations in retirement can vary widely.

“The challenge is that individuals’ situations near the retirement age differ, and therefore different options should be available to different needs. Stakeholders, labour market parties and the government should actively assess whether new policies are needed to support different retirement pathways,” he says.

He also highlights the discriminatory practices in the labour market that many older workers experience and the necessity to fight against ageism and discriminatory perception.

Munter believes that the labour market, individual savers, and employers “hold the keys moving forward” to promote flexible retirement in Sweden and wider Europe.

He also stresses the importance of effective career planning for individuals and echoes Väänänen’s call for employers to address ageism actively within their



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organisations.

Ferm suggests that employee and labour organisations, along with the government, could improve communication to inform older employees about their rights to combine part-time retirement with part-time work.

He also emphasises the importance of educating savers that occupational pensions are automatically disbursed from a certain age unless the saver contacts the provider to postpone payments.

In Denmark, Insurance & Pension Denmark head of pension policy, Lotte Katrine Ravn, identifies the promotion of greater flexibility in the labour market and pension system as key to encouraging individuals to remain in the workforce until, and even beyond, the state pension age.

Across Europe, significant barriers exist in implementing effective flexible retirement policies, including the variations in pension systems that necessitate tailored solutions, as well as a lack of awareness and societal norms regarding flexible retirement pathways.

To address an ageing workforce and the appeal of flexible retirement, more efforts must be made in policy development and practical implementation, ensuring that individuals across Europe can achieve their desired retirement.