SUMMARY

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Flexible retirement
– a model for the future?

Lessons from Sweden, Norway and Finland

As life expectancy rises, governments around the world have increased the retirement age. Simultaneously, the current trend in pension system design seems to lean towards flexible retirement solutions by increasing individual choices and options for pension take-up. According to a recent Eurofound study (Dubois et al. 2016), it appears that Sweden, Norway and Finland are among the forerunners of this evolution and ahead of many European countries.

This paper investigates the change in retirement behaviour in Sweden, Norway and Finland after recent old-age pension reforms in these countries and, particularly, how flexible retirement together with the establishment of partial pensions has affected pension take-up and retirement behaviour. In order to encourage people to work longer and postpone retirement, all three Nordic countries have established decoupled systems, in which people can draw early old-age pensions regardless of whether they stop working or not. The principles and main features of the flexible pension design are pretty much the same, although the schemes differ from each other in some aspect.

Currently, the change in retirement behaviour is most eye-catching in Norway, where a growing number of people have chosen to combine employment with pension benefit take-up. The findings suggest that the implementation of the policy has altered the pattern of pension withdrawal among men. More men than women take their pension as early as possible. In Sweden, the change in the take up ratio has been much more modest. Sweden can well be described as a persistent late retirement country. In both Norway and Sweden, people prefer to draw a full pension rather than a partial one. Around 90 per cent of those

who have taken the early old-age pension are drawing their pension in full. As for Finland, it is still too early to evaluate what the actual consequences of the recent pension reform will be. However, statistics from the first six months reveal that men are more likely than women to take the new option of an early partial pension. A wider perspective on flexible retirement reveals that most Finns take the old-age pension at the earliest possible age (63 years) and thus retires earlier than their neighbouring peers.

It remains to be seen whether the traditional cliff-edge between work and retirement will erode. Models to eliminate cliff-edge retirement policies, to encourage part-time and flexible working, and to defer retirement have been introduced. Lessons from Norway and Sweden reveal that the desire to start cashing in pension rights is powerful, but it does not mean that people want to stop working as soon as they reach their earliest possible retirement age or get the cash.

Reference

Dubois, H. & Runceanu, G. & Anderson, R. (2016) Extending working lives through flexible retirement schemes: Partial retirement. Eurofound, European Foundation for the Improvement of Living and Working Conditions. Luxembourg. https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1629en.pdf

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