

# Part-time work with part-time retirement: Towards an alliance between labour law and pensions for the healthy ageing of the workforce

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# Part-time work with part-time retirement

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*Towards an alliance between labour law and pensions for the healthy ageing of the workforce?*

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## 1. Introduction

Proposals to cope with the ageing of European populations aim at raising the retirement age while eliminating possibilities for early retirement. However, this strategy can only succeed if combined with increasing the employment rate of older workers, one particular aim of the EU's Lisbon Agenda. In this perspective, the possibility to shift to part-time work during the last career-stage is a means to retain older workers in employment, possibly beyond their retirement age, ultimately increasing the total amount of hours worked in the economy. However, such a shift is hindered by economic considerations on the worker's side, as it necessarily entails a reduction of the purchasing power in the last part of the career. Combining part-time work with part-time retirement (hereafter: part-time/partial retirement) therefore has the potential of removing this obstacle. We explore various dimensions of this combination in the context of the EU and of its Member State, by analysing instruments for part-time arrangements for older workers, identifying good practices and obstacles to combine these arrangements with part-time pensions. For this, we draw on legal and socio-legal literature, assessing the legal possibilities and challenges for setting up a "part-time retirement model".

When it comes to partial retirement, various definitions have been proposed by the literature. First, we refer to partial or part-time retirement to identify the situation of reduced working time combined with the enjoyment of a "partial" pension (i.e. less than one's theoretical full pension).<sup>1</sup> Hence, we do not distinguish between partial and phased retirement depending on the fact that the worker continues to work part-time for his or her former employer or with a new employer.<sup>2</sup> In the context of this paper both situations are considered to be relatively similar. Second, referring to the situation combining income from employment and retirement

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<sup>1</sup> See D. Latulippe & J. Turner, 'Partial retirement and pension policy in industrialized countries' (2000), *International Labour Review* 139(2), 179.

<sup>2</sup> As distinguished by T. Kantarci & A. Van Soest, 'Full or partial retirement? Effects of the pension incentives and increasing retirement age in the Netherlands and the United States' (2013), *Netspar Academic Series* 10(038), 1.

benefits, we use the term “bridge employment”, acknowledging that such a concept mostly refers to work after *full* retirement<sup>3</sup>.

The paper is structured as follows. In Section 2 we briefly outline recent retirement policy directions and show their interaction with the issues of part-time work and partial retirement. Section 3 will explore the role of part-time work in the context of the ageing workforce, while Section 4 analyses the previous research dealing with partial retirement. Section 5 is devoted to conclusions which look into the interactions between the two topics and to obstacles to the development of this policy mix.

## 2. Retirement policy and the workforce

Addressing workforce ageing is a key policy both at Member State and at EU level.<sup>4</sup> Providing a full account of the reforms enacted in this context goes obviously beyond the scope of the present paper. However, a few key points need to be highlighted as they provide the background for our main object of analysis.

Thus, from a policy perspective the EU’s answer (as is largely mirrored or anticipated by Member States) is increasing the effective retirement age<sup>5</sup> while closing the possibilities for early retirement.<sup>6</sup> The latter is sometimes coupled with outright reductions of pension benefits and therefore discouraging people to retire prematurely,<sup>7</sup> though this point plays a minor role in the context of our analysis. More recently, the 2014 World Bank report has highlighted that early retirement does not help in creating jobs for younger workers. Such a policy is instead considered to cause fiscal burdens on the economy, resulting in higher taxes, crowding out of investment, and in fact slower the growth for everyone, including younger workers.<sup>8</sup>

At EU level, the policy objective of raising the retirement age in order to cope with the ageing of the workforce is made apparent in the Country Specific Recommendations (CSRs) drafted

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<sup>3</sup> See T.A. Beehr & M.M. Bennett, ‘Working After Retirement: Features of Bridge Employment and Research Directions’ (2015), 1 *Work, Aging and Retirement* 1, 112-113.

<sup>4</sup> E.g., European Commission, ‘Dealing with the impact of an ageing population in the EU (2009 Ageing Report)’ (Communication) COM(2009) 180; Decision No 940/2011/EU on the European Year for Active Ageing and Solidarity between Generations (2012) [2011] OJ L 246/5.

<sup>5</sup> European Commission, ‘An Agenda for Adequate, Safe and Sustainable Pensions’ (2012), COM(2012) 55, 5.

<sup>6</sup> European Commission, ‘Dealing with the impact of an ageing population in the EU (2009 Ageing Report)’ (Communication) COM(2009) 180, 8; European Commission, ‘Towards a Europe for All Ages Promoting Prosperity and Intergenerational Solidarity’ (Communication) COM(1999) 221, 17. See T. Moulart & S. Biggs, ‘International and European policy on work and retirement: Reinventing critical perspectives on active ageing and mature subjectivity’ (2012), *Human Relations* 66(1), 30.

<sup>7</sup> See for example S. Staubli & J. Zweimüller, ‘Does raising the early retirement age increase employment of older workers?’ (2013), *Journal of Public Economics* 108, 17.

<sup>8</sup> A.M. Schwarz *et al.*, *The Inverting Pyramid: Pension Systems Facing Demographic Challenges in Europe and Central Asia* (The World Bank, 2014), 28.

in the context of the “European Semester”.<sup>9</sup> From 2011-2014, between 6 and 13 Member States each year were recommended to reduce early retirement and/or to raise the retirement age<sup>10</sup>. In the same period, a similar number of CSRs vaguely addressed the need to increase the employment rate of older workers (from 6 CSRs in 2011 to 11 in 2014), without mentioning any specific objectives.<sup>11</sup>

Evidently, the simple postponement of the retirement age does not entail a higher employment rate per se.<sup>12</sup> For this strategy to succeed older workers must, effectively, be able to continue working until a later age, while the economy must also provide the necessary demand for older workers.<sup>13</sup> The absence of these conditions would ultimately reduce (or even eliminate) the benefits of raising the retirement age, as older workers would simply (need to) use other “exits”, e.g., through unemployment or disability benefits, to put in place some kind of “early retirement with other means”.<sup>14</sup> For example, Staubli, and Zweimüller find that an increase of the (Austrian) retirement age brought about a significant increase of the claiming of unemployment benefits among the affected population.<sup>15</sup>

Indeed, the retention of older persons in the workforce is one of the central objectives of the strategy going under the label of “Active Ageing”.<sup>16</sup> Extending working lives is possible by, *inter alia*, adapting the workplace and reducing/flexibilizing working time.<sup>17</sup> In fact, the potential role of part-time work in the context of an “Active Ageing” strategy had already been highlighted at the G8 summit of Denver in 1997.<sup>18</sup> During the 1990s, other solutions in the

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<sup>9</sup> Available at [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm).

<sup>10</sup> See S. Clauwaert, ‘The country-specific recommendations (CSRs) in the social field’ (2014), *ETUI Background Analysis* 2014.01.

<sup>11</sup> E.g. from the CSRs for 2015: ‘Strengthen measures to increase the labour market participation of older workers and women’ (AU); ‘these pension reforms would need to be accompanied by employment-support measures and labour market reforms conducive to active ageing’ (BE); ‘Pursue efforts to improve the employability of young people, older workers and the long-term unemployed, focusing particularly on developing job-relevant skills’ (FIN).

<sup>12</sup> H.-J. Reinhard, ‘Towards a European pension policy? The possible impact of the European Commission’s Green Paper “Towards adequate, sustainable and safe European pension systems” on national pension strategies’ (2010), *European Journal of Social Security* 12(3), 208.

<sup>13</sup> European Commission, *supra* note 5, 7. See M. Fuchs et al., ‘Transition from Work to Retirement in EU25’, *LSE STICERD Research Paper* 112, 3.

<sup>14</sup> See D. Desmette & P. Vendramin, ‘Bridge employment in Belgium’, in C.-M. Alcover *et al.* (eds.), *Bridge Employment – A Research Handbook* (2014), New York, Routledge, 70-89; T. Kantarci & A. Van Soest, ‘Gradual Retirement: Preferences and Limitations’ (2008), *Economist (Leiden)* 156(2), 6.

<sup>15</sup> See Staubli and Zweimüller, *supra* note 7, 19. See also Fuchs et al., *supra* note 13, 8.

<sup>16</sup> See for example European Commission, *Social Agenda Magazine*, Issue 26, March. Available at: <http://ec.europa.eu/social/main.jsp?catId=737&langId=en&pubId=622&type=1&furtherPubs=no>, stating that: ‘[...] we need to create conditions that allow people to stay active as they grow older. “Active Ageing” promises to be such an approach because it seeks to help older people to: remain longer in the labour market; contribute to society as volunteers and carers; remain as autonomous as possible for longer’.

<sup>17</sup> P. Liedtke, *Reforming Pension Systems: Fertility, Dependency and Participation Rates* (2011), *The Four Pillars* 48, 2-3.

<sup>18</sup> G8, ‘Summit of the Eight in Denver’ (1997), USA, June 20-22, available at: <http://www.g8.utoronto.ca/summit/1997denver/g8final.htm>, highlighting that: ‘We discussed how our nations can promote active aging of our older citizens with due regard to their individual choices and circumstances,

same vein were proposed to retain older workers.<sup>19</sup> Indeed, In the context of a research focusing on the Swedish workforce, shorter working hours have been found as the first preference of workers in order to be able to work until the ordinary retirement age.<sup>20</sup>

However, shifting to part-time work in the later stages of the career can entail an important reduction of wage in a period when it still might be needed, causing difficulties as to sustaining the family, saving for retirement, and dealing with health problems<sup>21</sup>. Therefore, we address the possibility of combining partial retirement *with* part time work. In such a scenario the income from the part-time occupation would in fact play the role of a “fourth pillar”<sup>22</sup> for *income during retirement*, borrowing the concept proposed during the 1990s by the Geneva Association<sup>23</sup>. The interest for this combination was also expressed in the 2012 White Paper of the European Commission.<sup>24</sup>

In this sense, it has been highlighted that part-time retirement has the potential of retaining older workers until and beyond their pensionable age. That is, if the number of workers deciding to remain longer in the workforce thanks to this possibility is higher of those taking partial retirement that would have continued working full-time in the absence of such a possibility.<sup>25</sup> Part-time work arrangements with the possibility to partially retire have several advantages. Employers will be able to retain skills and experience which older workers can transfer to younger generations. It allows establishing a well-balanced age structure within the undertaking, thus increasing workforce productivity and work quality. Older workers will be better capable of organising their work and private lives in the light of care responsibilities. They are more likely to continue working if flexible working arrangements are available.<sup>26</sup> While only partially retiring, they benefit from an income entailing a wage and a pension

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including removing disincentives to labor force participation and lowering barriers to flexible and part-time employment that exist in some countries’.

<sup>19</sup> See for example G7 (1996) Jobs Ministerial Conference in Lille, France, April 1–2, *Conclusions of the Chair*, <http://www.g8.utoronto.ca/employment/labour1996.htm>; OECD (1998) *Maintaining Prosperity in an Ageing Society*, Paris, OECD.

<sup>20</sup> E. Wadensjö, ‘Part-Time Pensions and Part-Time Work in Sweden’ (2006), IZA Discussion Paper No. 2273, 8-9.

<sup>21</sup> [Some references would be nice here] W. Loretto, S. Vickerstaff and P. White, *Older workers and options for flexible work* (Equal Opportunities Commission, Working Paper Series No. 31, 2005), 27, write that, in relation to the UK, the fact married men and women or those living together are more likely to work part-time. Furthermore, they found that people who are still paying off a mortgage are less likely to work part-time time, while the contrary is the case if older workers are ill.

<sup>22</sup> Beyond the three “classical” pillars composing a pension system: public, occupational, and individual pensions.

<sup>23</sup> O. Giarini, ‘The Four Pillars, the Financial Crisis and Demographics – Challenges and Opportunities’ (2009), *The Geneva Papers* 34, 510.

<sup>24</sup> European Commission, *supra* note 5, 12, emphasising that: ‘Further measures include [...] developing opportunities for flexible working arrangements, e.g. by combining part-time work and partial pension receipt’

<sup>25</sup> E. Wadensjö, *supra* note 20, 32.

<sup>26</sup> A. Blackham, ‘Rethinking Working Time to Support Older Workers’ (2015) 31 *IJCLIR* 119, 120; P. Vendramin & G. Valenduc, ‘Older workers and work sustainability’, in T. Vandenbrande *et al.* (eds.), *Quality of Work and Employment in Belgium* (2012), Report for the SPF Emploi, travail et concertation sociale, Brussels.

component, allowing them to participate in social life. Compared with *early* retirement, whereby workers retire in full before reaching pensionable age, with part-time retirement workers remain engaged in productive work, potentially continuing to pay contributions to the security and pension schemes. In contrast, workers being “overemployed”<sup>27</sup> are more likely to retire as soon as possible.<sup>28</sup>

Extending working life until and beyond pensionable age should include incentives for older workers to remain active labour market participants. Inevitably, financial considerations must be considered when developing partial retirement. Receiving fewer pensions following a reduction in working time most likely creates a disincentive to continue working. Establishing a minimum pension age based on which a basic pension can be drawn, allowing workers to continue on a part-time basis working until receiving a full pension, could counteract that development.<sup>29</sup>

### **3. Part-time employment and retirement**

#### **3.1 The idea: combining part-time employment with partial retirement**

Although not being empirically proven, following the 2014 World Bank report, it seems that many people – still – believe that early retirement will create jobs for younger workers (referring to the so-called lump of labour). This myth, however, rather causes fiscal burdens on the economy, resulting in higher taxes, crowding out of investment, and in fact slower the growth for everyone, including younger workers.<sup>30</sup> Consequently, as many countries have already done, ways to early retirement have been made less attractive, e.g., leading to a decrease in overall pension benefits if retiring prematurely. Early retirement has also been explicitly “discouraged” by the European Commission, urging Member States to foreclose early exit routes so as to increase (overall) labour participation so as to make pension and social security systems more sustainable.<sup>31</sup> As life expectancy increases and retirement ages have been raised and are likely to raise in the future, we need to consider a sustainable and inclusive way how working lives can be extended accordingly taking into account a “healthy” and socially just

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<sup>27</sup> I.e. the situation where a worker wishes to reduce his workload but cannot do so for legal, financial or organisational constraints.

<sup>28</sup> UK Labour Force Survey, 2001-2008, see D.N.F. Bell & A.C. Rutherford, ‘Older Workers and Working Time’ (2013), IZA Discussion Paper No. 7546.

<sup>29</sup> Schwarz *et al.*, *supra* note 8, 27.

<sup>30</sup> *Ibid.*, 20, 28.

<sup>31</sup> Council Conclusions on Flexicurity in times of crisis, 2947th Employment, Social Policy, Health and Consumer Affairs Council Meeting, Luxembourg, 8 June 2009, para 18. Mentioned already earlier by the Report of the Employment Taskforce chaired by Wim Kok, ‘Jobs, Jobs, Jobs: Creating More Employment in Europe’ (November 2003), 9-10.

ageing. As the OECD in 1998 reported, more action is needed than just raising the pensionable age at which individuals qualify for old-age pensions.<sup>32</sup>

As it was highlighted in the previous Section, already during the 1990s ideas in vein of “active aging” were suggested to retain older workers. Part-time or partial retirement is an instrument that helps to retain older workers at least until and potentially also beyond their pensionable age. In combination with partial retirement, Ebbinghaus argues that part-time employment allows a more gradual transition from work to retirement, highlighting that by decreasing the employee’s workload, his or her final exit can be postponed.<sup>33</sup> Importantly, Ebbinghaus also notes that if the (partial) pension arrangement is sufficient, part-time work may indeed ‘foster higher employment levels and prolong employment’.<sup>34</sup> In that way, depending on how the “combination route” is regulated, it may thus contribute to the Europe2020 strategy on smart, sustainable and inclusive growth adopted in 2010 which sets an employment rate target of 75% of those between 20-64 year olds in employment by 2020.<sup>35</sup> For this target to be met, employment rates must increase also among older workers.

### **3.2 The benefits of an employment/retirement-mix**

Hartlapp and Schmid, by drawing on the theory on transitional labour markets, consider the pull (what keeps older workers in employment) and push factors (what squeezes older workers out of employment).<sup>36</sup> Pull factors are: (1) *labour demand* (the higher the demand induced by economic growth, the higher demand for – also – older workers); (2) *education* (skills erode or become outmoded with age and thus need to be refreshed); (3) *part-time employment* (providing options for combining work with retirement, as being the “best available indicator” to contribute to both sides of the flexibility coin); (4) *employability* (options for gainful employment). On the other hand, important push factors that might contravene labour participation by older workers by pushing them out of the market are: (1) *health conditions* (decreasing mental and/or physical ability to continue working); (2) *job satisfaction*; (3) *related wage costs* (the higher the wages of older workers compared with younger workers, the more likely it is that they will be dismissed); and (4) *taxes* (the higher the tax on income before retirement compared to transfers during retirement, it will be likely that work will not be continued). Consequently, a well-conceptualized combination is needed for employers and employees alike to consider partial retirement/part-time work arrangements, while,

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<sup>32</sup> OECD, *Maintaining Prosperity in an Ageing Society* (1998 Paris), 49.

<sup>33</sup> B. Ebbinghaus, *Reforming Early Retirement in Europe, Japan and the USA* (OUP 2006), 101.

<sup>34</sup> *Ibid.*, 102.

<sup>35</sup> Commission, ‘Europe 2020 – A strategy for smart, sustainable and inclusive growth, (Communication) COM(2010) 2020 final.

<sup>36</sup> M. Hartlapp and G. Schmid, ‘Labour Market Policy for "Active Ageing" in Europe: Expanding the Options for Retirement Transitions’ (2008) 37 *Journal of Social Policy* 409, 414-418.

considering the financial set-up of that combination, benefiting public expenditure in terms of pension benefits as well. The latter is particularly relevant given that Article 126 TFEU determines that ‘Member States shall avoid excessive government deficits’, which strictly ties the Member States’ hands in establishing widely subsidized models. Putting a financial ceiling on Member States’ options to adopt measures that aim to facilitate the extension of working lives may make it actually more difficult to increase labour participation and thus sustainable pension schemes and thus contribution to the Europe 2020 goals.

Adopting the idea of a partial retirement/part-time employment combination, entails a variety of advantages for the various stakeholders involved. In general, employers will be able to retain skills and experience (“human capital”), which older workers can transfer to younger generations. It allows establishing an age diverse workforce within the undertaking, thus increasing workforce productivity and work quality. With older generations increasingly leave the labour market while fewer younger workers enter, employers may even need to attune to possible labour shortages that may occur. Moreover, older workers will be better capable of organising their work and private lives in the light of care responsibilities. They are more likely to continue working if flexible working arrangements are available.<sup>37</sup> While only partially retiring, they continue to benefit from an income which then entails a wage and a pension component, allowing them to participate in social life. Compared with early retirement, whereby workers retire abruptly, in full and premature, part-time retirement workers remain engaged in productive work, potentially continuing to pay contributions to the security and pension schemes while in part receiving old-age benefits. In contrast, as we saw in Section 2, workers being “overemployed” are more likely to retire early (if possible) or, at least, they won’t continue working after the legal retirement age.

As the partial retirement/part-time employment combination seems to have many beneficial effects for various actors concerned, the next question would be how part-time employment can be designed so as to allow for diversity depending on the specific needs and motives of employees and employers.<sup>38</sup> It is wrong to think that a one-size-fits-all-approach is the right way to follow. Rather attention should be paid to the diversity of the sectors and companies and establishing part-time retirement with part-time employment combinations that fit the employer and the individual employee so as to benefit both. Some room for manoeuvre is thus needed. Ilmakunnas and Ilmakunnas make it clear that, for part-time pension to make

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<sup>37</sup> Blackham, *supra* note 26, 120; P. Vendramin & G. Valencuc, ‘Older workers and work sustainability’, in T. Vandenbrande *et al.* (eds.), *Quality of Work and Employment in Belgium* (2012), Report for the SPF Emploi, travail et concertation sociale, Brussels.

<sup>38</sup> Loretto, Vickerstaff and White, *supra* n 21, v.

economically sense, it should extend the length of the working career,<sup>39</sup> which in fact means beyond reaching the standard pensionable age. This means that for individuals to actually work beyond their retirement age, they not only must be willing to do so, but employers must be open to accommodate part-time work/partial retirement combinations and provide a sufficient demand for older workers' labour.<sup>40</sup> Especially the latter might seem difficult if employers do not see any positive effect in adjusting the employment relation by reducing the number of working hours, the type and content of the work, workplace adjustments and so on. An employee's choice – if he or she actually has a choice as there might be a need to continue work activities to make a living – to remain part of the active labour force by partially retiring while continuing to work part-time might be severely inhibited by that.

### **3.3 The “employment design”**

In order to allow older workers to participate as long as possible in the labour market, a possible solution to achieve just that would be to allow individuals to partially retire while continuing to work on a part-time basis until fully retiring. Part-time work is regulated on a minimum level at EU level. According to the Part-Time Work Directive 97/81/EC, the term “part-time worker” refers to an employee whose normal hours of work, calculated on a weekly basis or on average over a period of employment of up to one year, are less than the normal hours of work of a comparable full-time worker (Clause 3(1)). Following this definition, in comparison to full-time employment which generally refers to working between 36 and 40 hours per week, a reduction of a few hours will mean that someone works on a part-time basis. While part-time employment is generally qualified as one form of employment that is “atypical” in comparison to “standard” permanent full-time employment, it is not excluded that someone works part-time through a temporary-work agency, on a fixed-term or permanent basis, or on the basis of flexible hours. While the main part seems to be to reduce the employee's working time, additional adjustments can be made as well, such as changing the type and content of the work performed.

Atypical forms of employment contribute to the flexibility that is sometimes needed by the employer's business operations as well as because it fits the individual's way of (trying to) combining working and private lives. Nevertheless, while the possibilities of working more flexibly should be welcomed, there are certain risks that may be involved when working flexible. For instance, in the case where an employee's income is insufficient to make a living,

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<sup>39</sup> P. Ilmakunnas and S. Ilmakunnas, 'Gradual Retirement and Lengthening of Working Life' (2006) Helsinki Center of Economic Research Discussion Paper No. 121, 1.

<sup>40</sup> W. Frimmel et al., 'Seniority Wages and the Role of Firms in Retirement' (2015), *Department of Economics – University of Linz Working Paper No. 1505*, 2.

putting him or her in a precarious situation if that income is not somehow supplemented by public benefits such as social assistance. Other risks may be a lack of investment by the employer in training/education either job-related or even increasing the employee's "employability" allowing for work-to-work transitions. The OECD in 1998 emphasized the need for flanking policies so as to ensure that older workers actually remain employable, thereby pointing at the possibility of educational progress during working lives.<sup>41</sup> As skills erode or outmode with age, Hartlapp and Schmid emphasize that they have to be refreshed regularly over the life cycle, thus making clear that (re)training should take place frequently and not only in later stages of the career.<sup>42</sup>

However, it should be noted that atypical employment can certainly not automatically be equated with precariousness.<sup>43</sup> McKay notes that in the event the individual has freely chosen to work on a part-time contract so that he or she is able to reconcile work and family life, this does not refer to a situation of precarious employment 'if the family's total income is sufficient to secure a livelihood'.<sup>44</sup> In relation to the quality of the job, Lissenburgh and Smeaton provide a hierarchy, starting with self-employment as to offer job quality that is most comparable to that enjoyed by a permanent full-time job as to stability, job satisfaction and control over time. This is followed by temporary work, which is said to be less stable but individuals were likely to receive training. At the bottom of this hierarchy is part-time work offering the poorest job quality.<sup>45</sup> As no additional evidence is provided for the latter statement, it must be assumed that this refers to the level of training received by those aged 50 and over, as is mentioned in the context of temporary work. For older workers partially retiring while working on a part-time basis their income consists of a combination of pension benefits and wages.

Extending working life until and beyond pensionable age should include incentives for older workers to remain active labour market participants and for employers to retain or re-employ older workers wishing to combine partial retirement with part-time employment. Inevitably, financial considerations, such as the remaining income level as well as the affordability of the pension system, must be considered when further developing partial retirement options. That seems quite challenging as individuals need to be (made) aware of the (financial) consequences when continuing work and partial retirement.<sup>46</sup> Importantly, receiving fewer pensions

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<sup>41</sup> OECD, *Maintaining Prosperity in an Ageing Society* (1998 Paris), 49.

<sup>42</sup> Hartlapp and Schmid, *supra* note 36, 416.

<sup>43</sup> S. McKay, 'Disturbing equilibrium and transferring risk: confronting precarious work' in Nicola Countouris and Mark Freedland (eds), *Resocialising Europe in a Time of Crisis* (CUP 2013), 201.

<sup>44</sup> *Ibid.*

<sup>45</sup> Loretto, Vickerstaff and White, 40-41, referring to S. Lissenburgh and D. Smeaton, *The Role of Flexible Employment in Maintaining Labour Market Participation and Promoting Job Quality* (Joseph Rowntree Foundation, 2003).

<sup>46</sup> Loretto *et al.*, *supra* note 38, viii, refer to the need for individuals 'to be sure that they understand their future pension position'.

following a reduction in working time most likely creates an incentive for the individual to continue working until reaching the retirement age. Establishing a minimum pension age based on which a basic pension can be drawn, allowing workers to continue on a part-time basis working until receiving a full pension, could counteract that development.<sup>47</sup> According to Loretto, Vickerstaff and White, in referring to a study, there is a broad support for older workers to continue to work. But, as they emphasize, ‘not necessarily in their current job or in their pattern of hours’.<sup>48</sup>

When considering options to combine part-time work with part-time retirement, the organisation of working time plays an important role. As follows from the research conducted by Delsen in 1990 on part-time early retirement schemes, for being eligible for a combination of part-time employment/partial retirement, individuals not only needed to have reached a certain age, they also needed to work a minimum number of hours per week.<sup>49</sup> For instance, according to the Swedish model, individuals that were aged 60-65 could apply for that scheme if they would work at least 17 hours per week. Another precondition was that workers should have had at least ten years of pension contributions.

According to a research synthesis paper that was prepared for discussion by the ILO’s Tripartite Meeting of Experts on Working Time Arrangements in 2011, Fagan et al. delineate between two dimensions of working time arrangements: the volume (the total number of hours worked) and the schedule of hours worked (when work is provided and whether it is done in a fixed or flexible manner).<sup>50</sup> Thus, when considering a partial working time reduction, the workweek volume is reduced. That, however, does bear no relation as such to the fact whether the workweek is organized in a way that the work schedule is fixed and thus consists of a regular pattern or whether the number of hours are flexibly organized in a way that either takes into account the employer’s needs to organise its business operations or whether the employee has requested so to be able for instance to better organize his or her work-life balance.

Blackham enumerates some possibilities for that may benefit older workers when considering to (continue to) work, ranging from shorter working hours or part-time work, job sharing, gradual and part-time retirement or “bridge” jobs, increased (un)paid as well as leave for career or family responsibilities.<sup>51</sup> Similarly, Loretto, Vickerstaff and White mention a range of

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<sup>47</sup> Schwarz *et al.*, *supra* note 8, 27.

<sup>48</sup> Loretto, Vickerstaff and White, *supra* note 38, 37.

<sup>49</sup> L. Delsen, ‘Part-Time Early Retirement in Europe’ (1990) 15 *The Geneva Papers on Risk and Insurance* 139, 142.

<sup>50</sup> C. Fagan *et al.*, ‘The influence of working time arrangements on work-life integration or ‘balance’: A review of the international evidence’ (Conditions of Work and Employment Series No. 32, 2012).

<sup>51</sup> Blackham, *supra* note 26, 120.

“flexible” employment forms that could be used to employ older workers.<sup>52</sup> Besides the positive benefits more flexible work arrangements might have for individual older workers, they may, as has been mentioned earlier, have benefits for employers as well. However, despite the demographic pressures that are already seen or will be seen in the future, it seems that employers have not responded largely to these “forces”.<sup>53</sup> It should be clear that it demands a great willingness on behalf of employers to consider re-organizing or re-structuring existing work schedules and patterns at company level. According to Delsen, it may take some time before the effects produced by part-time work are seen, as ‘they call for substantial reorganisation of work, such efforts are worth undertaking in the long-term perspective’.<sup>54</sup> A potential, additional, problem might be a reluctance of employers to employ older workers and when unemployed inviting them to a job interview.<sup>55</sup>

#### 4. Partial retirement

Similarly to what we saw in looking at part-time work, researchers have identified a series of *push* and *pull* factors concerning the retirement choice. The latter covers those factors providing positive incentives to leave the workforce and enter (early) retirement, while the former consist of adverse conditions forcing the workers out of his or her job and towards an “involuntary” retirement.<sup>56</sup> Common *push* factors are restructuring, layoffs, adverse working conditions and deteriorating health.<sup>57</sup> Conversely, *pull* factors come typically in the form of availability of sufficient financial means (including the access to a second or third pillar pension), caring responsibilities, spouse retirement and desire to enjoy leisure.<sup>58</sup>

These factors obviously exert their influence also when it comes to choosing a partial retirement option, whether one looks at a real scheme (existing or phased out) or at an abstract

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<sup>52</sup> Loretto, Vickerstaff and White, *supra* note 38.

<sup>53</sup> *Ibid.*, 47.

<sup>54</sup> Delsen, *supra* n 49, 147.

<sup>55</sup> See for an example of the Netherlands: M. Kullmann, ‘The Risks of Unused Potential: Unemployed ‘Older’ Workers’ (INLACRIS/BARSEA, 2015) (forthcoming in *European Labour Law Journal*), highlighting the difficulty in the Netherlands that employers are quite reluctant to hire ‘older’ (unemployed) workers who are aged 45 or over.

<sup>56</sup> See D. Dorn & A. Sousa-Poza, ‘“Voluntary” and “involuntary” early retirement: an international analysis’ (2010), *Applied Economics* 42, 427: “Voluntary” early retirement is understood as a retirement that is caused by a relative preference for leisure versus the feasible alternative of continuing work. Conversely, “involuntary” early retirement refers to a retirement that results from a situation with (often unexpected) employment constraints’.

<sup>57</sup> See for example E. Tuominen et al., ‘How do Intentions Affect Future Retirement? A Case Study of the Finnish Flexible Old-age Pension Scheme’ (2012), *European Journal of Social Security* 14(2), 113; P. Bello & V. Galasso, ‘Old before their time: The role of employers in retirement decisions’ (2015), *CE.Sifo Working Paper No. 5667*, 7.

<sup>58</sup> See for example S. Vickerstaff, ‘Older Workers: The ‘Unavoidable Obligation’ of Extending Our Working Lives?’ (2010), *Sociology Compass* 4(10), 870.

experiment of personal preferences.<sup>59</sup> Thus, analysing the role of these factors has a central role in assessing policy choices in favour of partial retirement.

However, one has first to refer to the actual interest for the topic. In this sense, several authors have found a relatively widespread preference for partial retirement over full abrupt retirement.<sup>60</sup> For example, the experiment carried out by Kantarci and van Soest, based on web interviews of 5000 households in the Netherlands and the US, documented a preference for partial retirement (over complete retirement) in two respondents out of five.<sup>61</sup> Turning to a real life example, studies on the partial retirement scheme put in place in Sweden from 1976 (and phased out in 2000) show a widespread popularity of the scheme.<sup>62</sup> This scheme originally provided for the possibility of reducing working time and taking a partial retirement from the age of 60. This partial retirement would (originally) replace the 65% of the loss of earning caused by the reduction in working time.<sup>63</sup> Interestingly, this very aspect is considered to be one of the main elements contributing to the success of the scheme, and indeed the popularity of the scheme appears closely related to the said replacement rate. We will come back to this in a moment.

Partial retirement has also been object of interest as a policy for its potential economic and social benefits for the larger society. From the point of view of the individual workers, partial retirement can avoid the *horror vacui* of the cliff edge fall into complete retirement from a full-time occupation.<sup>64</sup> In the same vein, it can allow the worker to adapt more gradually to the possibility of lower income during retirement.<sup>65</sup> It could also allow the worker more time to take care of eventual health problems, while at the same time remaining, at least partially, into gainful employment.<sup>66</sup> From the point of view of the employer, the main interest has been identified as a cost-effective measure to retain older and supposedly skilled workers.<sup>67</sup> In terms of “macro” benefits, partial retirement has the potential to decrease early exit from the labour

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<sup>59</sup> As it is the case, for example, in the study carried out by Kantarci & van Soest, *supra* note 2.

<sup>60</sup> Delsen, *supra* note 54, 146, refers to a phased retirement being able to ‘avoid the danger of the individual experiencing a “pension shock”’ as would result from an abrupt transition from employment to full retirement. Working part-time moreover would contribute to the what he calls ‘humanisation of work’.

<sup>61</sup> Kantarci and van Soest, *supra* note 2, 3. Moreover, this interest was not influenced by the different starting moment (early or later) of partial retirement, nor by the different work culture of the two countries compared in the study.

<sup>62</sup> Wadensjö *supra* note 20, 18-19.

<sup>63</sup> *Ibid.*, 19.

<sup>64</sup> Fuchs et al., *supra* note 13, 1-2; Latulippe & Turner, *supra* note 1, 181.

<sup>65</sup> Kantarci and van Soest, *supra* note 2, 2.

<sup>66</sup> Latulippe & Turner, *supra* note 1, 182.

<sup>67</sup> Kantarci & van Soest, *supra* note 14, 6; Latulippe & Turner, *supra* note 1, 182; S. Harper, ‘Demographic Transition and the Demographic Deficit: Rethinking Intergenerational Equity’ (2011), *The Four Pillars* 48, 7-8.

market (towards full retirement, but also towards disability or unemployment), as well as to promote work until later age and increase the overall labour supply.<sup>68</sup>

Coming back to *push* and *pull* factors, it is useful to highlight certain elements coming from (partial) retirement research which are particularly important in the context of this paper.

The first point to be made, and also the most problematic, stems from the experience of the Swedish partial retirement scheme. As we described before, the scheme started by offering a replacement rate of 65% of the loss of earning due to the reduction of working time. During its history, the scheme was subject to different reforms which modified this rate, down to 50% (in 1981) and back to 65% (1987). These changes were directly followed by a corresponding drop (or rise) in enrolment, which went from about 18000 (in 1978 and 1979), to about 9000 (in 1984 and 1985) and back to about 14000 (1987 and 1988).<sup>69</sup> This highlights one major difficulty in devising a policy mix of part-time work and partial retirement, namely the question of the replacement of the loss of income due to the reduction of working time. Partial retirement benefits should hence provide the necessary incentives in order to encourage workers to reduce their working time, but providing an excessively “generous” replacement rate for the loss of wage could ultimately defeat the macroeconomic benefits of the scheme altogether. This outcome could manifest itself in particular if the generosity of the scheme *pulls* workers into partial retirement when they would have otherwise continued working full-time.

Moreover, effectively subsidising this kind of scheme entails important distributive considerations. In particular, it has been suggested that the availability of part-time work, and of work at older ages, is more pronounced for high-wage, healthy and highly educated workers.<sup>70</sup> As such, excessively generous schemes for partial retirement run the risk of subsidising workers which are already in a comparatively better situation from a financial and employment point of view. On the other hand, provided that female workers seem to express a more pronounced preference for partial retirement than their male counterparts<sup>71</sup>, a generous scheme would have male workers subsidizing females choosing partial retirement.

The second point to be made is that past experiences combined *early* partial retirement with a reduction of working time. That is, they were not meant to provide incentives to also postpone the moment of complete retirement beyond the normal retirement age. For example, in 1989

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<sup>68</sup> Wadensjö, *supra* note 20, 10-11

<sup>69</sup> *Ibid.*, 19-20.

<sup>70</sup> Beehr & Bennett, *supra* note 3, 117; Latulippe & Turner, *supra* note 1, 183; Kantarci & van Soest, *supra* note 14, 9; Staubli & Zweimüller, *supra* note 7, 18.

<sup>71</sup> Kantarci & van Soest, *supra* note 2, 8. Kantarci & van Soest explain this difference of preferences as follows: ‘It might be that the types of work done by men are not suitable for part-time jobs, or that male workers do not need to combine work and family responsibilities as much as females, making them less likely to opt for a flexible work schedule?’

Germany introduced (with the Partial Retirement Act, *Altersteilzeitgesetz*) a scheme for subsidized old-age part time work, widely used between 1996 and 2009<sup>72</sup> (before being phased out). However, by reducing working time “by blocks” (i.e., *not* reducing working time for the first “block” of five years and then taking early retirement), such a scheme in fact put in place a form of full early retirement. A similar scheme was introduced in Austria in 2000. The scheme allowed for a subsidized reduction in working time in the last career years. However, it was again possible to concentrate the reduction in the second period and work full-time in the first one, once again achieving the effect of an early full retirement.<sup>73</sup> The Swedish example that we presented before, although very successful, was, in fact, again a form of *early* partial retirement. Considered against the background of the present political and socio-economic context (briefly presented in Section 2), this seems to create a major obstacle. Indeed, closing all the possibilities for early retirement is one of the policy directions we highlighted before. From this point of view, partial retirement before the legal age of retirement should be structured differently, by providing a sort of exchange between part-time retirement before the legal age of retirement and continuing work (although in part-time) after that age in order to fully retire later.

Putting in place partial retirement schemes also faces other obstacles that are partly overlapping those we saw in analysing part-time work (Section 3). In particular, Kantarci and van Soest point out the fixed employer costs entailed by part-time workers, the necessity of working in teams and the risks of losing job-related skills caused by the reduction of working time.<sup>74</sup> Another obstacle, or more precisely a pre-condition, is represented by the availability of part-time jobs. A previous Eurofound study on phased retirement concluded that the use of this kind of schemes was directly correlated with the part-time “culture” of a country<sup>75</sup> and with previous experiences with part-time work.<sup>76</sup>

Another relevant factor having an impact on partial retirement incentives is represented by wage dynamics along the career. In the context of their study on phased retirement at the University of North Carolina, Allen et al. have found an important impact of (previous and) expected pay raises on the intention to opt for partial retirement.<sup>77</sup> A wage dynamic with a

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<sup>72</sup> J. Deller & L. Pundt, ‘Transitions from work to retirement in Germany’, in C.-M. Alcover et al. (eds.), *Bridge Employment – A Research Handbook*, cit. (n° 4), 167-192.

<sup>73</sup> See N. Graf et al., ‘Labor supply effects of a subsidized old-age part-time scheme in Austria’ (2011), *Zeitschrift für ArbeitsmarktForschung/ Journal for labour market research* 44(3).

<sup>74</sup> Kantarci & van Soest, *supra* note 14, 5.

<sup>75</sup> Eurofound, ‘Early and phased retirement in European companies’ (2007), *Establishment Survey on Working Time 2004–2005*, 24.

<sup>76</sup> *Ibid.*, 27.

<sup>77</sup> S.G. Allen et al., ‘Phasing into Retirement’ (2004), *Industrial and Labor Relations Review* 58(1), 122: ‘The professor who received no raise had a 10.3% chance of fully retiring and a 4.3% chance of entering phased retirement. The

strong role for seniority-related increases can act as a pull factor for remaining in full-time employment, as opting for part-time in the last stages of the career would have a bigger impact on income. This however is mirrored by the findings identifying a stronger preference on the employer side of pushing older workers into early retirement, in the context of steep seniority-related wage profiles.<sup>78</sup> Hence, a “flatter” wage dynamic in relation to seniority, or a dynamic that would set the peak wage at an earlier stage of the career, would provide more incentives for workers to opt for partial retirement, while also reducing the incentives for employers to push workers into *involuntary* early (partial) retirement.<sup>79</sup>

Though this certainly represents a path breaking shift for most European countries, providing a different shape for the wage curve all along the career could greatly increase the incentives for part time retirement during the later stages of the said career, without the need to provide publicly financed incentives for this kind of scheme.

## 5. Conclusions

This paper covers the contemporary presence of income from work and retirement benefits. As such, a similar, though not identical, aspect is represented by the broader topic of income during retirement. According to Eurofound, around four million people aged over 65 are employed in the EU. This category is a *proxy* for employment during retirement, provided that essentially all Member States have statutory retirement ages around 65. Interestingly, “the vast majority” thereof actually is employed on a part-time contract.<sup>80</sup>

Still, legal frameworks aimed at combining retirement benefits with part-time employment as a means to contribute to the “active ageing” of the workforce are rare. On the basis of the analysis carried out so far, we identify several interesting points in a policy perspective.

First, the EU very successfully encouraged Member States to adjust their legislation on early retirement schemes and to raise retirement age. Though its role in this field is generally defined as a “selective amplifier”<sup>81</sup> of policy strategies already pursued at national level, the so-called “New Economic Governance” has provided new instruments to foster this role. Unfortunately, the effectiveness of the (related) Lisbon objective of raising the employment

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professor who averaged an 8% raise had a 5.9% chance of completely retiring and only a 1.7% chance of entering phased retirement’.

<sup>78</sup> Frimmel et al., *supra* note 40, 15-16.

<sup>79</sup> This has been found to be correlated to lower post-retirement life satisfaction. See E. Dingemans & K. Henkens, ‘Involuntary retirement, bridge employment, and satisfaction with life: A longitudinal investigation’ (2014), *Journal of Organizational Behavior* 35, 587.

<sup>80</sup> Eurofound, *Income from work after retirement in the EU* (2012), 71.

<sup>81</sup> W. Eichhorst, ‘The Transition from Work to Retirement’ (2011), IZA Discussion Paper No. 5490.

rate of older workers is more nuanced. This is coherent with a focus on *short-term* objectives of ensuring the sustainability of public finances (i.e. raising retirement age, bringing direct and immediate benefits). Instead, however, a long-term vision is needed in order to address the situation of older workers, entailing a change in the mentality and a set of well-construed incentives aimed at both workers and employers. The rather laconic nature of CSRs in this field can thus be criticized.

Second, health aspects (including workers' well-being at work and during retirement) play a fundamental role both in the pre-retirement and in the post-retirement phase. Research shows that the preference for early retirement, or for full retirement as soon as possible, is directly correlated with work-related stress and health problems.<sup>82</sup> Hence, improving these aspects is fundamental to encourage more workers to consider the possibility of continuing work beyond the normal/legal retirement age and to shift the preference from early full retirement to partial retirement. The preference of workers for reducing working time as a means to keep working in later career stages seems to indicate that part-time work might provide part of the answer to this problem. However, one should keep in mind, while trying to provide incentives to work beyond the retirement age, that workers being "forced" to work during retirement for financial reasons (i.e. because of their pension being too low) have showed a marked decrease in their perceived well-being, as opposed to those doing so for social and personal reasons.<sup>83</sup>

Third, work during retirement (in particular, in the form of partial retirement) in general often lacks a specific legal framework.<sup>84</sup> Incentives mainly come from the interplay between benefits, income and fiscal rules. Legal intervention in this area should aim at guaranteeing a high degree of flexibility. As mentioned, the impact on workers' well-being varies widely depending on personal situations. From this viewpoint, such a legal framework should guarantee pension adequacy for everyone to avoid "forced" employment after the retirement age. Creating a low-wage sector for older workers should be avoided too, by applying (for example) minimum wage regulations also to work during retirement.<sup>85</sup> Doing otherwise would risk labour displacement of younger workers and putting pressure on wages and working conditions of the entire workforce. Finally, a possible legal framework, in addition to sectoral options provided, should allow for a high degree of individualisation in shaping the combination of part-time work and retirement. As such, it should aim at empowering the company level, where

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<sup>82</sup> Dingemans & Henkens, *supra* note 79, 575–591.

<sup>83</sup> *Ibid.*

<sup>84</sup> As noted by the Eurofound, *supra* note 80.

<sup>85</sup> For example, with effect of 30 September 2015, the Dutch legislator adopted a legislative bill that makes it more attractive for employees to continue to work after they have reached the statutory pension age and for employers to hire these employees (a 'labour law light'). With that law, the statutory minimum wage has been extended so as to apply to workers who have reached the statutory pension age as well with the aim of preventing labour displacement.

actual choices and adaptations are to be implemented in order to fully benefit from the potential of older workers.

The fourth and final point deals with the fundamental role of companies and employers in the context of a transition towards later retirement based on the combination of partial retirement and part-time work. Research on partial retirement and on part-time work for older workers, which we discussed in previous Sections, has showed that for such a transition to be possible the attitude of companies and employers toward employing older workers will have to shift. Waiting for labour shortages to bring about this change could be insufficient to this end. Moreover, managers and employers have also a fundamental role in fostering the necessary rethinking of work practices with the objective of accommodating older workers' needs.