

# Can partial retirement help to increase labor supply?

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Government policy is aimed at allowing older people to work longer. The main measure is to raise the statutory retirement age (the 'AOW age'). However, not everyone is willing or able to work full-time until the higher statutory retirement age. Can partial retirement be the solution? This article examines how the decisions to retire, work part-time, or work full-time change when the statutory retirement age is raised, when different partial retirement opportunities are introduced, and when partial retirement is subsidized with a higher wage or more than actuarially fair pension accruals.

## Principal findings

- A higher statutory retirement age makes early retirement more attractive and late retirement less attractive, while regardless of the statutory retirement age, about one out of three prefer partial retirement.
- If individuals do not have the partial retirement option, they more often prefer to fully retire rather than keep working full-time. Therefore, stimulating partial retirement has the potential to increase total labor supply.
- Partial retirement becomes more attractive than full retirement if the wage rate during partial retirement is higher or if delaying retirement is rewarded with higher pension accruals.

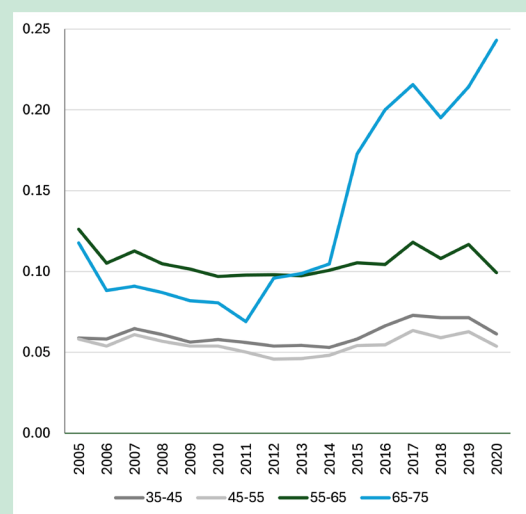


Figure: The fraction of employees who want to work fewer hours has increased among those at least 65 years old since the statutory retirement age started increasing in 2013.

## Key takeaways for the industry

- People who indicate that they want to partially retire face information and labor market frictions to do so. However, introducing or making it easier to retire part-time has the potential to increase labor participation and total labor supply, especially when the statutory retirement age is raised.
- Subsidized partial retirement schemes, such as the "Generatiepact", are being introduced in collective labor agreements. People would find these schemes more attractive than the actuarially fair partial retirement schemes already available from occupational pension funds.
- Partial retirement becomes much less attractive if it comes with a reduced wage rate.

Want to know more? Read the paper

**'Partial Retirement Opportunities and the Labor Supply of Older Individuals'**