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## **FLEXIBLE RETIREMENT PATHWAYS IN ROMANIA: RULES, MOTIVATIONS, AND IMPLICATIONS FOR PROLONGING WORKING LIFE**

### **Abstract**

This article examines flexible retirement pathways in Romania, focusing on the interaction between statutory regulations, labour market participation, and social and fiscal outcomes. Drawing on legislation and data from the National House of Public Pensions, Eurostat, Organisation for Economic Co-operation and Development, and European Commission, the study investigates the rules regarding the timing of retirement (i.e. deferred retirement, early retirement), pension cumulation with work income, and differentiated pensionable ages. Recent reforms aimed to equalize retirement ages for men and women, link statutory retirement age to life expectancy, and incentivize longer work careers. Findings indicate that while legislative measures have increased formal flexibility, the actual take-up of flexible retirement pathways remains low, with a limited impact on labor market participation, particularly among women and low-educated workers. Employment rates among people aged 65+ have declined along with the decrease of employment in agriculture, while the employment rate of those approaching the pensionable age has only moderately increased over the last decade. The lower levels of employment among older people compared to the EU average suggest that structural barriers and social factors limit the impact of the flexible retirement pathways on prolonging the working life. Policy implications highlight the need for integrated labour and social policies to maximize the effectiveness of flexible retirement pathways.

**Keywords:** flexible retirement, pension reforms, labour market participation, Romania,

### **Introduction**

The debate on flexible retirement policies (FRPs) has gained momentum as governments confront the dual challenge of fiscal sustainability and aging populations. Romania represents a particularly relevant case: its pension system has been the subject of multiple reforms over the last decade, aimed at promoting

longer careers, improving sustainability, and correcting inequalities between occupational groups (Economic Policy Committee, 2023). Yet the effectiveness of such reforms remains uncertain in light of structural labour market barriers, low employment among older cohorts, and relatively high levels of informal and agricultural work.

FRPs are institutional arrangements that allow individuals to retire before or after the statutory retirement age, combine work and pension income, or gradually reduce working hours instead of withdrawing abruptly from the labor force (OECD, 2017). Advocates argue that such flexibility can extend working lives and increase pension adequacy. Yet empirical evidence suggests a more complex picture, as outcomes often depend on institutional design, labour market conditions, and worker characteristics.

The literature highlights a shift from standardized retirement transitions toward more heterogeneous patterns, with individuals retiring at different ages and often combining work with pensions (Baumann & Madero-Cabib, 2019). While economic theory suggests that retirement timing reflects the life-cycle trade-off between leisure and work, comparative research demonstrates that pension design strongly shapes behavior. Key determinants include actuarial neutrality, taxation, and cumulation rules for pension and work income (OECD, 2022).

For example, reforms in Germany and Sweden that introduced actuarial adjustments and partial retirement schemes succeeded in extending effective retirement ages, whereas in countries with weak labour market demand for older workers, such measures had limited impact (Börsch-Supan, 2000). Nevertheless, empirical evidence points to significant limitations. Börsch-Supan et al. (2018), analyzing nine OECD countries, found that while FRPs slightly raised participation rates among older workers, they often reduced working hours, leaving total labour supply unchanged or even diminished. Comparative studies further emphasize distributive inequities: high-income and highly educated workers are more likely to take advantage of flexible options due to longer life expectancy and less physically demanding occupations, whereas low-skilled workers in strenuous jobs are often unable to benefit, reinforcing social inequalities (OECD, 2017).

Likewise, women tend to retire earlier than men, often due to lower statutory ages, caregiving responsibilities, and fragmented employment histories (Baumann & Madero-Cabib, 2019). While reforms in Romania and other countries have sought to equalize pensionable ages and compensate for child-rearing, persistent gendered labour market patterns limit the reach of such measures.

Health status and caregiving responsibilities also play a decisive role in shaping retirement behaviour. Poor health and high care obligations often drive early exits, reducing the effectiveness of FRPs unless complemented by supportive health, care, and employment policies (Eurofound, 2024). Evidence from Cen-

tral and Eastern Europe illustrates this point: in Hungary, raising the female retirement age failed to increase effective retirement ages, as weak incentives and transitional unemployment pressures encouraged early withdrawal (Simonovits, 2021). Similarly, in Estonia, pension reforms extended employment only for some groups, with health and socio-economic conditions strongly mediating outcomes (Soosaar, Puur & Leppik, 2020).

Romania's pension system has been subject to frequent adjustments, including the 2023 reforms, which introduced higher progressivity, increased benefits, and changes to retirement ages in arduous and hazardous occupations (GEO 96/2018; L 360/2023). The effectiveness of these measures is likely constrained by national the labour market situation. Older worker employment rates remain among the lowest in the EU, part-time and flexible employment is rare, and agricultural and physically demanding jobs account for a disproportionately high share of employment, possibly limiting the capacity of FRPs to prolong working lives (OECD, 2022, Eurofound, 2024). Moreover, inequalities in life expectancy and education mean that reforms risk privileging healthier, more advantaged groups while excluding those most in need of protection.

Against this background, this article investigates Romania's pension reforms, with a focus on the interaction between institutional design and structural labour market conditions, and showing how these constrain the effectiveness of FRPs in prolonging working lives. It also assesses the distributional implications of flexibility, with particular attention to gender, occupation, and education. The article concludes that FRPs, while valuable in accommodating diversity among older workers, are unlikely to serve as standalone solutions for extending working lives in Romania. Instead, they must be embedded in a broader strategy that includes active labour market policies for older workers, and safeguards against health and gender inequalities.

The article is structured as follows: the first section presents the main features of the Romanian pension system, including retirement age, eligibility rules, and early-retirement options, complemented by a discussion of the pension reforms introduced between 2014 and 2024. The second section provides a description of the available flexible retirement pathways and the regulations influencing benefits and incentives, while the third section analyses the motivations and constraints for taking up the flexible retirement pathways. The fourth section assesses the uptake of flexible retirement schemes and discusses their implications for retirement age, labor market dynamics, as well as redistributive, fiscal, and social effects. The final section concludes and provides a discussion of the findings.

## **Romanian pension system and recent reforms**

The Romanian pension system is organized around three complementary components. The main pillar is the public pay-as-you-go (PAYG) earnings-related scheme, which provides statutory pensions based on lifetime contributions. Pension entitlements under this scheme are calculated using a points system, translating contributions into benefits, and a social indemnity is granted to insure a minimum standard of income for all retirees. In addition, a statutory funded component, introduced in 2008, allows individuals to accumulate complementary pension benefits in capitalized funds. Finally, a voluntary personal pension scheme is in place, for further supplementation of retirement income. Alongside these three pillars, several special pension schemes exist for specific occupational groups, such as magistrates and civil aeronautics workers, showcasing tailored retirement ages and benefit rules.

Since January 2015, the statutory pensionable age in Romania has been 65 for men, while for women it was set at 62 years and two months as of May 2024, scheduled to gradually increase to 65 by 2035 (L 360/2023). The pensionable age has been incrementally raised over the past two decades; in 2001, it was 62 for men and 57 for women. Starting from 2035, statutory retirement ages will be linked to life expectancy, with adjustments of half the increase every three years (L 360/2023). Certain cohorts benefit from lower pensionable ages, for example, persons who have lived for at least 30 years in areas affected by residual pollution may retire two years earlier under provisions in force between 2010 and September 2024. Reaching the pensionable age is a prerequisite to access old-age pension benefits and to withdraw funds from the statutory funded component.

Early retirement is possible up to five years before the statutory age, provided the individual has completed the standard contributory period, currently 35 years for men and 32 years and seven months for women, rising to 35 years for women by 2030. Penalties apply for partial early retirement (PER) if contributions are lower than 43 years, whereas individuals with longer contribution histories may access full benefits under the early-retirement regime (ER). Partial early retirees automatically transition to full old-age benefits upon reaching the statutory pensionable age. Starting from September 2024, the contributory period required for early retirement without penalties will be reduced to 40 years for men and 37 years for women, increasing to 40 years for women by 2030.

Over the last decade, the Romanian pension system has undergone a series of reforms that have significantly reshaped flexible retirement pathways. The most important changes were enacted through the new pension law (L 360/2023), which took effect between January and September 2024 as part of the National Recovery and Resilience Plan (NRRP, 2021). This legislation equalizes statutory retirement ages for men and women by 2035, links future pensionable ages to increases in life expectancy, and introduces greater flexibility for individuals with long careers and

women with children. Simultaneously, it reduces pensionable-age bonuses previously granted for arduous or hazardous work, while regulating lower reductions of the pensionable age for these groups. Incentives to extend working lives have been reinforced through additional bonuses for long contributory careers.

Rules governing the cumulation of pensions with employment income have also been revised repeatedly. Legislative attempts to prohibit cumulation in the public sector, particularly for beneficiaries of special pensions, were rejected by the Constitutional Court (Decision No 521/2023). In contrast, reforms in 2017 allowed early, disability, and survivor pensioners to combine benefits with self-employment income (L 217/2017). Reforms targeting self-employed workers included increasing contributions to 25% of gross income (GEO 79/2017) and raising the minimum insurable income to the level of the minimum wage (L 227/2015, as amended). More recently, legislation on domestic workers (L 211/2022), together with L 360/2023, extended access to old-age insurance for domestic workers and allowed pensioners to combine pensions with income from remunerated domestic services. These measures have improved coverage for self-employed workers and enhanced their ability to plan their working careers under conditions more comparable to those of employees.

To summarize, the combination of statutory ages, differentiated provisions, and early-retirement options creates a complex incentive structure that influences individual decisions on labor-market exit, with opportunities for early retirement partially balanced by penalties or restrictions.

### **Flexible retirement pathways and rules affecting pension benefits and retirement incentives**

Romanian legislation allows for several forms of flexibility regarding the timing of retirement, comprising mainly provisions related to deferred retirement, differentiated pensionable ages, and specific rules for long-career workers.

Deferring retirement is permitted without a formal upper age limit. Nevertheless, labour legislation mandates the termination of employment contracts once individuals meet retirement eligibility criteria. Employees may request to extend their employment beyond the statutory pensionable age, subject to employer consent. Prior to January 2024, the period of deferral was limited to three years (L 263/2010; L 93/2019). From January 2024, this period may be extended up to age 70 (L 360/2023). Continuing employment beyond the legislated deferral period requires the conclusion of a new employment contract. Some occupational groups, covering in particular doctors, pharmacists, stomatologists, teaching and research staff from higher education, face stricter limits on deferral, reflecting concerns about work capacity.

Differentiated pensionable ages account for gender, career length, occupational hazards, and environmental exposure. Currently, women benefit from a lower statutory pensionable age and may retire flexibly within a range that extends from their own statutory age to that of men. Legislative amendments (i.e. GEO No 96/2018), were designed to eliminate discrimination in the labour market, but in practice have enabled women to choose their retirement timing unilaterally, effectively creating a de facto flexible retirement option. From September 2024, the pensionable age of women with children will be reduced by up to three years and six months, depending on the number of children raised, thereby providing additional recognition of unpaid care responsibilities.

Long-career provisions allow individuals with at least 43 years of contributions (until August 2024) or 40 years of contributions (from September 2024) to claim early benefits without incurring penalties. However, the rules for credited periods have changed: from September 2024, most assimilated inactive periods are excluded from the calculation, except parental leave. While intended to reward long careers, these provisions may favour individuals who enter the labour market earlier and with lower levels of education, due to the exclusion of university studies from credited periods.

Occupational differentiation further influences retirement age. Workers in arduous or hazardous jobs experienced reductions of up to 13 years prior to September 2024 and up to 10 years thereafter (L 263/2010; L 360/2023). Reductions also apply in specific sectors such as mining and radiation-exposed workplaces, as well as for individuals residing in pollution-affected zones. Special pension schemes maintain lower retirement ages, ranging from 50 years for magistrates and civil aeronautics workers to 60 years for other professional groups. These ages are scheduled to rise incrementally over the coming decades, gradually closing the gap between occupational categories.

Between 2010 and September 2024, residing for at least 30 years in zones with high residual pollution entitled insured people to a lowering of two years in the pensionable age. The number of pensioners concerned is significant, given that the list of eligible areas has been expanded continually over recent years, reaching almost 100 localities in 2024 (Economic Policy Committee, 2023).

Combining a pension with income from work

Individuals who have reached statutory retirement age may combine a full old-age pension with income from employment, regardless of employment type or earnings level. However, labour legislation requires a new employment contract for continued work, which may result in reduced income in sectors where pay scales are seniority-based. Magistrates are an exception to this rule, as they may be reinstated in the position held before retirement if the reinstatement is done during the

first three years after retirement. Consequently, an 85% reduction of the pension benefit is applied (L 303/2022).

Certain professional groups face specific conditions: research and academic staff must renew contracts annually (L 199/2023), and teachers are employed on hourly contracts corresponding to hours worked (L 198/2023).

Unlike the old age pension benefits, the early-retirement benefits generally cannot be combined with income from standard employment contracts or elected positions. They may, however, be combined with self-employment or income from intellectual property rights. These limitations stay in place until the individual reaches the pensionable age and becomes eligible for an old-age pension. From September 2024, the introduction of lower-age eligibility for full benefits for workers with long contribution periods ( $\geq 40$  years) removes previous restrictions on combining pensions with employment income, further expanding flexibility.

### **Rules affecting pension benefits and incentives to work longer**

The design of pension rules not only determines the level of retirement income but also influences individual decisions regarding when to exit the labour market and whether to continue working while receiving a pension. In Romania, a combination of incentives and constraints shapes these choices, ranging from financial rewards for deferring retirement to fiscal advantages associated with claiming pension benefits. This section addresses the *incentives to defer retirement, the impact of combining pensions with work on benefit levels, the role of taxation policies, and the eligibility for other social protection benefits*.

*The deferred retirement* in the PAYG system was rewarded with a monthly 0.5% increase in pension points for individuals meeting the minimum contributory period. From September 2024, this bonus was replaced with “stability points” ranging from 0.5 to 1 pension point per year, depending on the length of contribution (L 360/2023). Unlike the previous system, the new incentive is not tied to current income levels, aiming to promote longer careers in general rather than specific deferral behaviour. Low-income individuals with long careers are likely to experience a more pronounced impact from these changes, highlighting distributional implications of pension incentives. In the statutory funded component, there are no additional incentives to defer retirement beyond the actuarial increases that result from continued contributions and shorter anticipated retirement duration.

Likewise, the pension benefits are positively impacted when combining a pension with work, as the *accrual of pension rights after retirement is permitted*, depending on the category of pension benefit and the type of employment undertaken. Part-time employment typically yields lower accruals. Stability points and deferred retirement bonuses (in place until September 2024) do not apply to post-retirement earnings. Early retirees are generally excluded from additional accrual, as only in-

comes for self-employment are permitted, which are not subject to social insurance contributions. Pension recalculation under the PAYG scheme is possible annually upon request, whereas the statutory funded scheme lacks established recalculation procedures.

*Fiscal policy* provides incentives for claiming pension benefits. The fiscal framework in Romania favours pensions over wages, thereby creating incentives to claim retirement benefits once eligibility conditions are met. Within the statutory PAYG scheme, both wages and pensions are subject to a general income tax of 10%.<sup>1</sup> However, pension benefits enjoy several exemptions: pensions below RON 2,000 (around EUR 400) are not taxed, and all pensioners are exempt from contributions to old-age insurance and healthcare, which remain mandatory for work incomes. No specific fiscal advantages exist for deferring retirement, as income from employment is taxed under the same rules regardless of age.

*Combining a pension with employment income* is subject to more advantageous rules than continuing to work without drawing a pension. Pensioners who combine a full old-age benefit with part-time work are taxed according to their actual hours worked, while other employees are subject to a minimum insurable income set at the level of the minimum wage.<sup>2</sup> This arrangement, although designed to secure pension rights for working-age employees, reduces labour costs for employers and may encourage the retention of pensioners in the workforce. In addition, pensioners' earnings from self-employment and intellectual property rights are exempt from old-age insurance contributions (with the exception of domestic service income, L 111/2022).<sup>3</sup>

Despite these advantages for pensioners, employers receive limited incentives to hire older workers. Aside from the favourable rules on part-time contracts, employing pensioners may even generate higher costs, as employers must continue to pay unemployment contributions even though pensioners are not eligible for unemployment benefits.<sup>4</sup> To offset this, employers can access subsidies for hiring older workers, amounting to RON 2,250 (around EUR 450) per month (L 76/2002 with amendments). These subsidies target unemployed persons aged 45 and over, as well as those within five years of statutory retirement age. While not restricted

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<sup>1</sup> A different, progressive taxation rate is applied to the non-contributory component of the special pension benefits (L 282/2023).

<sup>2</sup> With the exception of pensioners, students and people with disabilities (GEO 16/2022).

<sup>3</sup> The taxation rate is nevertheless lower, being set at 17.53% compared with the general level of 25%, given that the insurable income is set at half of the actual earned income.

<sup>4</sup> The contribution for work insurance (i.e. 2.25% of gross wages), which covers unemployment among other risks, is paid by all employees, despite the fact that the older people fulfilling the conditions for retirement are not eligible for unemployment insurance.

to pensioners, such measures may support the reintegration and retention of older workers, contributing to the extension of working lives beyond pensionable age.

*When postponing retirement*, the old age employed persons generally retain access to most working-age social protection benefits, provided their income remains above the minimum insurable threshold. The main exception is unemployment insurance, from which neither employees nor the self-employed can benefit once they have fulfilled the conditions for retirement. Although employees continue to contribute to this scheme—and self-employed workers may opt in voluntarily—they are no longer eligible for coverage, as they cannot legally be classified as unemployed. For the self-employed, the level of social protection available when deferring retirement may be lower than that of pensioners. Healthcare insurance, for instance, is only mandatory once annual earnings exceed six times the minimum wage, meaning those with low incomes may be left without coverage. By contrast, claiming a pension ensures automatic access to healthcare and provides a guaranteed minimum pension benefit, creating strong incentives to take up pension rights rather than remain in employment without drawing a pension. It is also important to note that certain benefits are available only to older people above pensionable age. Long-term care is a case in point: it is granted regardless of employment or pensioner status, though eligibility criteria and associated costs are income-dependent (L 17/2000 with amendments).

*Combining pension benefits with employment* allows individuals to access benefits linked to both statuses. Pensioners in employment remain insured for healthcare, sickness benefits, and work accident coverage, though not for unemployment. At the same time, by virtue of their pensioner status, they automatically qualify for healthcare, subsidised medicines, a minimum guaranteed pension benefit, and reduced fares on public transport, irrespective of income earned from work. However, receiving income from both pensions and employment can reduce access to means-tested assistance. Pensioners with higher combined earnings are less likely to qualify for targeted benefits aimed at low-income groups, such as heating aid, temporary social assistance (e.g. food vouchers), or compensation for high energy prices. Thus, while combining pensions with work expands access to contributory protections, it may limit eligibility for income-tested forms of support.

### **Motivation and constraints for using flexible retirement pathways**

The decision to prolong working life beyond the statutory pensionable age is shaped by both the incentives embedded in the design of the pension system and individual constraints.

Deferring retirement without claiming a pension appears most attractive in sectors where wages are strongly linked to seniority. In these cases, employees may anticipate a significant decline in income once they retire and shift to hourly-based

contracts. The teaching profession illustrates this dynamic: the growing number of teachers opting to extend employment until the age of 70 can be interpreted as a financial strategy, since combining a pension with post-retirement work often results in lower total earnings compared to maintaining a seniority-based salary. By contrast, the option to cumulate pension benefits with labour income is generally more appealing for those who can secure relatively high post-retirement earnings, either through new employment contracts or self-employment. In such cases, the dual income stream offers an advantageous financial trade-off.

However, these strategies are not equally accessible to all workers. Health constraints remain a dominant factor influencing premature labour market exit in Romania (Eurofound, 2024). Deferring retirement or combining pension benefits with continued employment becomes unfeasible for individuals with chronic illness or reduced work capacity. Care responsibilities represent an additional barrier. Approximately one-third of adults aged 65 or older living outside institutional care settings had at least minimal, significant, or severe care needs in 2022 (Eurofound, 2024). In the absence of comprehensive public provision of long-term care, which continues to cover only part of the demand (Pop, 2018), these responsibilities are largely borne by families. In practice, this translates into high levels of unpaid care provision: in 2022, 25% of men and 31% of women in Romania provided care to family members with long-term needs, compared with EU averages of 21% and 22% respectively.<sup>5</sup> Women are disproportionately affected, reflecting their greater involvement in informal care (UNECE/European Commission, 2019) and their higher representation among the working-age inactive population, where they accounted for around 64% in 2023.<sup>6</sup>

### **Impact of flexible retirement pathways**

This part examines the take-up of the flexible retirement options, considering their broader implications, including impacts on retirement age, labour market dynamics, redistributive outcomes, fiscal sustainability, and quality of life and societal effects.

#### **Take-up of flexible retirement pathways**

Estimating how many individuals defer pension receipt or continue working after reaching pensionable age is difficult, since such data are not systematically included among regularly published pension indicators. Still, administrative data cited in the statement of reasons for a 2020 draft bill on the cumulation of pensions with work income reported that approximately 102,375 people aged 65 and over

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<sup>5</sup> European Institute for Gender Equality, EIGE surveys, 2022: [https://eige.europa.eu/gender-statistics/dgs/indicator/eige\\_gap\\_care\\_resp\\_ggs\\_care\\_ltc](https://eige.europa.eu/gender-statistics/dgs/indicator/eige_gap_care_resp_ggs_care_ltc).

<sup>6</sup> Eurostat, Code = Ifsa\_igan, downloaded on 5 June 2024.

were employed under a labour contract or in other forms of remunerated work, with nearly 30% aged 70 or older (Romanian Government, 2020).

In the same year, the total number of employed individuals aged 65+ stood at 248,900—around 7% of this age group. Combining administrative data with Eurostat sources suggests that roughly 40% of those aged 65+ in employment held a formal employment contract, while the remainder were likely self-employed with irregular and low income flows. Between 2020 and 2023, however, this proportion dropped significantly: only about 82,900 people aged 65+ (2% of the age group) remained in employment, pointing to a decreasing interest in working beyond retirement age.

Within the group of people aged 65+ engaged in a remunerated employment activity, very few individuals were purely deferring retirement. In 2020, just 14,241 people aged 65+ were employed under a labour contract without drawing a pension. By contrast, the majority—88,134 people<sup>7</sup>, or 86% of those aged 65+ with a labour contract—combined a pension with work income. Yet this group represented less than 2.5% of all old-age pensioners.<sup>8</sup>

Gender differences are also pronounced. Few women remain in the labour market until reaching men's statutory retirement age, and among those deferring retirement beyond age 70, men predominate. In 2019, only about 4% (3,396 people) of women retiring were 65 or older, and the number postponing retirement until after age 70 was less than half the figure recorded among men.<sup>9</sup>

Looking ahead, the number of individuals deferring retirement is expected to rise, supported by the recently introduced option to remain in work until age 70. For example, Ministry of Education data for Bucharest show a 40% increase in the number of teachers applying to defer retirement in the 2024/2025 school year compared with the previous year.<sup>10</sup>

By contrast, the most widespread use of flexible retirement in Romania has traditionally stemmed from provisions enabling early retirement, either to compensate for arduous and hazardous working conditions or to recognise longer careers. Yet

<sup>7</sup> It is noteworthy that the indicator covers people aged 65+. The number of people combining a pension with work income is higher, as it is estimated that an important segment of the beneficiaries of special pensions are cumulating work and pension at lower ages.

<sup>8</sup> Administrative data retrieved from the statement of reasons for the law regarding some measures for the continuation of the activity by people who meet the retirement conditions, corroborated by NHPP data.

<sup>9</sup> Data calculated based on information provided in the Romania Country fiche on pension projections prepared for the 2021 Ageing Report: [https://economy-finance.ec.europa.eu/system/files/2021-05/ro\\_-\\_ar\\_2021\\_final\\_pension\\_fiche.pdf](https://economy-finance.ec.europa.eu/system/files/2021-05/ro_-_ar_2021_final_pension_fiche.pdf).

<sup>10</sup> <https://www.edupedu.ro/lista-crestere-cu-aproape-40-a-numarului-de-profesori-trecuti-de-varsta-de-pensionare-care-au-primit-aprobare-sa-ramana-titulari-si-anul-scolar-viitor-in-scolile-bucuresti/>

take-up has declined steadily: by 2023, there were about 96,000 early retirees (ER and PER combined), representing only 2% of all pensioners.<sup>11</sup> Of these, a small fraction (7%, or 6,323 people) benefitted from early retirement without penalties. For comparison, National House of Public Pensions (NHPP) data indicate that in 2019 roughly 25,000 individuals in arduous or hazardous occupations retired before reaching the statutory age with a full old age pension, accounting for 18% of all new pensioners that year.<sup>12</sup> The modest participation in the early-retirement programme suggests that eligibility rules remain difficult to satisfy without the higher accrual rates granted under such conditions. Men were strongly over-represented among pensioners who worked in arduous and hazardous jobs retiring in 2019 (75%)<sup>13</sup>, while women comprised the majority of ER beneficiaries overall (around 60%).<sup>14</sup>

### *Impact on retirement age*

The age at which people effectively withdraw from the labour market is higher than the age at which they start claiming an old-age pension, suggesting the continuation of work after retirement. OECD data for 2022 indicated an effective labour market exit age of 63.4 years for women and 64.1 years for men.<sup>15</sup> Between 2014 and 2022, this indicator rose by more than two years for both genders. However, both ages were on a downward trend after 2019-2020: the age for women was 64.6 in 2020, whereas that of men was 66 in 2019. The subsequent decline mirrored the fall in employment rates among people aged 65+ (Figure 1). Importantly, particularly driven by a lower statutory pensionable age, women tend to withdraw from the labour market later than their statutory pensionable age, while men generally exit earlier.

By contrast, the age at which people begin to receive a pension is lower than both the effective retirement age (defined as the age of labour market withdrawal) and the statutory pensionable age. Data from the 2012 LFS module on the transition from work to retirement showed that men first received a pension at an average age of 58, and women at 56.1—1.6 years and 2.7 years below the EU averages, re-

<sup>11</sup> Given that the early retirement benefit is automatically converted into old age benefit when reaching the retirement age, the number is relevant for the pensioners retired early during a 5-year period of time, the maximum number of years likely to be spent in early retirement.

<sup>12</sup> Alexandru, M, The real retirement age in Romania is five years lower than the statutory retirement age/ Almost two thirds of those who retired last year were under 65, respectively 61, G4Media, 20 Augusts 2020, EXCLUSIV Vârsta reală de pensionare în România este cu cinci ani mai mică decât cea prevăzută de lege / Aproape două treimi dintre cei care s-au pensionat anul trecut aveau sub 65, respectiv 61 de ani (g4media.ro)

<sup>13</sup> Idem

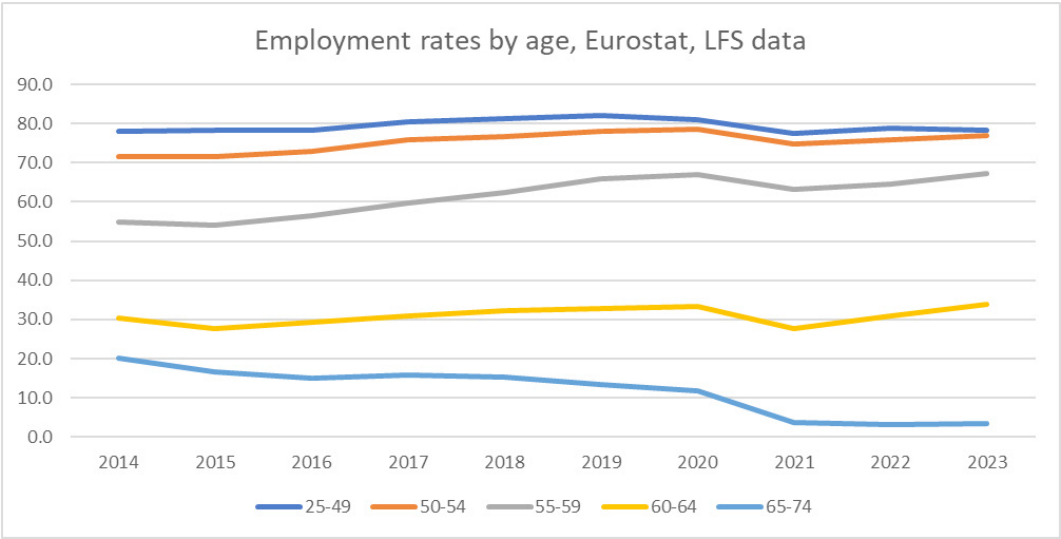
<sup>14</sup> Calculated based on NHPP data, [www.cnpp.ro](http://www.cnpp.ro)

<sup>15</sup> OECD, Pensions at a Glance, [oecdstat](https://data.oecd.org/pensions/), downloaded on 29 May 2024

spectively.<sup>16</sup> Administrative records from the National House for Public Pensions indicate a one-year increase in the average retirement age between 2015 and 2019 (Ghetău, 2020).

The gap between pensionable age and actual pension uptake is observed not only among early retirees but also among old-age pension beneficiaries. According to the 2024 Ageing Working Group country fiche for Romania, in 2022 men started to receive pension benefits at an average age of 61.6, and women at 61.5.

**Figure 1:** Employment rates by age, Romania 2014-2023



Source: Eurostat, 2024.

*Employment rate shows the proportion of the employed population in total population within the respective age group.*

This was below the statutory retirement ages of 65 for men and 61 years and 11 months for women. While the gender gap in pension take-up age was narrower than that in statutory retirement ages, trends diverged between men and women. Between 2019 and 2022, women’s pension take-up age increased by 1.4 years (from 60.1), largely reflecting the gradual rise in the statutory retirement age. Conversely, men’s average pension take-up age decreased by 1.1 years over the same period (from 62.7) (Economic Policy Committee, 2020; 2023).

Finally, differences are also visible in the ratio of early to statutory-age retirees. In 2022, the ratio of pensioners exiting the labour market below the statutory retirement age compared to those retiring at or above it was 2.2 for men and 0.7 for

<sup>16</sup> Eurostat, lfsa\_12agepens, downloaded on 5 June 2024

women (Economic Policy Committee, 2023<sup>17</sup>). This confirms that men were more likely to retire before reaching the pensionable age.

### *Labour market dynamics and the impact of flexible retirement<sup>18</sup>*

Although the average age of labour market exit increased over the last decade, it still remained below the statutory pensionable age for men. Employment disruptions linked to the COVID-19 pandemic, combined with uneven increases in employment rates, shortened the duration of working lives after 2019. By 2023, average working life in Romania was 32.2 years, compared with 36.9 years at EU level.

Between 2014 and 2023, employment rates rose moderately among working-age people, more strongly among older cohorts, but declined for those aged 65+. The increase among older working-age people was likely driven by rising statutory retirement ages—particularly for women—and by measures restricting early retirement pathways. Nonetheless, the persistent decline in employment among people aged 65+ indicates that extending working lives after the pensionable age remains a challenge.

The strongest positive trend was observed among those aged 55–59. Their employment rate grew by 12.4 percentage points, reaching 67.3% in 2023 (Figure 1). The increase was sharper for women (14 p.p.) than for men (10.2 p.p.), consistent with the rise in women's effective retirement age. As a result, Romania's gender employment gap narrowed slightly relative to EU averages, from 13.1 p.p. in 2014 to 11.7 p.p. in 2023. Among those aged 60–64, the employment rate rose only moderately, from 30.3% in 2014 to 33.9% in 2023. Within this group, women and individuals with low education fared worst. The gender gap in employment stood at 26.5 p.p., while only 21.6% of low-educated people were employed, compared with 33.9% overall. High female inactivity translated into a shorter duration of working lives, 6.2 years below the EU average in 2023, suggesting that women and the low-educated are more likely to retire before age 65.<sup>19</sup>

By contrast, labour market engagement among people aged 65+ declined sharply over the decade, making work after reaching the pensionable age a less popular strategy in Romania. Whereas in 2014 the employment rate among people aged 65–74 was 2.6 times higher than the EU value (20.2% compared with 7.8%), the value dropped below it in 2021, when it reached 3.6% compared with 9.3% at EU level. Fewer than 5% of people aged 65–69 and fewer than 1.5% aged 70–74 were

<sup>17</sup> The early/late exit ratio is defined as the ratio between those who retire and are below the statutory retirement age and those who retire at the statutory retirement age or above (Economic Policy Committee, 2020, p. 24).

<sup>18</sup> The analysis in this section is based on LFS Eurostat data.

<sup>19</sup> Eurostat, LFS, Code = lfsa\_ergaed, downloaded on 28 May 2024.

employed in 2023 – significantly lower than the EU values of 15.2% and 5.5%, respectively.<sup>20</sup> The decline reflected, in part, a steep fall in agricultural employment among older people: in 2014, agriculture accounted for 96% of employment in this age group, but only 54% in 2023.<sup>21</sup> In this regard, older-age employment often reflected unmet financial needs, while falling participation may be linked to steady increases in pension benefits over recent decades (UNECE/European Commission, 2019).

Self-employment and other flexible work arrangements have not significantly contributed to prolonging working lives. Although self-employment rises with age (Figure 2), it is predominantly concentrated among the low-educated: 47% of the self-employed aged 55–64 and 67% of those aged 65–74 have a low level of education,<sup>22</sup> mostly working in jobs with incomes below the minimum insurable threshold that would entitle them to additional pension rights. Nor does working time diminish substantially with age: in 2023, average hours worked per week were 40.2 for those aged 25–54 and 39.9 for those aged 55–64.<sup>23</sup> Part-time work remains rare among older workers<sup>24</sup>, despite the financial incentives granted for the employment of pensioners. Working long hours in full-time jobs therefore seems to be the dominant model of employment among older workers in Romania, while resorting to retirement at earlier ages might work as a compensatory strategy for the prevalence of jobs in labour-intensive sectors such as manufacturing and agriculture (Eurofound, 2024, p. 16).

### *Expected redistributive, social and fiscal impact*

The flexible retirement provisions endorsed through the recent reform of the Romanian pension system (L 360/2023) are expected to generate significant redistributive, fiscal, and social consequences. By linking the statutory retirement age to half the increase in life expectancy and by equalising the retirement ages of men and women, the reform introduces measures that will reshape both the distribution of pension wealth and the dynamics of retirement decisions in the coming decades.

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<sup>20</sup> Eurostat, LFS, Code = lfsa\_ergaed, downloaded on 28 May 2024.

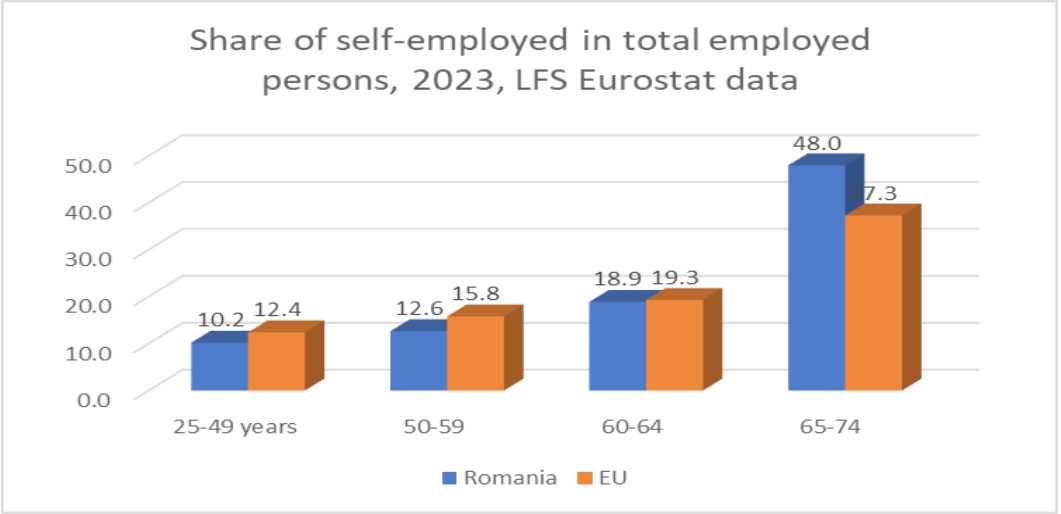
<sup>21</sup> Eurostat, LFS, Code = lfsa\_egan2, downloaded on 4 June 2024.

<sup>22</sup> Eurostat, LFS, Code = lfsa\_esgaed, downloaded on 4 June 2024.

<sup>23</sup> Eurostat, LFS, Code = lfsa\_ewhuis, downloaded on 28 May 2024.

<sup>24</sup> 4.5% of those aged 50–64 and 28.1% of those over 65 were engaged in part-time employment in 2023, compared with 18.2% and 50.8% respectively at EU level (Eurostat, LFS, Code = lfsa\_efpt, downloaded on 28 May 2024).

**Figure 2:** Share of self-employed in total employed people in 2023 (%), Romania and EU



Source: Eurostat, 2024.

From a redistributive perspective, the implications are particularly important. Women currently enjoy a life expectancy at age 65 that is 4.1 years higher than that of men.<sup>25</sup> Nevertheless, between 2023 and 2040 the growth in the expected duration of women’s retirement will be slower, largely due to the progressive alignment of the statutory retirement ages by 2035 (Economic Policy Committee, 2023).

At the same time, linking the pensionable age, the statutory contribution period, and the minimum contribution period to life expectancy is likely to disadvantage low-income and low-educated workers, whose remaining lifespans are shorter than those of high earners. In 2017, for instance, tertiary-educated men (ISCED level 5-8) at age 65 were expected to live 2.5 years longer than men with secondary or post-secondary non-tertiary education (ISCED levels 3–4), while highly educated people overall lived on average 3.6 years longer than those with low education.<sup>26</sup> Such gaps are likely to translate into reduced pension wealth for the less educated (OECD, 2017). However, the new provisions granting earlier retirement ages and additional entitlements to those with longer work careers may offset, at least partially, the impact of these inequalities.

The recent provisions will have important social and quality-of-life effects. On one hand, greater flexibility—such as lower pensionable ages for women with children or additional incentives for individuals with long careers—offers opportunities

<sup>25</sup> Eurostat, Code = demo\_mlexpec, downloaded on 4 June 2024.

<sup>26</sup> Eurostat, Code = demo\_mlexpecedu, retrieved on 4 June 2024.

to better accommodate different retirement preferences. On the other hand, these choices come at a cost. Early retirement may result in inadequate benefits, especially since pension levels are projected to decline relative to wages, falling from 33.9% of the average gross wage in 2022 to 28.9% in 2070 (European Commission, 2024a). Furthermore, claiming pensions before the statutory age halts accumulation under the funded component, thereby reducing future benefits despite the compensatory points awarded under the PAYG component.

Another challenge relates to health. Increasing the statutory retirement age in line with life expectancy does not guarantee that individuals will spend more years of retirement in good health. In 2022, healthy life expectancy at age 65 in Romania was only 3.9 years—5.2 years below the EU average—and had fallen by two years since 2014,<sup>27</sup> despite modest gains in overall life expectancy (+0.8 years between 2014 and 2023<sup>28</sup>). This divergence suggests that longer working lives may be accompanied by shorter periods of healthy retirement, raising concerns about well-being in old age.

The recent reforms also carry significant fiscal implications. Pension expenditure is projected to rise from 8.5% of GDP in 2022 to 10.6% in 2046, before falling to 7.6% by 2070 (Economic Policy Committee, 2023). While demographic ageing is the main driver of this increase, new measures—such as the allocation of stability points for longer careers—will further contribute to expenditure growth from 2024 onwards (Economic Policy Committee, 2023, p. 32). At the same time, provisions designed to extend working lives are expected to ease pressure on public finances over the long run. Projections included in the 2024 Ageing Report show that contributory periods will increase from 35.4 years in 2023 to 38.8 years in 2040, while employment rates among older workers, including those aged 65–74, are also expected to rise, thereby reversing current declining trends (Economic Policy Committee, 2023, p. 21).

## Conclusions and Discussion

This study examined the role and effectiveness of flexible retirement pathways (FRPs) in Romania, focusing on the interaction between statutory regulations, labour market participation, and social and fiscal outcomes. The findings highlight both the opportunities and the limitations of FRPs in prolonging working lives, enhancing pension adequacy, and addressing distributional inequalities.

The analysis confirms that Romania has diversified its retirement options in recent years, extending access to deferral bonuses, introducing differentiated retirement ages for women with children and long-career workers, and permitting the

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<sup>27</sup> Eurostat, Code = hlth\_hlye, downloaded on 4 June 2024.

<sup>28</sup> Eurostat, Code = demo\_mlexpec, downloaded on 4 June 2024.

combination of pensions with labour income. These measures are likely to increase financial incentives to remain in employment, particularly for individuals with higher earnings or stable occupational trajectories. However, their actual uptake remains modest, with pension–work combinations preferred over retirement deferral. Closely tied to advantageous fiscal rules and the possibility of accruing additional entitlements while drawing a pension, this path is also costly for the pension system, hindering its overall sustainability.

At the same time, the study underlines several structural constraints that limit the effectiveness of FRPs. Employment rates among older cohorts remain low, particularly after age 65, reflecting both declining agricultural employment and improved benefit adequacy. Health limitations, caregiving responsibilities, and the scarcity of part-time or less demanding jobs further restrict the feasibility of prolonged employment. Gender and socio-economic disparities are critical in this regard: women, low-educated workers, and those in physically demanding occupations are least able to benefit from flexible options, despite being among the groups most in need of income security in old age. In this sense, FRPs risk reproducing existing inequalities if not carefully balanced with compensatory measures.

These findings resonate with comparative evidence from other European countries, which shows that FRPs tend to be most effective when supported by actuarially neutral pension rules, strong labour market demand for older workers, and accessible part-time or gradual retirement schemes. In Romania, by contrast, the predominance of full time jobs along with limited active labour market policies for older workers significantly constrain their redistributive and sustainability potential.

A series of policy gaps hamper the likelihood of people continuing to work and remain active after reaching the pensionable age. As access to unemployment insurance is restricted to people who are not eligible for the old-age pension, the prospect of unemployment is likely to encourage older workers to take up the pension benefit. From the policy perspective, several implications emerge. First, FRPs cannot serve as standalone instruments for extending working lives in Romania. Their success depends on complementary interventions that address the structural barriers facing older workers, including reforms to promote part-time and flexible employment, as well as investments in long-term care services to ease the burden of informal caregiving. Second, the distributive consequences of FRPs need to be considered. Without safeguards, reforms linking retirement age to life expectancy or privileging longer contribution careers may disproportionately benefit healthier and more advantaged groups, while excluding those in poorer health or precarious jobs. Finally, the interaction between rising pension benefits and declining agricultural employment suggests that financial necessity may no longer be the dominant driver of late-life employment. In this regard, strategies to promote longer working lives

must increasingly align with individuals' preferences, health status, and capacity to remain active in the labour market.

In conclusion, Romania's experience illustrates that while providing valuable opportunities for choice and adaptation in later life, the flexible retirement policies remain constrained by structural labour market realities and persistent social inequalities. Their capacity to significantly extend working lives is thus limited. In order to improve access to the labour market for older people, flexible retirement provisions need to be complemented by flexible labour market policies, which would allow older workers to easily migrate to less demanding jobs or to move smoothly between work and unemployment. Embedding FRPs within a broader framework of labour market policies and social protection will be essential if they are to contribute effectively to both fiscal sustainability and older people's well-being.

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