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FLEXIBLE ENOUGH? RETIREMENT PATHWAYS AND THEIR OUTCOMES IN LITHUANIA

Abstract

This paper examines institutionally defined flexible retirement pathways and their outcomes in Lithuania - an EU member state with one of the highest employment rates among older adults. The focus is on the main statutory old-age pension scheme. In Lithuania, the most widely used flexibility mechanism is the full combination of work and pension benefits beyond the pensionable age. Combined with relatively low life expectancy, it leaves the pathway of pension deferral as largely irrelevant despite relatively generous conditions. Early retirement is rare due to restrictive rules and financial disincentives, except for periods of economic downturn. The high employment rates among older adults and the increasing duration of working life appear to be driven less by pension flexibility and more by structural factors such as low pension replacement rates, elevated old-age poverty, evolving labour market dynamics, and increases in the statutory pensionable age. As demographic pressures intensify, particularly in the context of a rapidly ageing Lithuanian population, additional forms of pension flexibility - such as differentiated or flexible pensionable age, or partial pensions - may gain political relevance. A key policy challenge for Lithuania lies in fostering later-life employment by mitigating negative financial, health- and care-related, as well as age-discrimination barriers, while promoting positive drivers including favourable working conditions, labour market adaptability and possibilities for choosing a variety of flexible retirement pathways.

Keywords: flexible, retirement, pensionable age, pensions, Lithuania

Introduction

In ageing societies, flexible retirement pathways, which enable individuals to decide when and how they retire, are increasingly relevant and are being developed as practical policy options to ease the transition from work to retirement. These may include, among others, options for early, deferred or partial retirement, as well as

financial incentives or disincentives to combine pensions with work. Such design features of the pension systems play an important role in shaping retirement choices (OECD, 2017). On one hand, offering greater flexibility through the pension system might lead some workers to prolong their employment while receiving retirement benefits. This is especially important for those with health problems, disabilities, care responsibilities and physically or mentally demanding jobs, who would otherwise have to exit the labour market through early retirement or other schemes, such as those for disability or long-term sickness. On the other hand, the availability of early- or partial-retirement options might reduce work intensity and labour market participation. Availability of the flexible retirement pathways might also be used as a political tool to increase acceptability of otherwise unpopular reforms, such as an increase in the statutory pensionable age.

However, flexible retirement pathways do not always translate into the intended results. It is important to get the incentives right, as well as financial literacy and knowledge of the benefits that people can expect to receive under different scenarios concerning when and how they retire. Structural factors, such as the functioning of the local labour market, healthcare and other systems, might also play an important role. The analysis of the institutional retirement pathways, i.e. social policies that regulate retirement, and their relation to the individual retirement trajectories, which aggregate into general retirement patterns in the population is a long-standing field of research (see e.g. Kohli et al. 1991). Distributional and labour market implications, outcomes with respect to pensions system sustainability and personal wellbeing are also of the utmost importance.

The aim of this paper is to map the different flexible retirement pathways, ways they transform into the general retirement patterns and their outcomes in Lithuania.

Lithuania's case study is of interest as it ranks among the countries with the highest employment rates for people aged 65-74, i.e. 21.3% in Lithuania compared with 10.7% in the EU in 2023 (Eurostat, 2024a). Understanding the role flexible retirement pathways play in this process provide important lessons and tools for the policy makers for improving old-age pension design.

Lithuania's old-age pension system has five components. These include three types of public unfunded defined-benefit pension schemes (statutory pay-as-you-go (PAYG) pensions, state pensions and social assistance pensions) and two types of privately funded defined-contribution pension schemes (the statutory funded pension scheme and the personal pension scheme). Their relative importance and modes of financing vary greatly. The focus of this paper is on the main statutory PAYG pension scheme. Other components of the pension system play a relatively minor role in Lithuania and are outside of the scope of this paper.

We start with discussing the institutionally defined pathways for flexible retirement in Lithuania, as well as the rules affecting pension benefits and retirement

incentives. These are interpreted within a broader EU context. We then analyse how these rules translate into the general retirement patterns in the Lithuanian population. Finally, we consider implications of flexible retirement for income inequality, fiscal sustainability and quality of life in old age. We conclude with the discussion of the main lessons and challenges the Lithuanian case offers for improving the pension design with regards to its flexibility.

Statutory old-age pension scheme and flexible retirement pathways in Lithuania

The statutory PAYG old-age pension scheme is the most important in terms of coverage and provision of income in old age in Lithuania. Participation is mandatory for all employees and self-employed people without exception. Around 602 thousand people, or 98% of the retirement-age population, received statutory pension benefits in 2025 (Statistics Lithuania, 2025).

The old-age pension benefit consists of two components. The amount of the first, general (basic) component is flat rate for all beneficiaries having a minimum contribution period (15 years in 2025) and is financed from general revenue (state budget). The “individual” (supplementary) component is earnings-related and financed by social insurance contributions. The earnings-related component of the statutory pension is a points-based system. Pension points are calculated as the ratio of individual contributions to the average social insurance pension contributions in the country over the entire career. The formula for calculation of both the general and the individual pension components provides incentives for longer careers, as the amount of the former depends on the length of the contribution period beyond the compulsory contribution period (see below), while the latter – on the total contributions paid.

In 2025, the pensionable age for the statutory pension is 64 years and ten months for men and 64 years and eight months for women. It will increase by two months for men and by four months per year for women to reach 65 for both men and women in 2026. It is currently not foreseen to increase it further neither on an ad-hoc basis, nor though indexing with the life expectancy. Pensionable age is not differentiated in Lithuania based on the previous contribution records or career length. However, longer contributory periods are incentivised within the pension formula and beneficiaries with long contribution records are treated on a favourable basis, e.g. if applying for a statutory early-retirement pension. Differentiation of the pensionable age is common in the EU, with more than half of the member states having such practice (Spasova et al., 2025). Furthermore, some of the EU countries, such as Finland, Sweden or Norway, have moved towards a flexible pensionable age, i.e. an age range within which individuals may choose when to claim a pension or to retire (ibid.). This reflects an effort to address heterogeneity in health, job conditions

and preferences, as well as to incentivise later retirement and more personalised decisions than the “normal” pensionable age may entail. While the pensionable age remains fixed in Lithuania, moving towards a flexible or differentiated option may be considered, especially if there are decisions for its further increase beyond the age of 65.

The minimum contribution period for entitlement to statutory pension benefits is 15 years for men and women. Persons who do not have a minimum contribution period are not eligible to receive a statutory pension and must rely only on the social assistance pension. Apart from the minimum contribution period, there is also a compulsory contribution period. The compulsory contribution period is used to determine eligibility for a small pension bonus (i.e. a payment up to an established minimal amount), as well as for increases in the basic component of the statutory pension (by 3.75% for each additional year of contributions beyond the compulsory contribution period). In 2025, the compulsory contribution period is 34 years for both men and women and will increase by six months per year to reach 35 years in 2027.

The statutory early-retirement pension is available to people who have completed the compulsory contribution period and have less than five years to attain the pensionable age. The rate of payment is the statutory old-age pension, minus 0.32% for each month of the early-retirement pension received before the full pensionable age. For those who opt to receive the early-retirement pension, the reduced statutory old-age pension amount is paid for the whole period of retirement. However, the statutory old-age pension is not reduced if the contribution period of the recipient is above 41 years in 2025 (this period is increased annually by three months until it reaches 42 years and six months in 2031) and the early-retirement pension is received for no more than three years. Claiming early-retirement pension in Lithuania cannot be combined with employment or self-employment. This is the case in 6 other EU member-states, while the rest allow for combining early retirement with work, alas subject to certain conditions, such as age, income or number of hours worked, etc. (Spasova et al. 2025). It is possible to defer the statutory old-age pension after the statutory pensionable age, with no limit on age or duration. However, the amount of the deferred pension is increased by 8% for each full year of deferment beyond the statutory pensionable age, but for a maximum of five years. This is a relatively high rate compared to other EU countries, where postponing retirement is incentivised though increased accrual rates (Spasova et al. 2025). When deferring retirement, a person has the right to apply for a pension benefit at any time.

There is no partial pension in Lithuania. However, full statutory pensions are paid to working pensioners with no cap on work-related income in pensionable age and no limits on duration or intensity of employment or self-employment.

Pensioners working as employees must pay social insurance contributions on their earnings, and pensions are recalculated annually based on the contributions paid. No further applications are required for the recalculation of pensions, which are recalculated automatically. Pension points acquired upon reaching the pensionable age are calculated in a standard way, i.e. there are no penalties or higher accrual rates foreseen. Self-employed persons of pensionable age do not pay social insurance contributions, and their pension benefits are not recalculated. A possibility to pay social insurance contributions on a voluntary basis could contribute towards higher old-age pensions among the self-employed who work beyond the pensionable age.

Working pensioners in Lithuania are entitled to all social insurance benefits since they continue paying their social insurance contributions. An exception is unemployment benefits, as old-age pensioners are not considered unemployed when out of job. The latter practice is also common for other EU countries (Spasova et al., 2025).

All pensions are not taxable, thus there is no net income reduction when combining pension and income from employment or self-employment. Worth noting that tax reductions – either on pensions, or on wages – are used as an additional work incentive in old age in a number of countries in the EU (Spasova et al., 2025). In Lithuania income tax reductions are applied to old-age pensioners only with regard to one form of self-employment, i.e. business certificates.

It is important that citizens have access to information about the flexible retirement pathways available in the country, including the rules affecting pension benefits and retirement incentives. In Lithuania, the main sources of information on pensions, including the opportunity to defer old-age pension or to apply for early-retirement pension are the websites of the Ministry of Social Security and Labour of the Republic of Lithuania (MoSSL) and the Social Security Insurance Fund (SSIF). A simplified version of information on all social benefits, including statutory pensions, is also available on a dedicated MoSSL website. These websites offer pension calculators and simulators; individual calculations of the acquired pension rights are also available for each employee by logging into the SSIF system. However, these calculators do not contain estimations for the early-retirement or deferred pensions.

Finally, it should be noted that during the last decade the only reform related to the flexibility of statutory PAYG old-age pensions in Lithuania was related to the conditions of early retirement. Until 2018, early-retirement pensions were granted only to those persons who were registered as unemployed at the Employment Service for the last 12 months before applying. Since 2018, the requirement to be registered as unemployed has been abolished. Furthermore, the early-retirement pension reduction rate has been lowered from 0.4% to 0.32%. Moreover, after reaching

pensionable age, the statutory pension benefit became not subject to any reduction if the contribution period of the recipient is above 40 years and nine months (in 2024) and the early-retirement pension is received for no more than three years. The reform was implemented in the context of ongoing increase of the pensionable age from 62 years for men and 60 for women to 65 for both sexes between 2012-2026. This indicates that the need for increased pension flexibility comes to the political agenda as a tool to mitigate increases in the pensionable age and might do so again in the future.

From institutional retirement pathways to the general retirement patterns in the population

A crucial question for policymakers aiming to extend working lives is how institutional flexible retirement pathways translate into individual retirement trajectories and their general patterns in the population. In Lithuania, the two main flexible retirement pathways extending working lives can be distinguished as following: (i) combining statutory pension and work, and (ii) deferring statutory pensions beyond the statutory pensionable age.

Based on SSIF data¹, there were around 78 thousand working pensioners in 2023, which constituted around 12.5% of all people receiving statutory old-age pensions; this share was at 11.8% in 2021. Among the working pensioners, around 57% were women, around 92% had compulsory contribution records and around 77% were up to 70 years of age; in 2024, the average statutory pension of the working pensioners was 16.8% higher compared with non-working pensioners.

However, the deferment of statutory pensions is not common, with only around one thousand workers receiving deferred old-age pensions in 2020 (Zitikytė, 2021). The average period of deferment was 2.3 years; the average increased percentage of the statutory pension after its determent was 17.27% (ibid.). Given that about 616 thousand people received statutory old-age pensions in 2020, one thousand individuals represented a very small part. The share of people deferring their retirement in Lithuania is also one of the lowest reported for other EU countries (Spasova et al., 2025). The unpopularity of deferred pensions can be attributed to the opportunity to simultaneously receive both a full pension and employment income. Deferring the pension is associated with longevity risk, as it remains uncertain for how long the increased pension benefits will be utilised. In contrast, by not deferring, individuals secure a guaranteed income stream comprising both pension payments and wage, without incurring additional risk.

Regarding the early retirement pathway, there were around 8.2 thousand recipients of the early-retirement pensions in 2025 (SSIF, 2025). The number of early re-

¹ Based on SSIF information (provided on request).

tirees was around 6.3 thousand in 2021. The relatively low number of people using early retirement shows that this option is not attractive.

The relatively low pension levels in Lithuania may explain low take-up of early retirement where older workers prefer working longer to make ends meet (OECD, 2023). Furthermore, the conditions for early retirement are not favourable or attractive, except for the periods of economic recession, when the number of these recipients tends to grow (Zitikyte, 2020b). The early retirement pathway is disincentivised through the restrictions on combining it with work, as well as reductions in both early-retirement pensions and statutory old-age pensions for those retiring early, except for reduction of the latter for those with long contribution periods. Hence, people may choose to continue working or pursue other pathways such as disability pensions, unemployment benefits or inactivity in pre-retirement. Research also shows that people who choose to receive early retirement benefits are more likely to have faced unemployment before or earned a relatively low income (Zitikyte, 2020b).

As the most popular flexible retirement pathway - combining statutory old-age pensions and work – is possible without restrictions upon reaching the statutory pensionable age, it has little effect on the age of the first pension claim. The first pension claim, in most cases, coincides with the statutory retirement age and does not necessarily indicate withdrawal from the labour market. In fact, based on the available data, Lithuania ranks among the countries with the highest employment rates for people aged 65-74, i.e. 21.3% in Lithuania compared with 10.7% in the EU in 2023 (Eurostat, 2024a). The rate of employment in this group has more than doubled since 2013, when it was at 8.8% in Lithuania (7.6% in the EU). The employment rate in the 55-64 age group was also above the EU average, at 69.1% in Lithuania (63.9% in the EU) in 2023. The employment rates were higher for those with higher education levels. Employment of pre-retirement and retirement age groups has been growing rapidly in Lithuania since 2000 (Zitikytė, 2021).

The possibility to fully combine statutory pensions and work is one of the factors contributing to high employment levels in old age in Lithuania. However, high employment rates in old age stand in sharp contrast with the surveys, that show that the share of Lithuanians aged 50 and over who wish to retire early is the highest in the EU (Spasova et al., 2025). Hence, financial factors, such as low pension net replacement rate may play an important role. In 2022, it stood at only 28.9%, the lowest among OECD countries (OECD, 2025). Even after including the income of working pensioners, the median disposable income of people aged 65 and over in Lithuania is only 63% of the mean disposable income of all population, while in the EU this ratio is 90% on average (Eurostat, 2025).

Talking about the labour market exit, based on the survey conducted in 2023, 38.1% of all pensioners stopped working within the period of six months after re-

ceiving the first statutory old-age pension (VDA, 2024). This, however, does not necessarily indicate their final withdrawal from the labour market. Statistical data also show that the share of working pensioners drops sharply with age: in 2023, the share of working pensioners was at 41.5% in the 60-65 age group; 25% in the 65-70 age group; 9.5% in the 70-75 age group; 3.6% in the 75-80 age group; and 1.1% in the 80-85 age group².

The average effective age of the labour market exit in Lithuania, as estimated by the OECD, was similar for men compared with the EU average in 2022 (63.4 years and 63.6 years, respectively) and above the EU average for women (63.8 years and 62.4 years, respectively). The average effective age for women increased by 1.7 years between 2014 and 2022, which may be due to a number of factors, including the increase in the statutory retirement age. The absence of any improvement for men in the same period can be explained by lower pace of increase in the statutory retirement age (see Section 1.1), as well as by poorer health outcomes and low life expectancy among men in Lithuania (e.g. Zitikyte, 2021). In 2019-2020, a very high proportion, around one third of male respondents aged over 60 indicated they were afraid that health would limit their ability to work even until the statutory pensionable age; this share was almost 50% in this group in 2021-2022.³

As already mentioned, there are no limitations for combining work-related income and statutory pension benefits with regard to either work intensity or forms of employment. Still, standard forms of employment dominate in Lithuania in old age. The absolute majority of working people aged 65-74 were employees (87.5% in Lithuania, 62.7% in the EU in 2023), with a relatively small remaining share being self-employed (Eurostat, 2024b). The share of employees among the working people in this age group was relatively stable between 2013 and 2023. Moreover, 70.3% of employees aged 65+ worked full time in 2023 (49.2% in the EU), with a slightly higher share of part-time workers among women in this age group (33.8% in Lithuania, 58.5% in the EU) (Eurostat, 2024c). The share of full-time work among workers aged 65+ in Lithuania increased by around 7 p.p. between 2013 and 2023 (ibid). Statistics reveal that the flexibility of the labour market itself is relatively low in Lithuania, with limited opportunities for part-time work upon reaching pensionable age. Labour Force Survey data indicate that employees in Lithuania have less flexibility to decide about their working time compared to the EU average, i.e. 78% of respondents in Lithuania indicate that the employer mainly decides on the working time organisations (59% EU average), with no big difference between younger and older workers (OECD, 2023). Only around 11% of pensioners aged up to 74

² Based on SSIF information (provided on request).

³ SHARE Survey, waves 8 and 9. Afraid that health limits ability to work before retirement.

years indicated that they reduced their working hours or changed their jobs within the first six months after receiving their statutory pensions (VDA, 2024).

The duration of working life was at 37.7 years in Lithuania in 2023, an increase from 34.1 years in Lithuania in 2013 and above the EU average of 36.9 years (Eurostat, 2024d). However, the increase can be attributed to the gradual extension of the statutory pensionable age since 2012 (Zitikyte, 2021; OECD, 2023) and the improved labour market situation, rather than changes in the flexibility of the pension design.

Factors which are positively associated with working upon reaching pensionable age in Lithuania include being a male, younger age, good health, higher qualification, higher acquired social contribution record, higher average wage before retirement, living in an urban area with higher employment opportunities and reaching pensionable age in better economic times (Zitikyte, 2020 & 2021). Moreover, being a professional or manager and working in the public sector increases the likelihood of employment in old age (ibid.). The negative factors are the opposite and include higher statutory old-age pension and a previous receipt of an unemployment benefit; the lowest employment rates in old age are among skilled agricultural, forestry and fisheries workers and unskilled workers (ibid.). Research also shows that retirees in Lithuania mostly earn lower wages (Aidukaite & Blaziene, 2021; Zitikyte, 2021). Furthermore, care-related responsibilities are an important factor, which have a greater negative impact on employment in older age in Lithuania within the general context of EU countries (Navicke & Straseviciute, 2023).

Based on a survey conducted in 2023 (VDA, 2024), 30.5% of people continued to work when they started receiving old-age pensions because it was financially necessary to work, 28.2% - because it was financially attractive to work, and around 29.2% of people of this age continued to work because they enjoyed working and being productive. Other reasons for continuing to work upon reaching pensionable age included social participation (5.4%), partners' employment status (0.8%) and other (5.9%). The survey shows that the main challenges for employment in old age are related to the reduction of negative financial factors and the promotion of positive voluntary motives to stay in the labour market (Navicke & Straseviciute, 2023).

Implications of flexible retirement for income inequality, fiscal sustainability and quality of life

The possibility to fully combine statutory pension and work has important distributional implications. As shown by Navicke & Straševičiūtė (2023), the probability of working in old age is U-shaped in Lithuania, i.e. it is higher among those with the lowest income, but also among those with the highest income, and is lower in the middle of the income distribution. At the lower part of the income distribution, the financial incentive to continue working in old age is strong due to low pension

benefits (Zitikytė, 2021; Navicke & Straševičiūtė, 2023; VDA, 2024). The at-risk-of-poverty (AROP) rate for older people (aged 65 and over) in Lithuania was 18.6 p.p. higher than the national average in 2022 (i.e. 39.5% for older people and 20.9% for the total population). It was higher than the EU average for older people by 22.2 p.p. As for the high-income group, work incentives are both financial and non-financial (ibid.), while there is no cap in the rules on combining statutory pensions with work-related income in Lithuania.

Another distributive impact of pension flexibility may be due to pension increases or decreases caused by pension deferment or early retirement. However, as already discussed, these two flexibility pathways are relatively rare in Lithuania. Based on a survey conducted in 2023, the majority (90.4%) of the population received their first state social insurance old-age pension without any reduction or increase; 8.4% of pensioners under the age of 74 received a reduced pension due to early retirement and only 1.2% of pensioners under the age of 74 received an increased pension due to their pension deferral (VDA, 2024).

Considering the features of retirement deferral, as well as early-retirement, pensions, their overall effect can be assumed to be fiscally neutral. In the first case, the increase in deferred pensions should be covered by the social insurance contributions paid during the period of deferment. In the second case, the cost of early-retirement pensions received before the pensionable age should be covered by reductions in the amount of statutory pension paid for the entire period after reaching pensionable age. Furthermore, as already mentioned, only a small fraction of pensioners receives increased statutory pensions due to deferment of pension benefits, and a somewhat higher share receive reduced pensions due to early retirement. There are no statistics available on the number of early retirees who paid high contributions in the past and whose statutory pension was not reduced as a result of the latest reform.

Additionally, there is a fiscal cost of recalculating pension benefits on an annual basis for the working pensioners. Although there are no estimates on the total fiscal costs associated with this type of pension flexibility known to the authors of this paper, the fiscal costs should be covered by the social insurance contributions paid by working pensioners, as well as by a reduction in the cost of the pension bonuses that have to be paid to working pensioners receiving low pensions.

With regards to the quality of life, analysis conducted by Aidukaite & Blaziene (2021) reveals that older employees in the Baltic countries, although actively participating in the labour market, face unfavourable material, physical and psychological situation in the labour market more frequently than their younger colleagues. There are more low-wage earners among older employees, they are more likely to face poor working conditions and their negative health effects, more often feel discriminated against at work, fear that they may lose their job in the near future

and have fewer opportunities and prospects at work (ibid.). All this has a negative impact on the overall wellbeing of older employees.

Moreover, according to a Eurobarometer survey in 2019, Lithuanians are more likely than the EU average to perceive age and disability as a discriminatory factor in recruitment; anecdotal evidence also points to persistent negative perception of employers regarding older workers (OECD, 2023). Consequently, older people in Lithuania are more likely to report experiencing age discrimination compared with the EU average (ibid.). One might question how Lithuania's relatively high employment rate among older individuals can coexist with employers' negative attitudes towards, and discrimination against, this demographic. These two phenomena are not mutually exclusive: while a significant proportion of individuals remain in employment beyond the statutory retirement age, those who lose their jobs at an older age often face considerable challenges in re-entering the labour market due to age-related discrimination.

Analysis by Kairys et al. (2021) suggests that the Lithuanian population has relatively low overall wellbeing compared with other EU countries in old age. People who remain in quality jobs in old age do not experience a decline in wellbeing, while poor working conditions are associated with lower wellbeing. Furthermore, analysis also shows how income and wellbeing in old age are inter-related: in the highest income group, only 2.1% of respondents fell into the low wellbeing group, while in the lowest income group, as many as 30.4% were in the low well-being group. This indicates that the possibility to increase one's income through work in old age may potentially increase wellbeing, especially in the low-income group.

Finally, analysis by Zitikyte (2020) shows that older workers are sick longer and have more severe, chronic, and age-related illnesses, which often becomes a major barrier to staying in the labour market longer. Health problems remain one of the main factors limiting the activity of older people in the labour market. As the population ages, it will be difficult to achieve higher employment rates for older people without improving their health.

Discussion

Flexible retirement pathways that allow people to choose when and how to retire – taking into account their health, working conditions, and personal preferences – are not just a nice idea. They are a vital tool for encouraging longer careers and can serve as an alternative or complement such politically sensitive reforms as raising the pensionable age. This is especially important for Lithuania, one of the fastest-ageing societies in the EU.

In Lithuania, the main institutional flexible retirement pathway extending working lives is the opportunity to fully combine work-related income and statutory pension benefits upon reaching pensionable age. Full statutory pensions are paid

to working pensioners with no cap on work-related income in pensionable age and no limits on duration or intensity of employment or self-employment. All pensions are not taxable, thus there is no net income reduction when combining pension and income from employment or self-employment. Additional contribution record exceeding the compulsory period is rewarded through an increase in the basic pension component, as well as by automatic recalculation of the earnings-related pension component on an annual basis.

At the same time, the option to defer statutory pension is unpopular. The share of deferred pensions in Lithuania is one of the lowest in the EU, despite a relatively generous increase in the amount of pension for each deferred year. By not deferring, individual secure a guaranteed income stream from old-age pension and can combine it with wage without restrictions and without incurring additional longevity risk.

The pathway for early retirement is also relatively little used in Lithuania, except for the periods of economic downturn. This is due to rather strict rules for early retirement, with no possibility to combine it with work neither in full, nor in part, as well as the reduction of the old-age pension upon reaching the pensionable age.

The possibility to combine old-age pension with work is among the factors for Lithuania to rank among the countries with the highest employment rates among people aged 65-74 years in the EU, but does not explain it. The employment rate of the 55-64 age group is also above the EU average, despite the share of Lithuanians aged 50 and over who wish to retire early being the highest in the EU. This points towards a strong financial incentive to continue working in old age due to low pension replacement rates and very high at-risk-of-poverty rates in old-age.

The observed gradual increase in the duration of the working life in Lithuania can be attributed to the increase in the statutory pensionable age, as well as the improved labour market situation, rather than changes in the flexibility of the pension design. In fact, the only reform during the last decade related to the flexibility of statutory pensions in Lithuania concerned the conditions of early retirement, which removed the reduction of the old-age pension for those who use early retirement pathway and have long contribution records. The latter was implemented in the context of ongoing increase of the pensionable age to 65 for both men and women. This indicates that other forms of pension flexibility may come to the political agenda as the pressure for raising the pensionable age beyond the 65-year mark or indexing it with life expectancy grows in the rapidly ageing Lithuanian society. These forms of flexibility include differentiated or flexible pensionable age, or partial pensions.

Despite the high employment rates in old age and longer working lives, many of the challenges remain. These include such structural factors as low labour market flexibility, age-related discrimination and unfavourable working conditions. Furthermore, health problems and care-related responsibilities remain among the main

barriers limiting participation of older people in the labour market. An important policy challenge for Lithuania lies in fostering later-life employment by mitigating negative financial, health- and care-related, as well as age-discrimination barriers, while promoting positive drivers including favourable working conditions, labour market adaptability and possibilities for choosing a variety of flexible retirement pathways. It is also important to enhance the awareness of the benefits that people can expect to receive under different scenarios concerning when and how they retire.

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