

EMPLOYABILITY AND PRODUCTIVITY AMONG OLDER WORKERS

Framework, Evidence and Policies

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Conference “Work Around Retirement Age in the Americas”

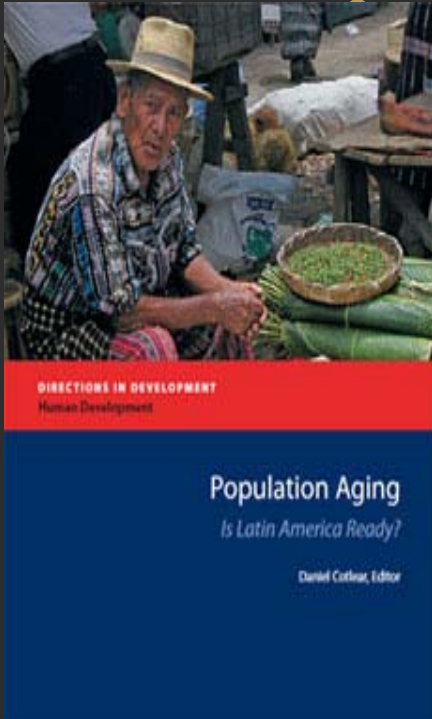
Mexico City
May 6th, 2011

Overview

1. Context
2. Why concerned about workers around retirement age?
3. Evidence from Mexico and Brazil.
4. Policy issues.

1. Context

Aging population: existing analytical and policy concerns



Aging dynamics in Latin America faster than in industrial countries.

Brazil will double its elderly pop. in 21 years, France did in 115 years.

Policy directions for education, health and pensions, well developed.

Pensions: \uparrow retirement age, \downarrow replacement rate

Health: NCD emphasis (focus on health care costs).

Education: ECD, ease school-to-work transition.

1. Context

Still, labor implications receive less attention

- ⦿ Labor market policy implications vary across regions:
 - Increase female participation (all regions).
 - Europe (*From Red to Grey*)
 - Transition economies, declining fertility context
 - Focus on wage and employment *flexibility*.
 - Western: young immigrants (loosen L^s)
 - Eastern: (Re)training older workers.

1. Context

LAC poses additional labor market challenges

- Latin America and the Caribbean:
 - Policies for the *informal* sector (microfinance?)
 - Labor regulations (formal sector).
 - Lifelong learning programs for 50- , 60-y.o .

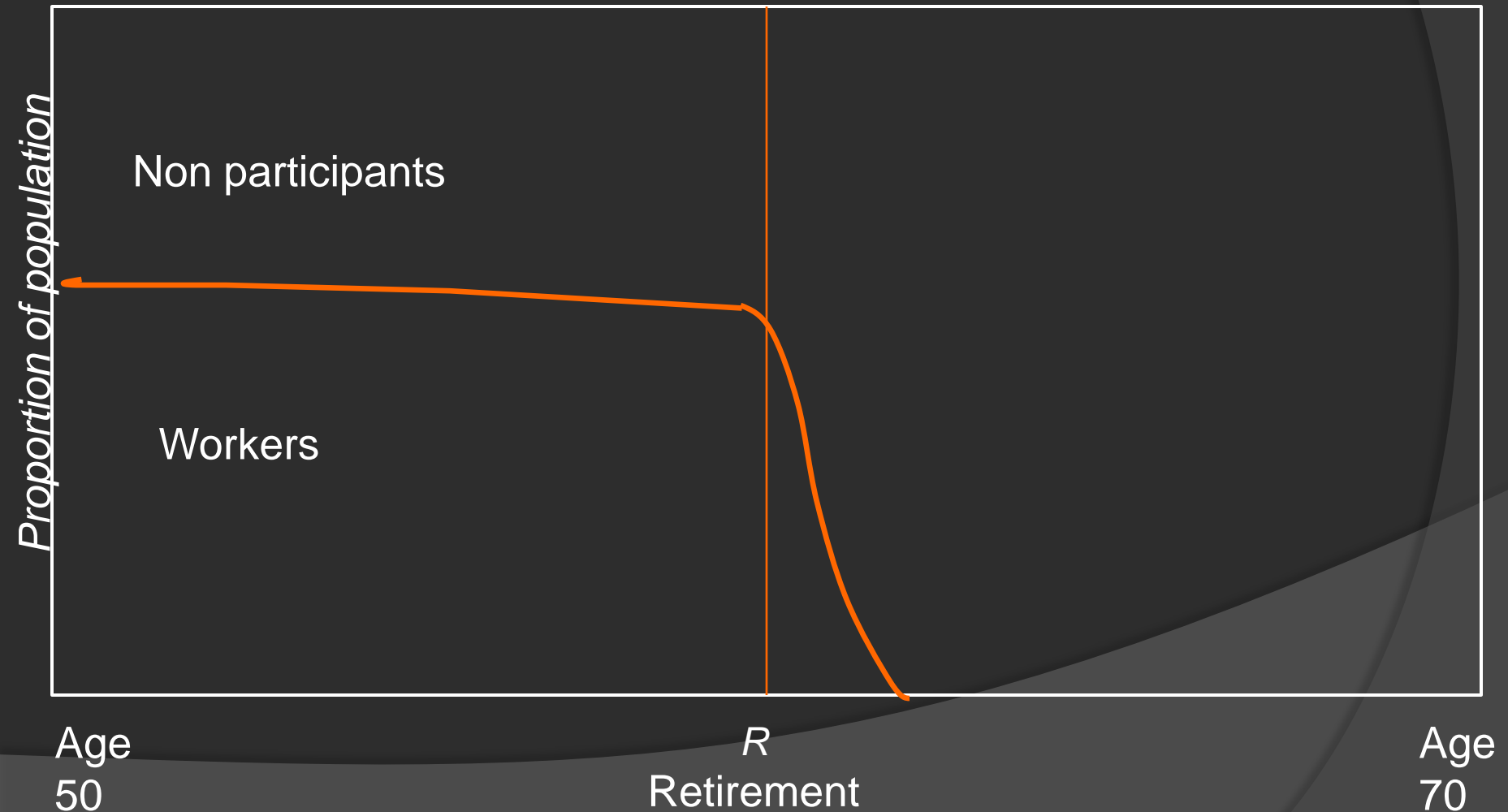
... but little is known about labor market features of older workers.

2. Why concerned about workers around (and beyond) retirement age?

- (Most) People do not retire in LAC.
- Older people continue working after retirement age, and...
 - ... labor incomes are key determinant of poverty among the elderly (Mex, Col. vs Bra);
 - ... type of employment (and occupation) matters;
 - ... other unaccounted factors are triggered in old age: health status, family demands, mobility.

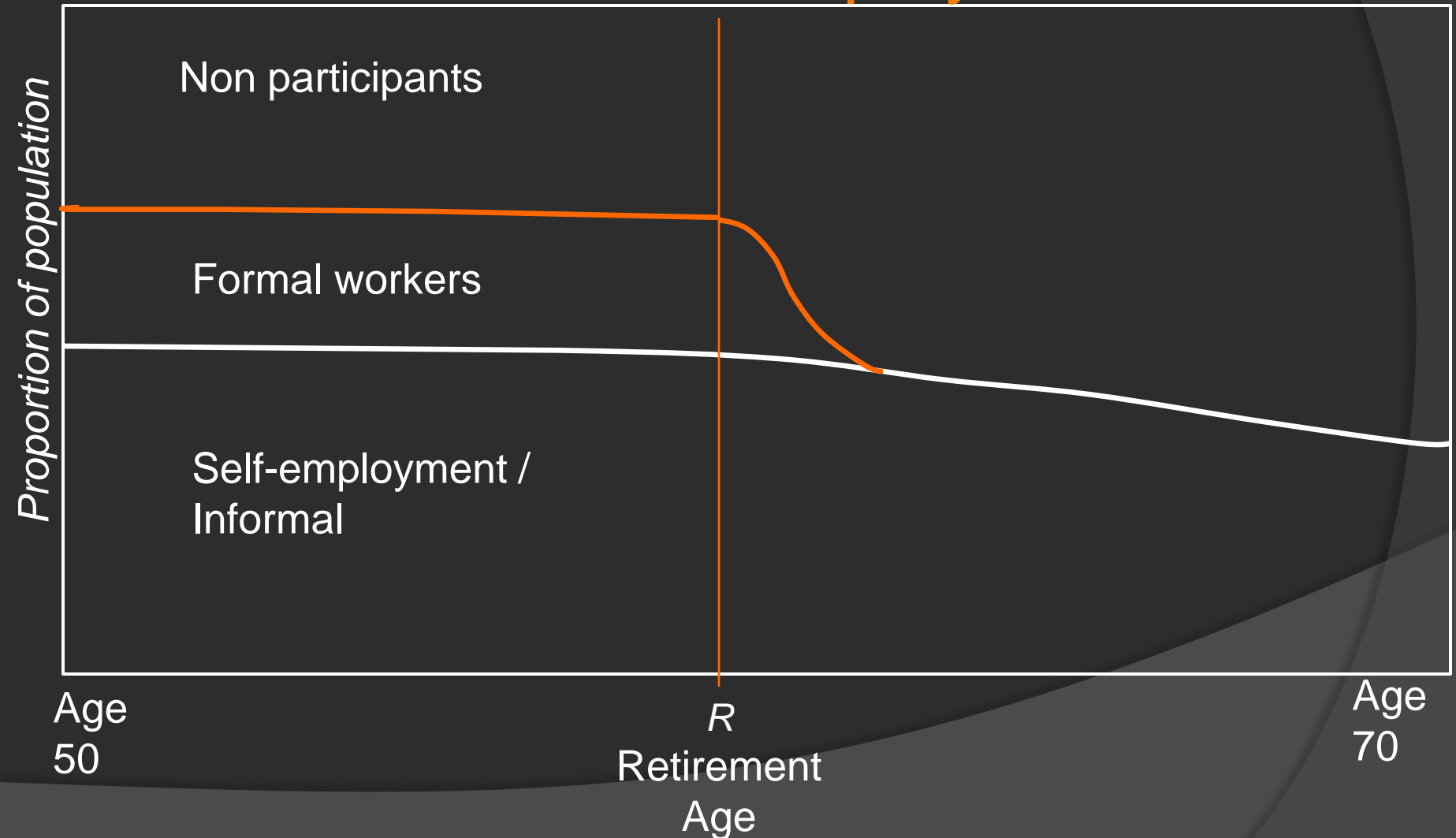
2. Why concerned?

Need a different framework: industrial country labor markets does not fit LAC



2. Why concerned?

LAC labor markets show higher informality and self-employment



2. Why concerned about workers around retirement age?

These issues motivate two objectives:

(1) Characterize labor market outcomes after age 50:

- Includes “older workers” (50-65) and “elderly workers” (65+).

(2) Need to provide **framework** to organize policy discussion of employability and productivity for older workers.

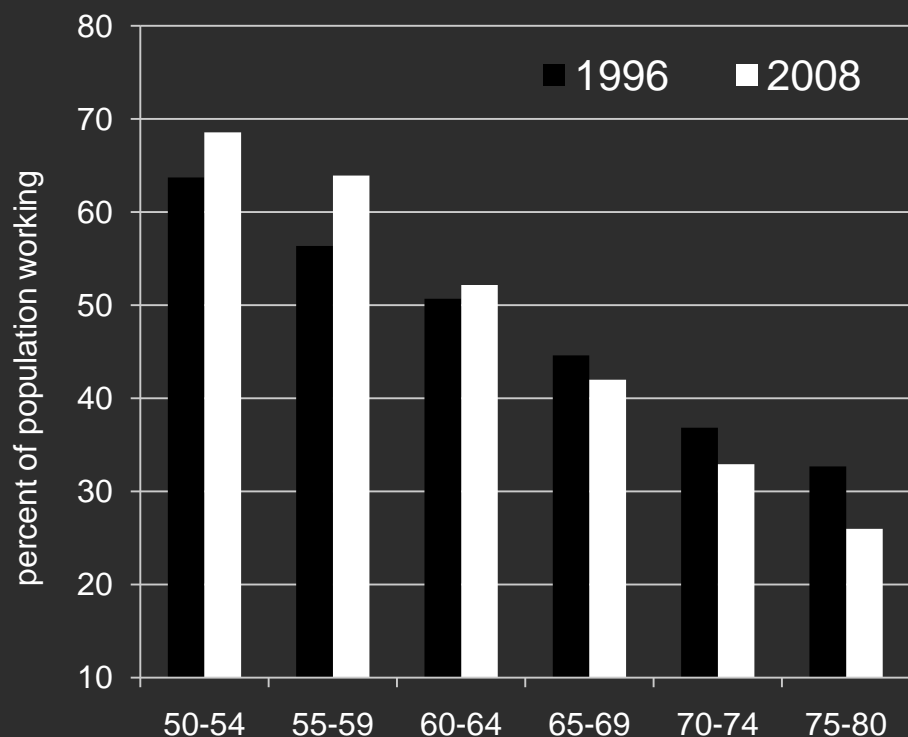
3. Evidence on labor markets for older workers: Mexico and Brazil

- Describe labor market outcomes:
 - Participation and type of employment
 - Hours worked
 - Productivity (wages)
 - Non market use of labor
- Evidence Brazil and Mexico
 - Distinct institutional responses: pensions, health insurance (SUS, and recently Seguro Popular).
 - Distinct impacts: poverty among the elderly in Mexico, higher than average (reverse in Brazil)

3. Evidence from Mexico and Brazil

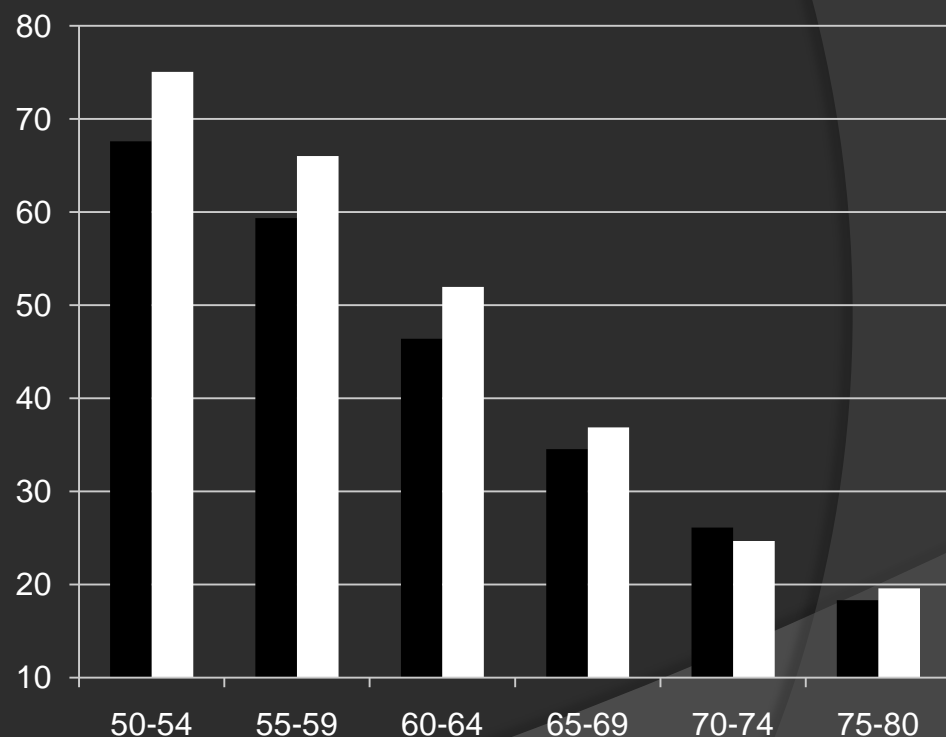
Increasing labor participation after age 50

Mexico



Source: ENIGH. Author's estimation.

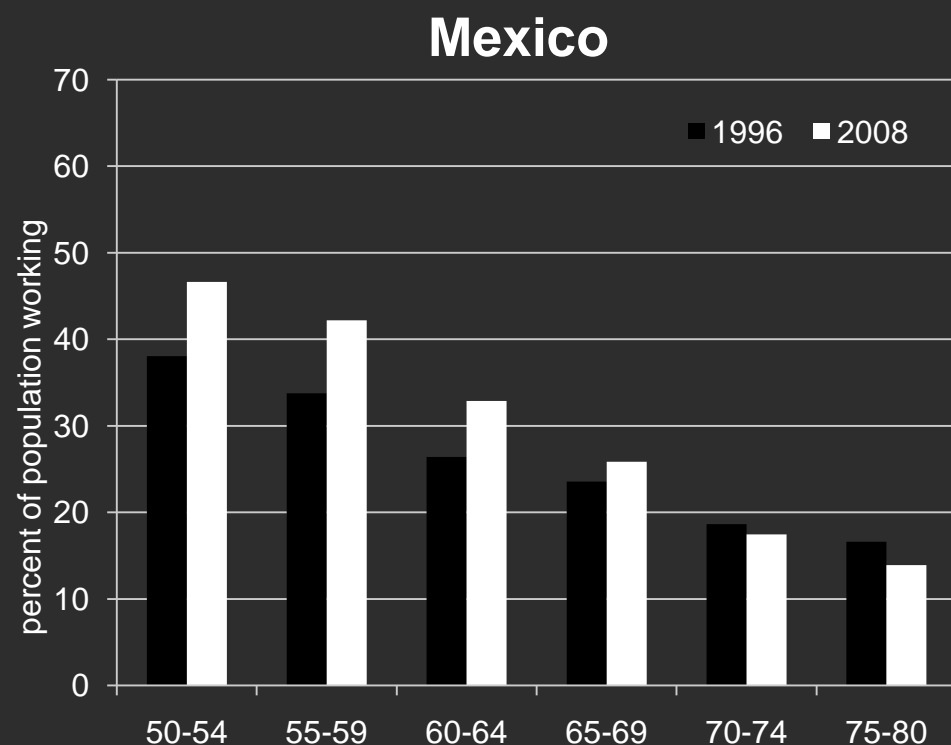
Brazil



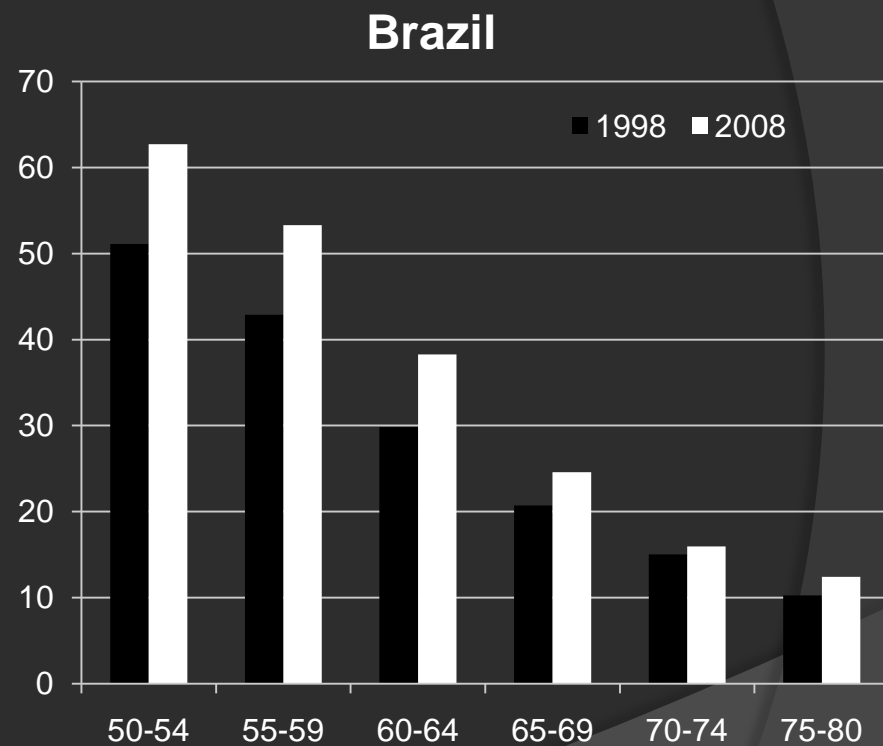
Source: PNAD. Author's estimation.

3. Evidence from Mexico and Brazil

...mainly by increases in *female* participation



Source: ENIGH. Author's estimation.

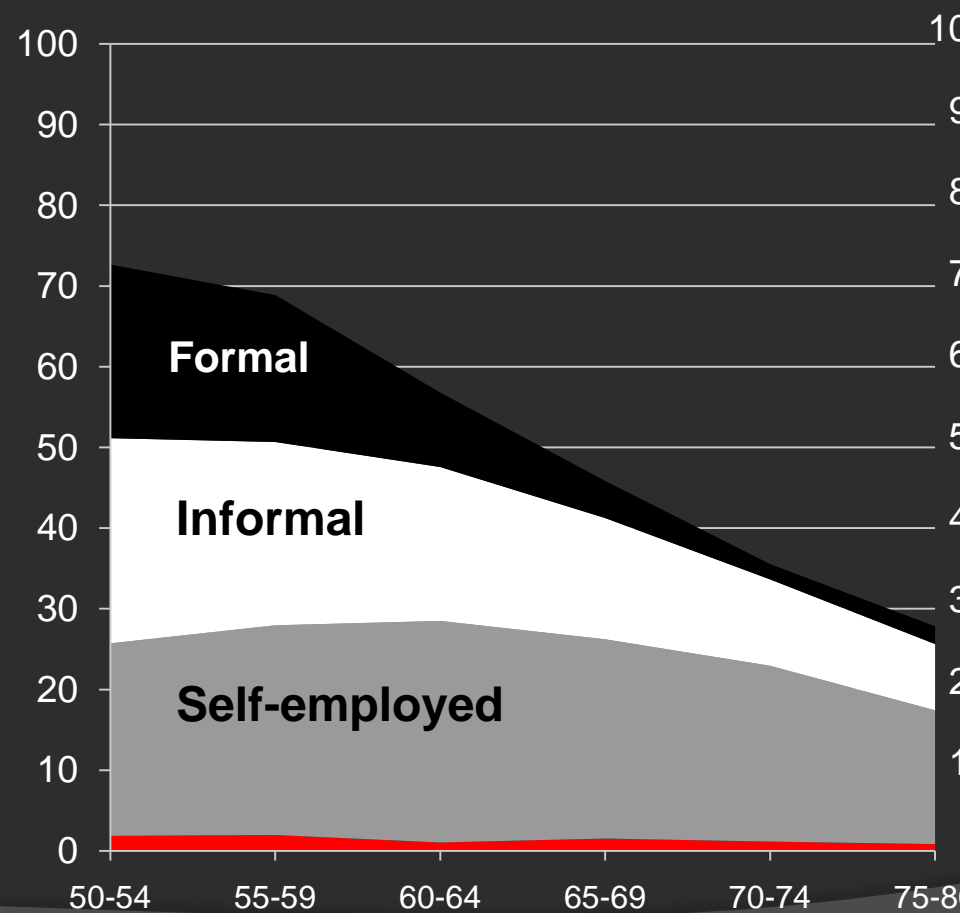


Source: PNAD. Author's estimation.

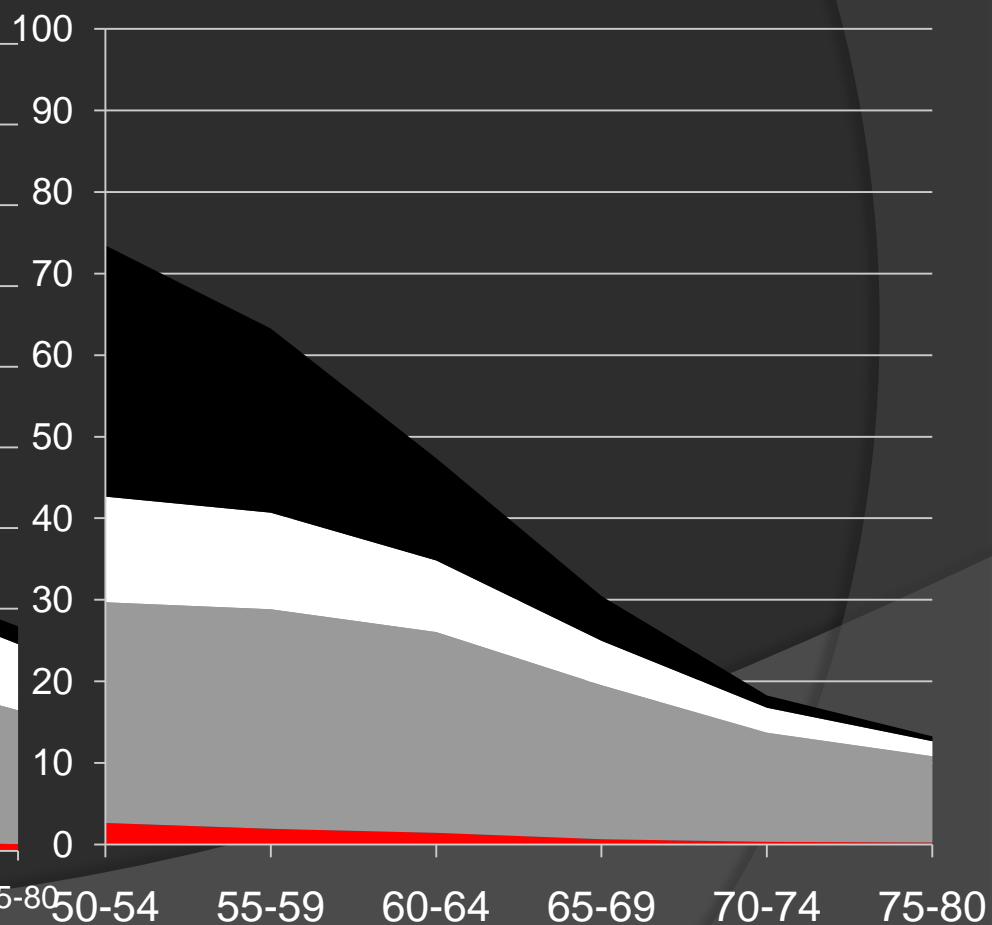
3. Evidence

- Participation levels reflect coverage of pensions.
- By age 60, two thirds are informal or self-employed.

Mexico



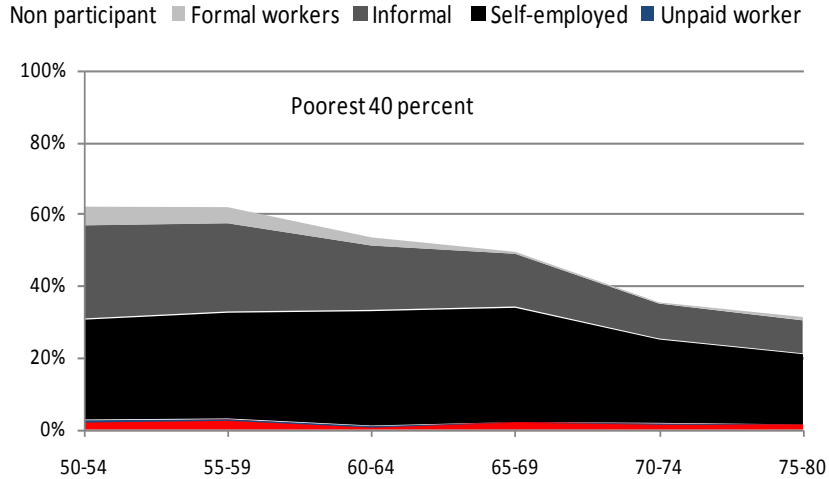
Brazil



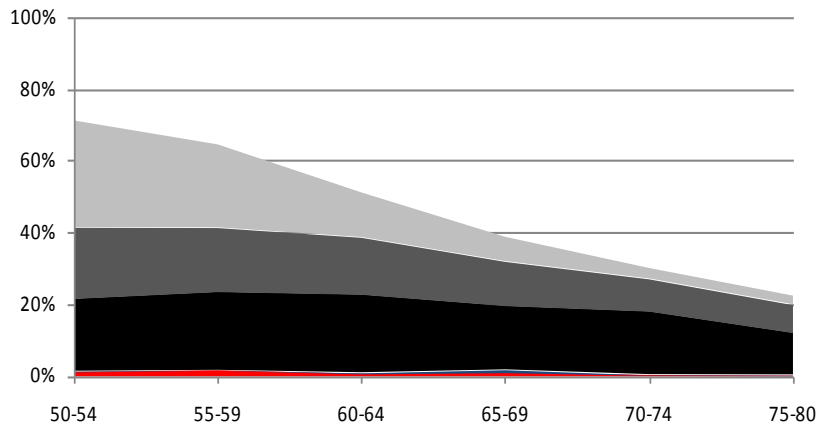
3. Evidence

Poorer older workers are self-employed or informal

Mexico: Employment during Aging Transition, by Income Level
(percent of population by labor status)

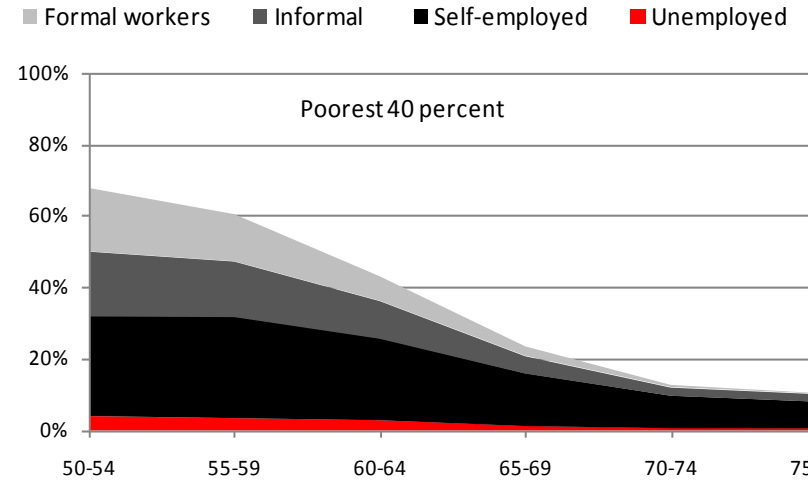


Richest 40 percent

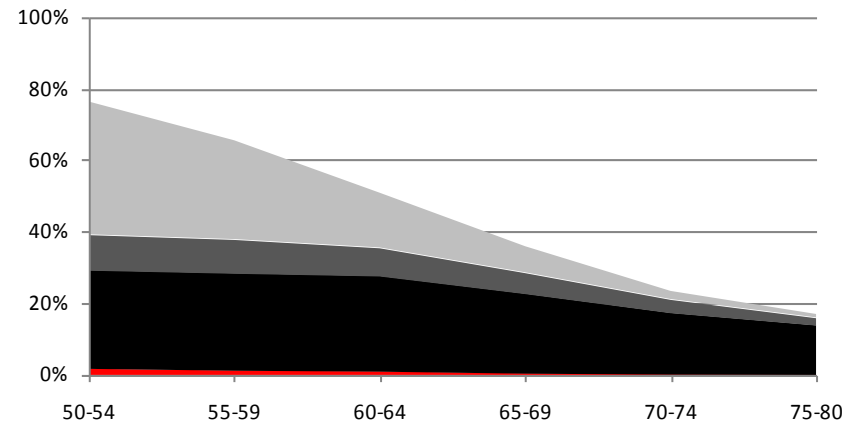


Source: ENIGH 2008.

Brazil: Employment during Aging Transition, by Income Level
(percent of population by labor status)



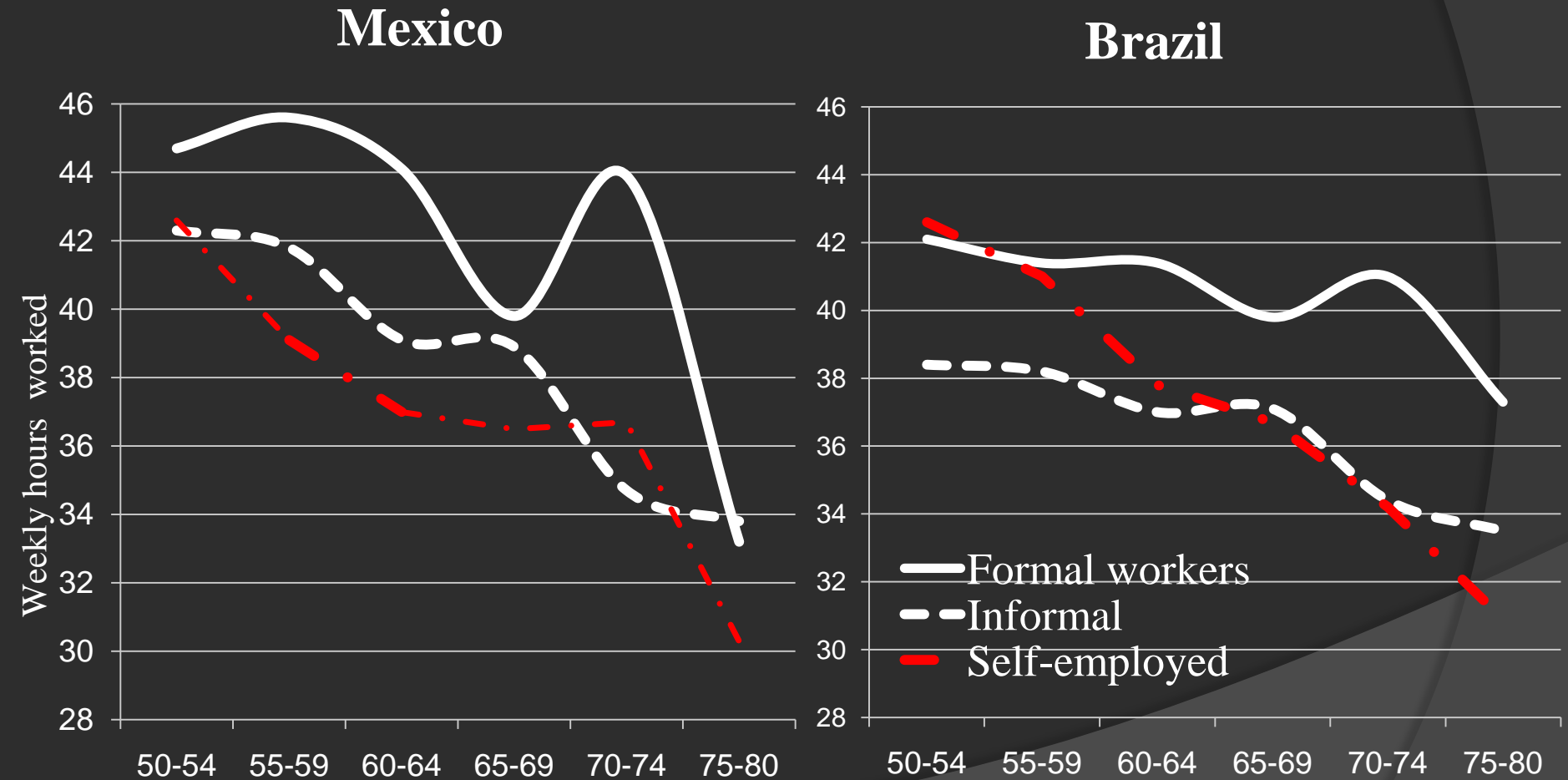
Richest 40 percent



Source: PNAD 2008.

3. Evidence: Weekly hours worked

Self-employed gradually adjust hours after 50; not the formal workers (LM regulations / rigidities).



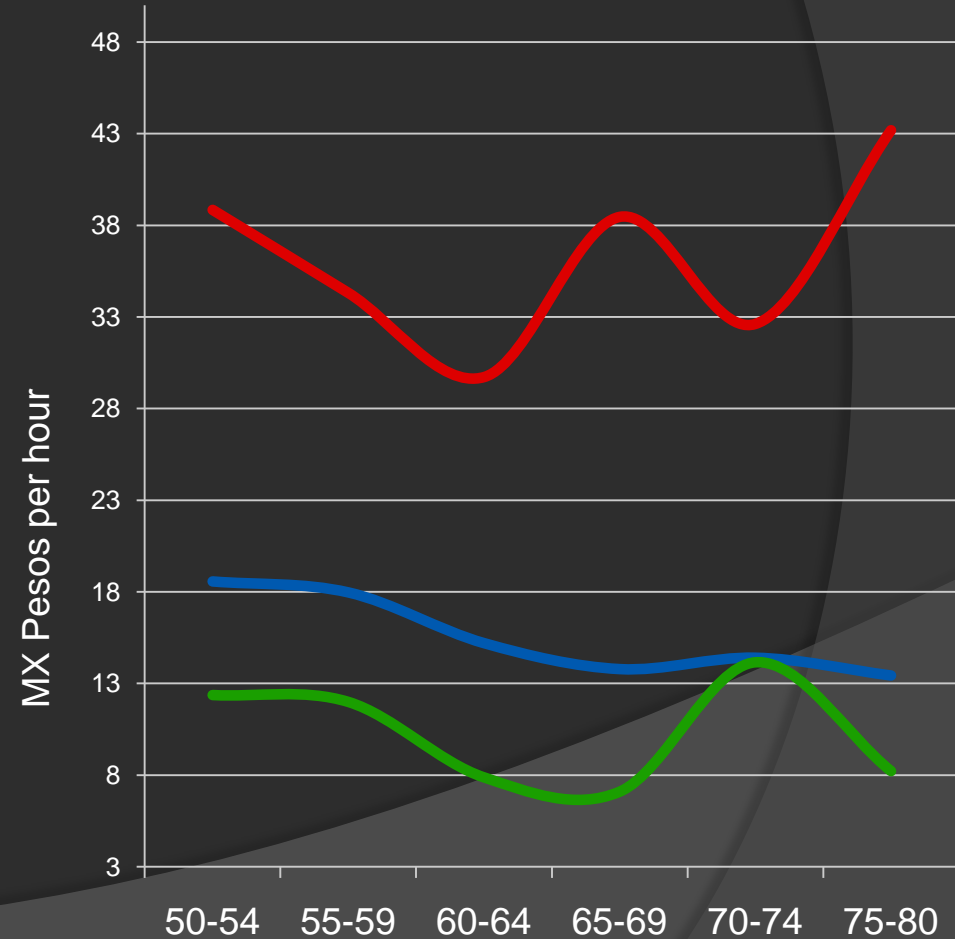
3. Evidence: Hourly earnings (productivity)

Hourly earnings are adjusted among self-employed and informal: productivity-wage linkages are closer.

Mexico

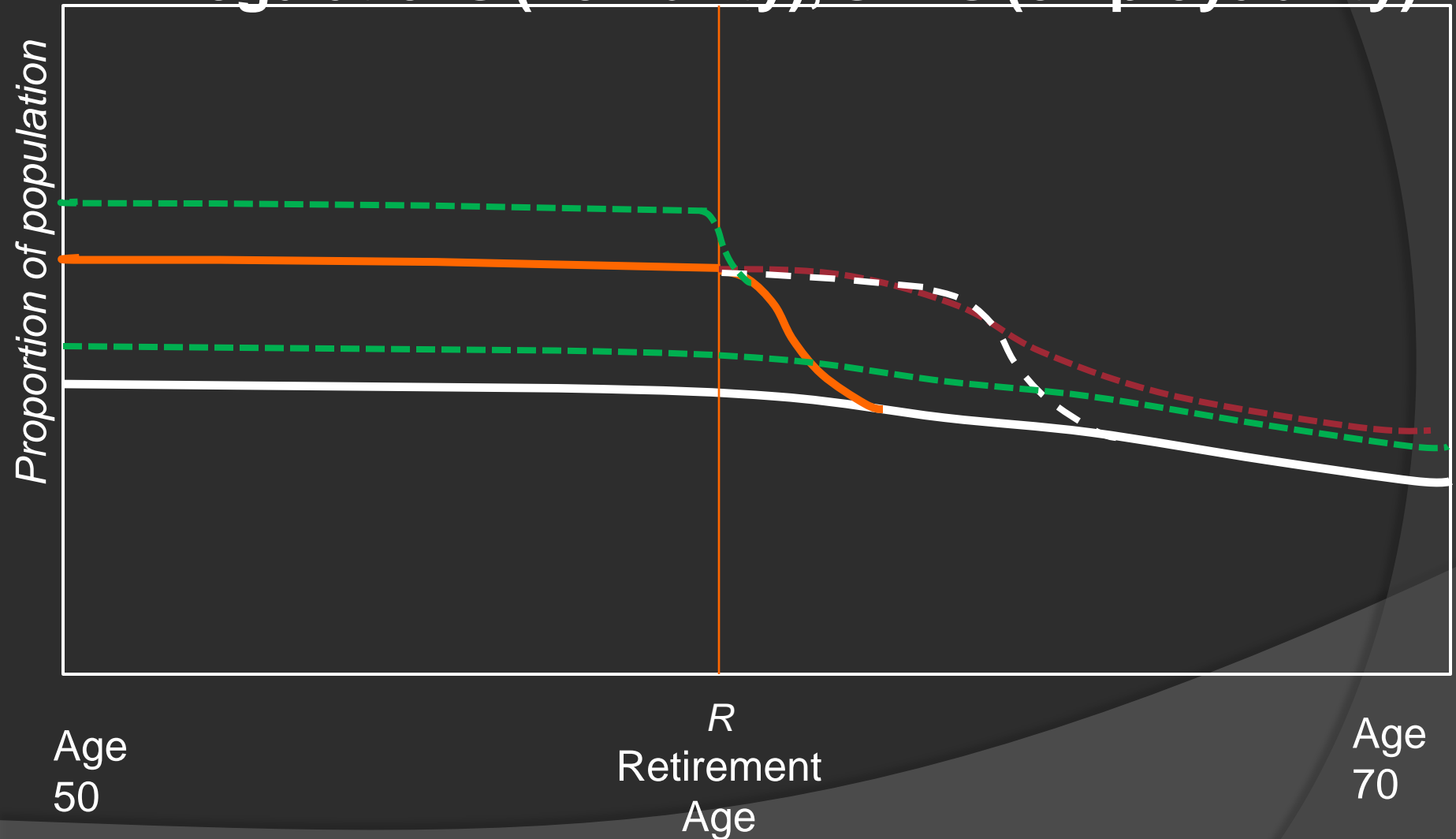


Brazil



4. Policy Issues

Three types of interventions: income (pensions), regulations (flexibility), skills (employability)



4. Policy Issues

A. Addressing **social security** incentives to extend working life or reduce informality.

- *Contributory pension reform directions are clear, but face political obstacles.*
- *Significant impact of social pensions on participation, labor supply and formality (Mex, Bra, SAR).*
- *Social pensions, however, have significant poverty reduction effects.*
- *Need to explicitly balance two objectives aimed at protecting consumption at old age: income transfers and employment protection.*

4. Policy Issues

B. Addressing **labor market *regulations*** to expand **flexible arrangements** to remain employed.

- *Adjusting hours and wages but remaining employed may entice workers for longer working life.*
- *Mainly affecting formal sector workers, but may affect likelihood “to be formal” as well.*
- *Needs assessment of LM regulation for this specific age group.*

4. Policy Issues

C. Strengthening **skills through *training* to maintain productivity and remain employed.**

- *Rationale for training may be weakened among older workers:*
 - *LAC still has high demand for physically demanding jobs (esp. rural), and education of the elderly (60+) is distant from that of younger cohorts.*
 - *Short horizon for returns from training.*
 - *Needs customized programs: take up among 50+ is low, needs to reckon preferences and constraints.*
- *Treat early on (OJT), unemployment duration is short.*
- *Evaluations are scarce.*

4. Policy issues

- Health status, family arrangements and income transfers may offer (together) a stronger policy mix to improve wellbeing (and employment)
- *Need to examine interactions of social pensions and other household transfers (CCTs):*
 - *In Brazil- 70 percent of households eligible for CCT (poor, with children), also have a member of 65 years or older (eligible for social pension).*
- *Coverage by health insurance does have an impact on labor market (retirement) behavior (US evidence).*
- *Assuming clarity on policy objectives (income protection vs. employment), policy articulation is the challenge ahead.*