Working after retirement in Brazil: an analysis of the workers' characteristics and the labor market rigidities

SHORT ABSTRACT:

As national populations age, increasing pressure on public pension programs, a central policy recommendation for many years have been to raise labour force participation among older individuals, thereby mitigating at least some of the effects of population aging on public expenditures. However, despite political intentions, life expectancy increases in many ageing economies has in recent decades been accompanied by a decline in the labor force participation of older workers. Recent pension reforms in developing countries, including Brazil, aim to increase labor supply of the elderly. In this sense, this paper analyzes the demand for work and labor supply, and return to work after retirement, for the elderly in Brazil. We aim to investigate the existence of (higher) labor market discrimination against the elderly in Brazil taking into account characteristics such as age, sex and race/skin color. In the current scenario of rapid population aging and with an urgent need to adapt the social security system rules to this new reality, it becomes fundamental to know, on the one hand, who are the elderly searching for a job position and, on the other hand, the barriers that they eventually find to be hired in the labor market.

EXTENDED ABSTRACT:

Population ageing combined with early retirement is causing strain to social security systems in different parts of the world (Bongaarts, 2004), and legislation proposals intended to raise sustainability of social security systems in the wake of demographic change have taken center stage in public policy debates in recent years (Wise, 2004; Bloom & McKinnon, 2010). Increasing older adults' labour force participation is central in determining the magnitude of the costs related to ageing (Clark et al, 1999). Studies have revealed a great deal about labour force behaviour and drivers of retirement patterns in developed countries (Costa, 1998; Wise, 2004, Bloom et al. 2009), however, relatively little is known about retirement and ageing in emerging economies, such as in Latin America (Cotlear, 2010; Finlay and Fink, 2011).

Brazil is one example of an important context for elaborating linkages between
population ageing, public pension systems and labor force participation of older individuals (Queiroz, 2007). The rapid ageing population presents one of the greatest public policy challenges in Brazil. At the same time, the length of working life has fallen over time, which results from both increases in educational attainment (younger workers) and changes in retirement behaviour (older workers). The fall in economic participation for older workers (65 and older) is striking: according to Brazilian Demographic Censuses, 22 per cent of them were in the labour force in 2010 compared to 60 per cent in 1970. In 2005, social security benefits and other forms of support for the elderly represented about 14 per cent of GDP (Ansileiro and Paiva, 2008) and are expected to be the fastest growing component of public spending (Soares, 2010).

In recent years there has been an increasing number of older people who are returning to the labor market after retiring in both developed and developing countries. In Brazil, around 4.5 million of those aged 60 and above are working; this is almost 22% of this population.

This paper focus on three objectives:

1. What are the characteristics of the elderly in the labor force after retirement age?
2. What are the characteristics and determinants of the elderly who re-enter the labor force after retirement?
3. Study age discrimination looking at length of time to find a job after retirement, wage and occupational differences and type of job.

We will analyse data from the Brazilian Monthly Employment Survey (Pesquisa Mensal de Emprego – PME) for six Brazilian Metropolitan Regions in the period between years 2002-2016. These regions are home to a sizable number of people in Brazil as their economically active population were estimated at 24.6 million people in 2016. PME data collection is done using a rotation panel scheme very similar to the United States Current Population Survey (CPS). Each household participates in the survey for four consecutive months, does not participate for eight months and then joins the survey again for additional four consecutive months. The structure implies that from month to month 75% of households stay in the sample and for every pair of years, in the same month, the sample is the same.
Studying the Brazilian elderly movement back to the labor market in recent years is especially important as it provides empirical results in a time of intense debate over changes in the Brazilian system and of an important economic crisis which led to (among other consequences) a extremely high unemployment rate in the country (with 14% of the population being unemployed in 2017 according to PME data).

Some researchers, policy makers, and civil society argue that the elderly may not have good health to work. However, some researchers have already found empirical evidences that this argument does not seem to be valid as their results indicate a potential to raise retirement ages for an extended period (Queiroz, De Souza and Skirbekk, 2017).

In this context, if on one hand, the recent searching for a place in the labor market by the elderly may be being driven by a reduction in the purchase power of Brazilian families, on the other hand, this behavior may be indicating that they are retiring at an age that, on average, they can still be economically productive. Besides, some studies have also suggested that working may be good for the elder's well-being, with important consequences for their physical functioning and mental health (Gallo et al., 2000), which can in turn to contribute at reducing public health expenditures.

In the current scenario of rapid population aging and with an urgent need to adapt the social security system rules to this new reality, it becomes fundamental to know, on the one hand, who are the elderly searching for a job position and, on the other hand, the barriers that they eventually find to be hired in the labor market.

References


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