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Trends and Characteristics of Labor Force Participation among Older Persons in Developing Asia and their Retirement Decisions

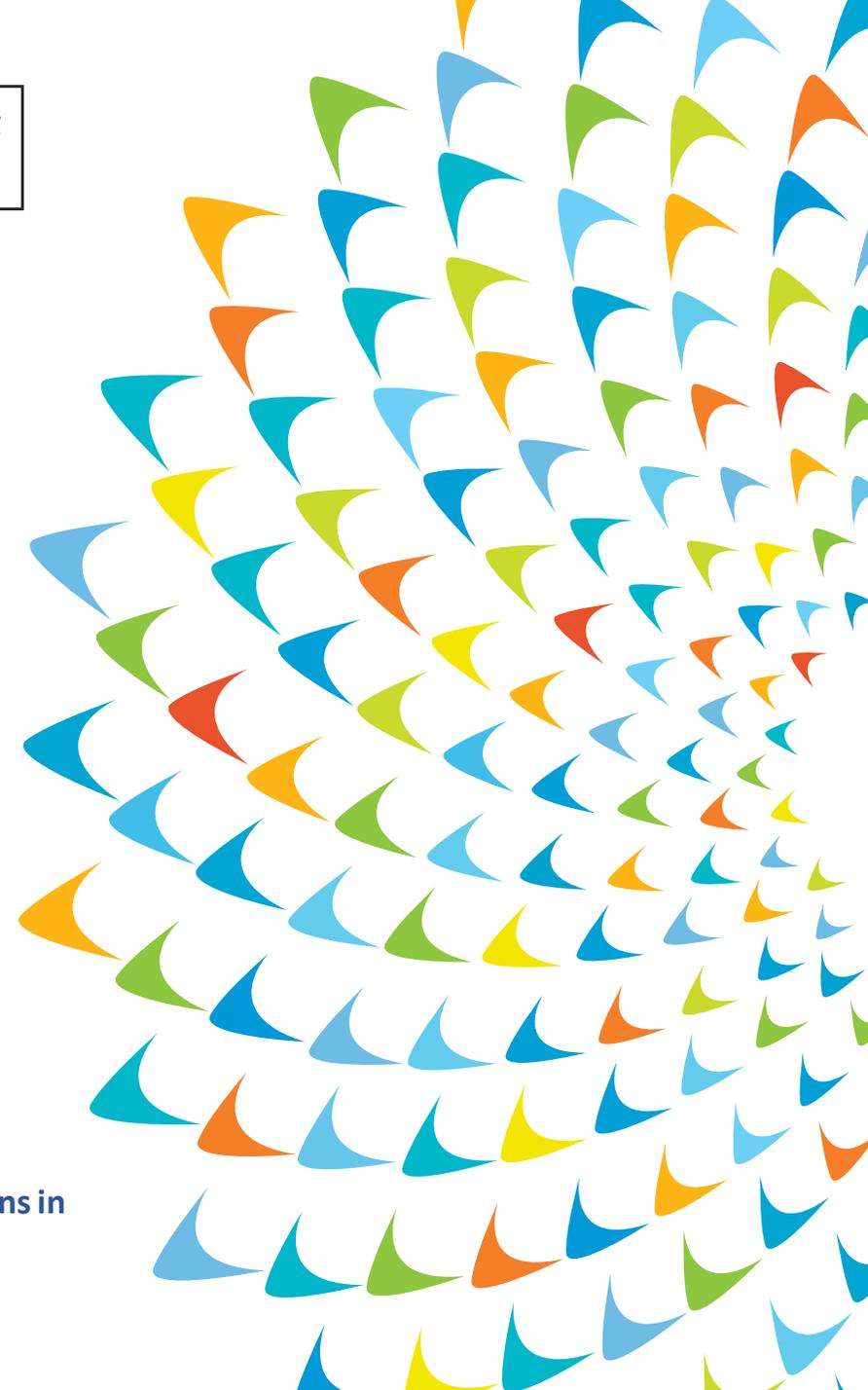
Literature Review and Cross-Country Assessment

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ADB-ADBI-JICA Ogata RI Regional Conference on Health and Socioeconomic Well-Being of Older Persons in Developing Asia: Role of Individual and Household Data

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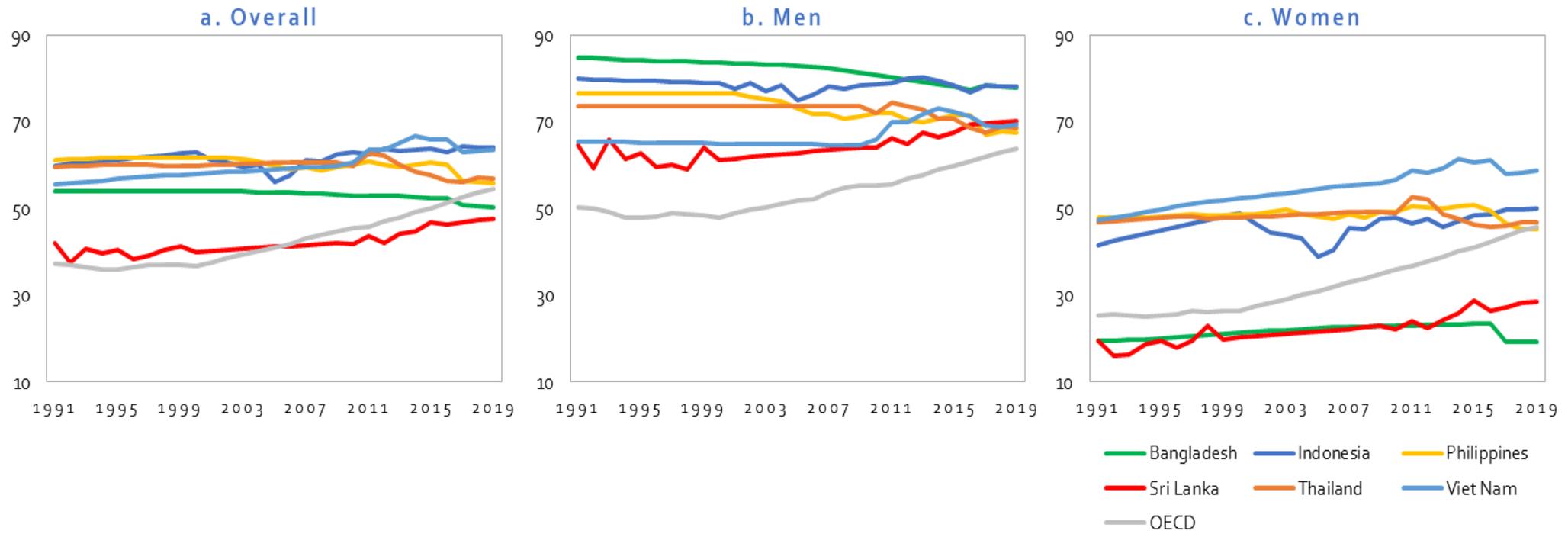
Motivation: Key Objectives and Methodology

- Identify key factors that shift the labor force participation (LFP) rate of older persons and, more specifically, their retirement decisions based on review of relevant literature.
- Examine the patterns of LFP of older persons in developing Asia using labor force survey microdata of selected countries in the region.
- Draw policy implications for the region and shape future research agenda on this relevant topic.



Overall LFP rates remain high and stable; deviating trends by gender apparent.

Figure 1. Labor Force Participation Rate of Persons Age Between 60 and 64 in Select Countries Developing Asia and OECD Average, 1991–2019



Sources: Authors' compilation using data on labor force participation rates by age from the ILOstat database for Asian countries and OECD Stat for the OECD average.



Empirical evidence identify these key drivers of patterns of LFP and retirement decisions among older persons.

- Social security and pension reforms
- Rise in years of education
- Better health and extended longevity
- Change in household structure and duties
- Technological changes and adoption



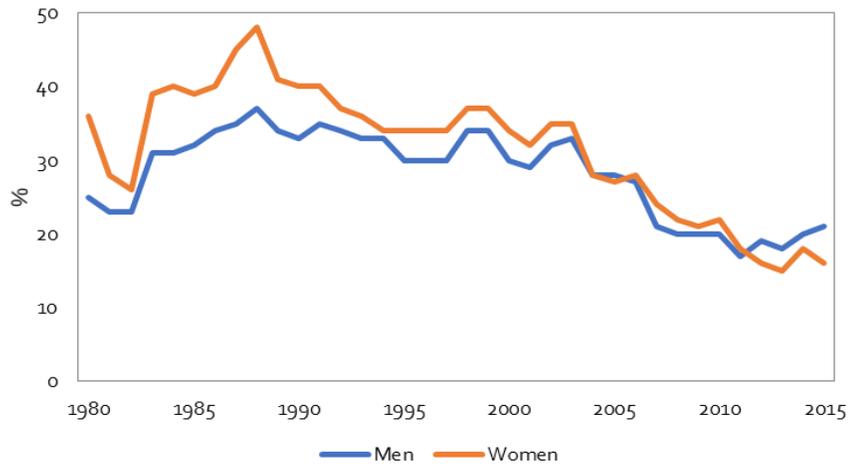


Social security and pensions

Availability and depth of pension program and related reforms explain much of trend in LFP rate and employment of older workers in OECD member countries

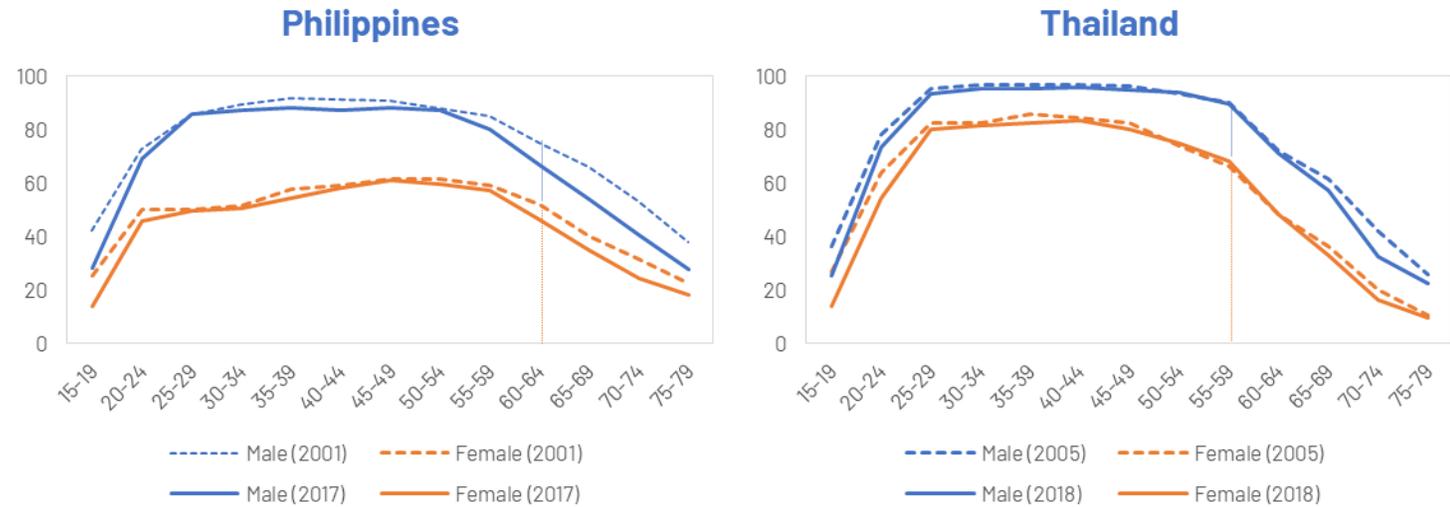
For developing Asian countries, labor market exit does not seem so apparent even as one approaches statutory retirement age. Limited coverage and retirement benefits give plausible explanation.

Figure 2. Average Implicit Tax on Working Longer at Age 62 in Selected OECD Countries, 1980-2015



Note: Unweighted average on implicit tax on working longer of Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Spain, Sweden, United Kingdom, and United States.
Source: Börsch-Supan and Coile (2020)

Figure 3. Labor Force Participation Rates by Age and Sex in the Philippines and Thailand Across Years



Note: Dotted lines refer to respective country's statutory retirement age by sex.
Source: Authors' illustration using data from respective country labor force surveys.



Health and Longevity

Blundell et al (2017), Furunes et al (2015), Fassbender et al (2015), Munnell (2015)
 Expected deterioration of physical health and cognitive function affect likelihood of older workers to remain working while sustaining productivity.

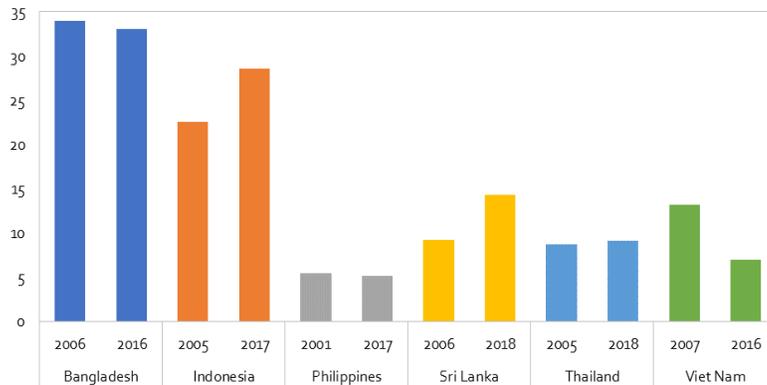
Coile, Milligan, and Wise (2017)
 Improved health status in selected OECD countries extends working life among men of ages 55–69 by an average of 5.5 years.

Kalemli-Ozcan and Weil (2010)
 Lower mortality (i.e., lower the risk of dying) is more likely to encourage individuals to plan and save for retirement.

Ill health forcing individuals in their 60s to exit from labor market temporarily or permanently.

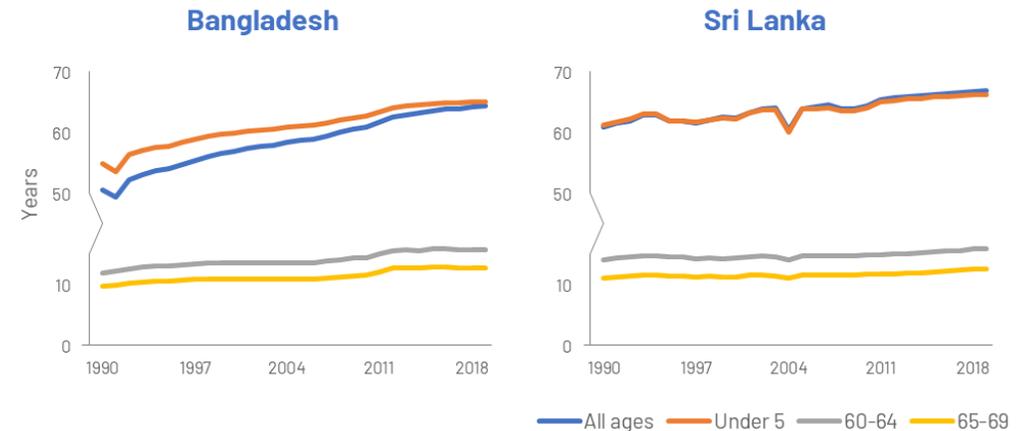
Much of improvement in life expectancy comes from under-5 population while adult mortality and morbidity now rising with increasing incidences of non-communicable diseases.

Figure 4. Illness/Injury as Major Reason for Not Participating in the Labor Market, % of all individuals in their 60s not in the labor force



Source: Authors' illustration using data from respective country labor force surveys.

Figure 5. Healthy Life Expectancy (No. of Years) of Different Age Group in Developing Asian Countries, 1990-2019



Source: Authors' illustration using data on healthy life expectancy by age from The Global Burden of Disease Study database.



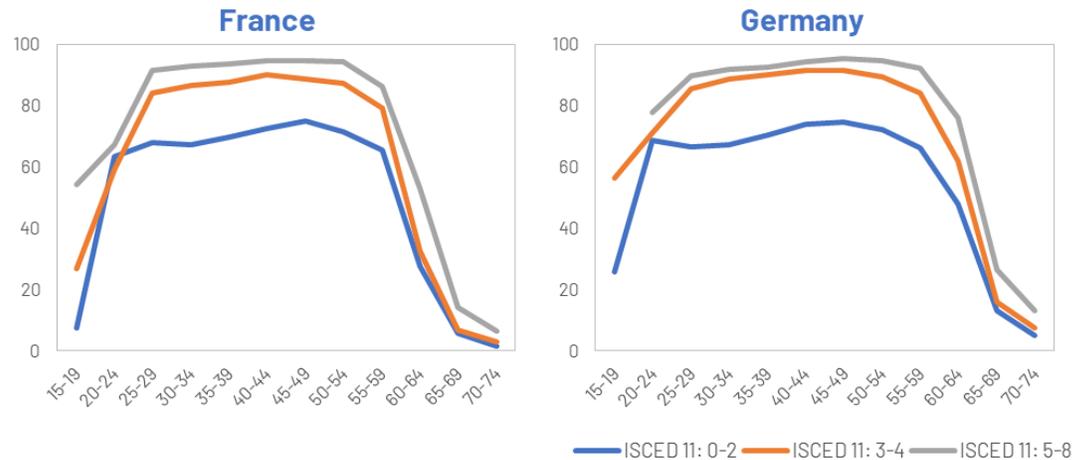
Education

Older workers with limited education generally drop out of labor force earlier than more educated ones.

Involved in more physically demanding jobs (Johnson, Karamcheva, and Southgate 2017) and more adverse working conditions (Potočnik, Tordera, and Peiró 2009)

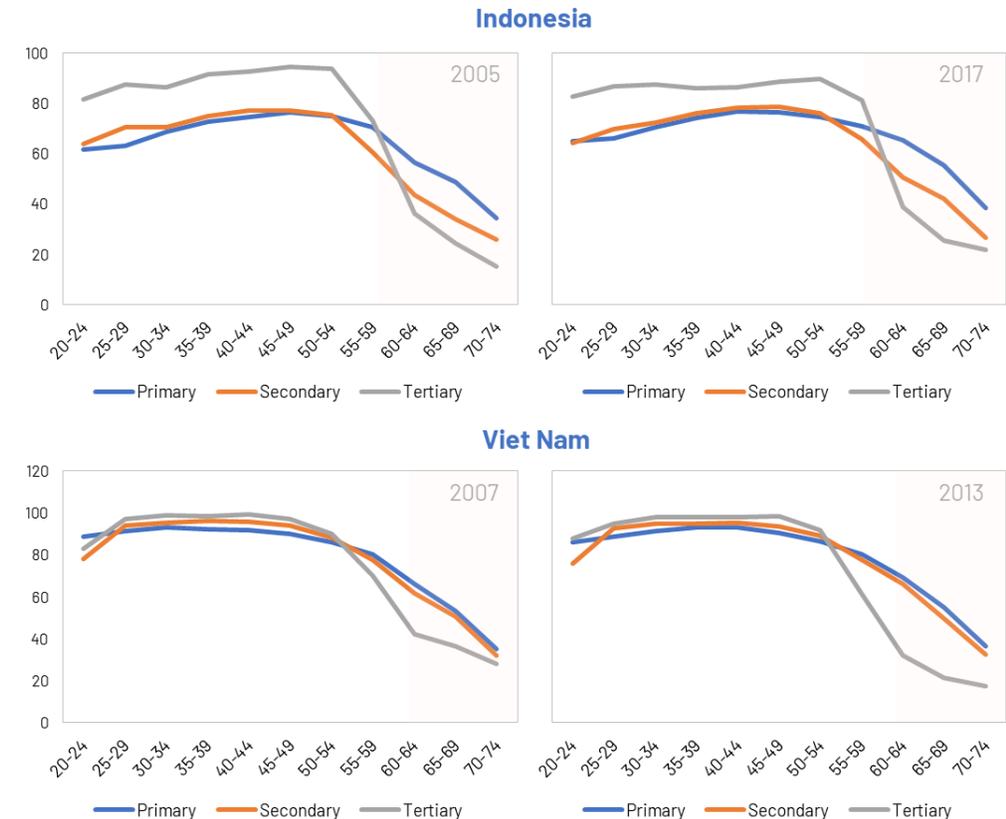
In developing Asia, participation rates of older age groups negatively correlates with education years.

Figure 6. Labor Force Participation Rates by Age Group and Educational Attainment in selected EU countries, 2019



ISCED = International Standard Classification of Education
Source: Authors' illustration using data on activity rates by age from Eurostat database.

Figure 7. Labor Force Participation Rates in Developing Asian countries, by Age Group and Educational Attainment



Note: Shaded area refers to the age groups beyond the statutory retirement age.
Source: Authors' illustration using data from respective country labor force surveys.



Household structure and duties

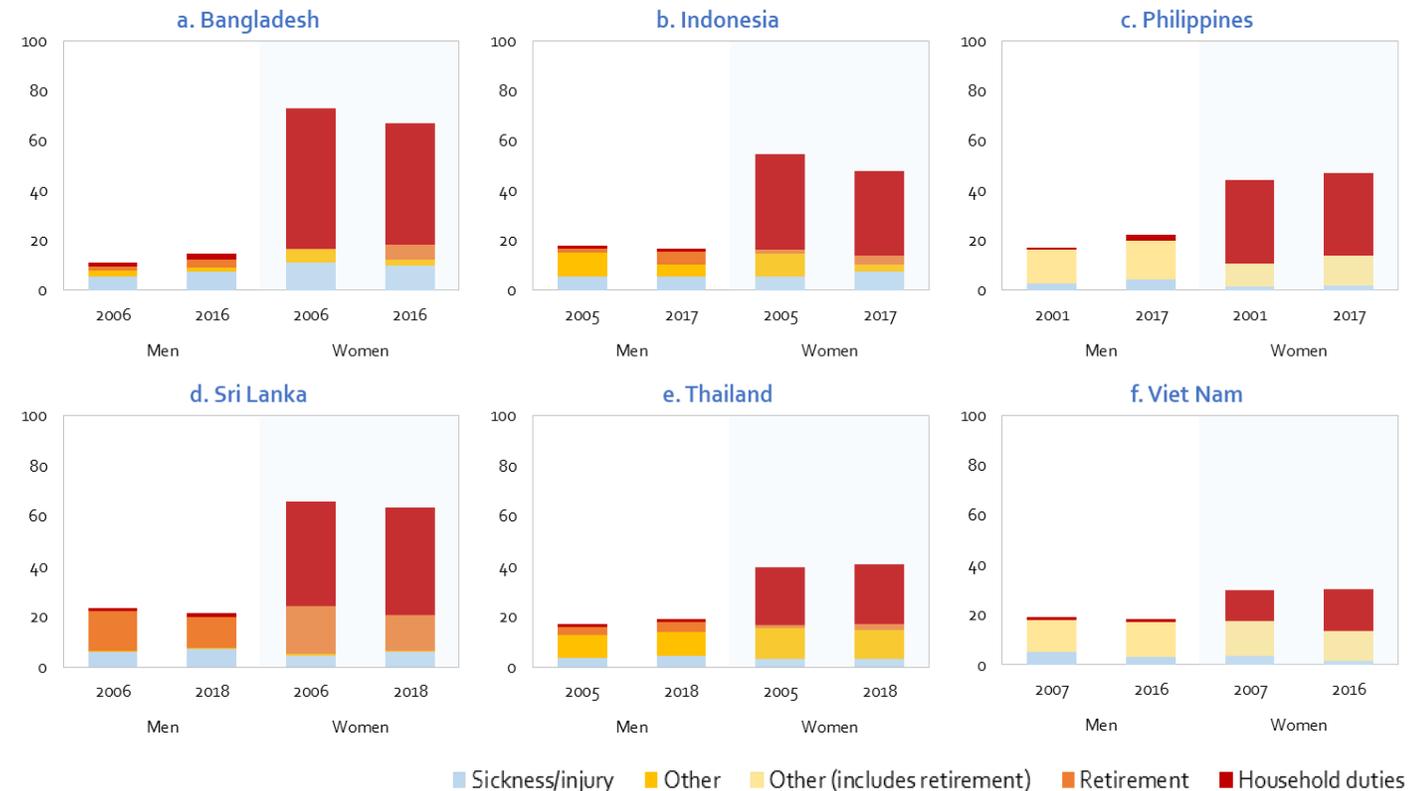
Reduction in burden of household work and informal care over the decades has lifted labor market participation among women, including the older ones.

Female employment rises when time-cost of unpaid care work is reduced, shared equally with men, and made more compatible with involvement in formal work (Ortiz-Ospina and Tzvetkova 2017).

Across EU, time spent by women ages 45–64 as well as those aged 65 and above on household and family care has witnessed continuous decline from 2000 to 2010.

In developing Asia, household duties compete with labor participation among women including older ones.

Figure 8. Major Reasons Cited by Persons Aged 50-69 for Not Participating in the Labor Market by Sex, % of total population



Source: Authors' illustration using data from respective country labor force surveys.



Technological changes and skills obsolescence

Lewandowski et al (2017)

In 12 EU countries, they observed that shift away from routine work and toward nonroutine work occurred much faster among workers born between 1970 and 1989 than among those born between 1950 and 1969.

Friedberg (2003)

In the US, individuals aged 50–62 who use computers at work generally choose to delay retirement.

In developing Asia, older workers occupy more **routine and manual jobs** in the agriculture sector and elementary occupations, more at risk from labor-substituting technologies.

Figure 9. Employment Distribution by Age and Sector, %

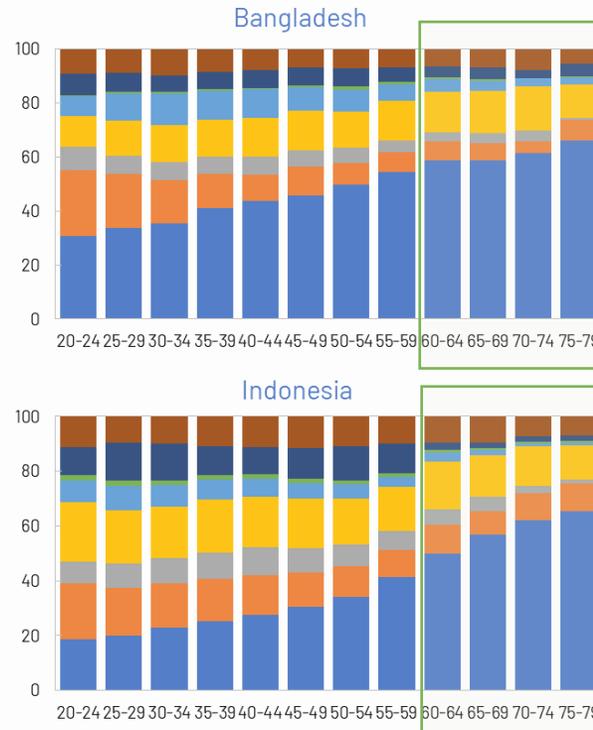
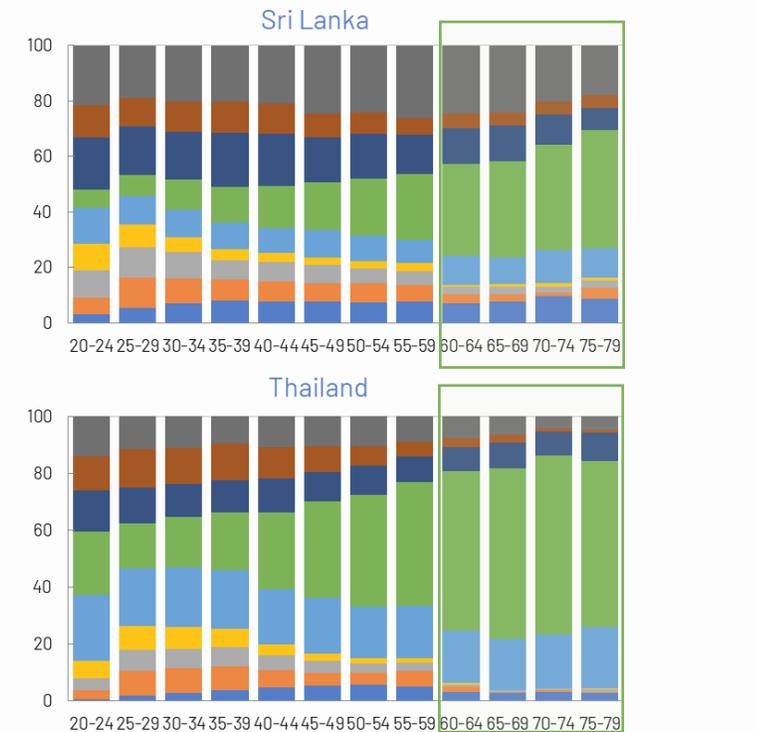


Figure 10. Employment Distribution by Age and Occupation, %



- Agriculture, forestry and fishing
- Wholesale and retail trade
- Public service sectors
- Manufacturing
- Transportation, IT, and finance
- Other services
- Other industries
- Real estate and other business activities

- Managers
- Clerical Support Workers
- Craft and Related Trades Workers
- Professionals
- Services and Sales Workers
- Plant and Machine Operators, and Assemblers
- Technicians and Associate Professionals
- Skilled Agricultural, Forestry and Fishery Workers
- Elementary Occupations

Source: Authors' illustration using data from respective country labor force surveys.



Conclusion and Policy Implications

Review Highlights

- LFP of older person in developing Asia is high – an opportunity to incentivize continuation of work.
- Some of identified key drivers of LFP trend of older persons in advanced economies are equally relevant in developing Asia, with others posing divergent impacts.

Areas of Policy Considerations

Pension and Social Security

- Limited influence in LFP so far.
- Future pension reforms should expand coverage, considering implications to work and retirement incentives.

Education and skills

- Highly educated older workers are exiting labor markets at early stage.
- Address barriers to stay in labor market such as the seniority-based HR practices.

Health issues

- Health status of older persons have not improved with others reporting some degree of deterioration.
- Improve access to quality healthcare with more focus on prevention of non-communicable diseases.

Women empowerment

- Alleviate burden of household duties among women including informal care work.

Age-friendly policies and environment



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