

Working at Older Ages and Social Insurance in Middle Income Countries

Aging and Longevity Seminar Discussion

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Working Longer, for Some

- The length of working life depends on many factors, labor supply (health, preferences and wealth, care responsibilities), labor demand (mainly firm behavior), and institutions
- Middle income countries with rapid population aging, often face two opposing tensions:
 - A need to lengthen working lives for higher skill, formal sector workers
 - Improved social protection at older ages for informal sector workers, often in rural areas

A China Example*

- “Mandatory retirement” age for workers covered under the urban employee pension (civil servants and formal sector)
 - 60 for men
 - 50 for blue-collar women and 55 for white-collar women
 - Provisions for early retirement
- “Residents” pensions introduced starting in 2011
 - Rural, non-contributory component, option to contribute
 - Urban informal, residents’ pension
 - Later unified, but remaining differences between urban and rural components

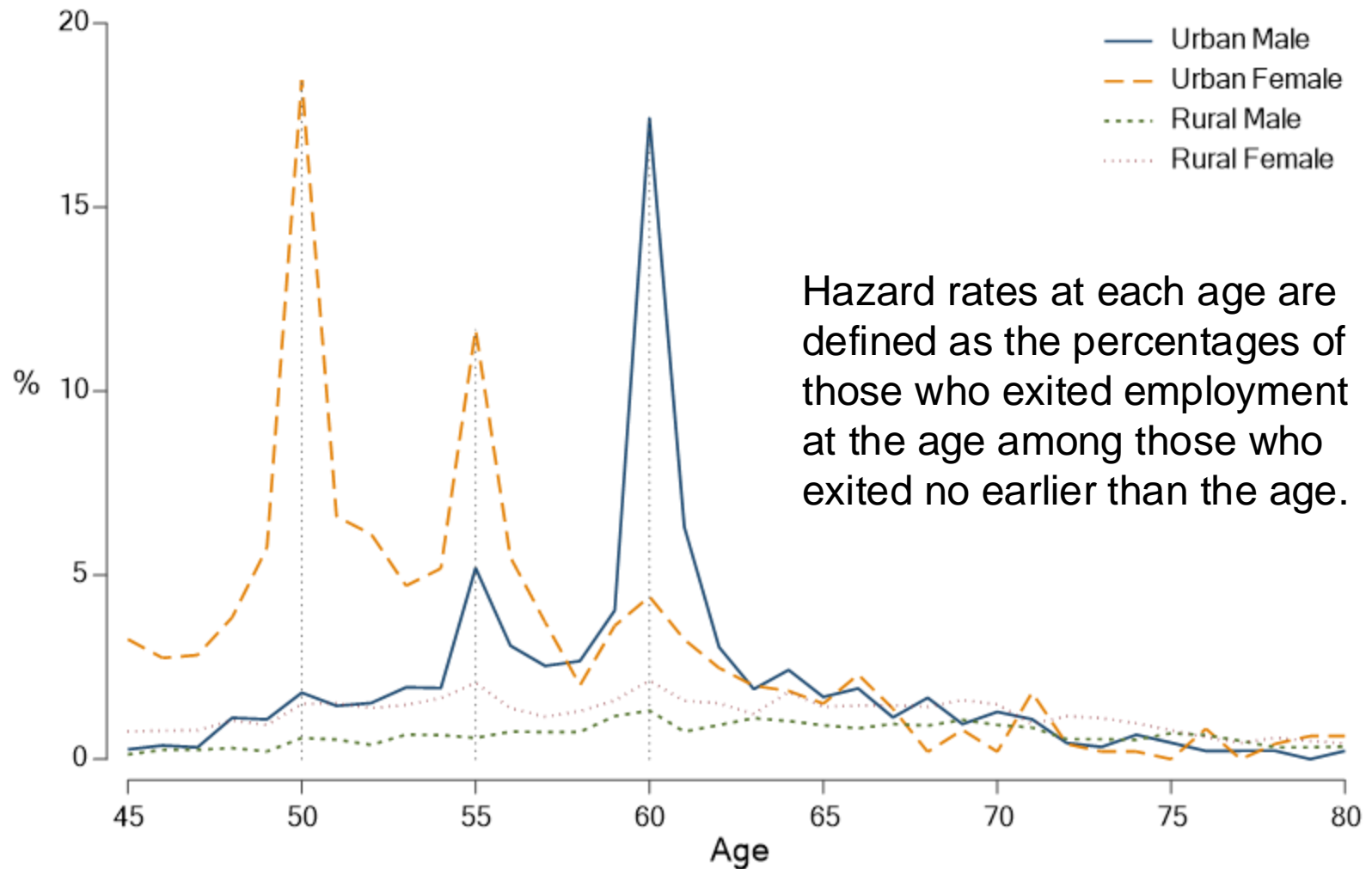
*Reference: Giles, Lei, Wang, Wang and Zhao (JPEF, 2023).

Monthly Pension Income by Residential Registration (*Hukou*), Gender and Age

Age Group	Total		Men		Women	
	Urban	Rural	Urban	Rural	Urban	Rural
60-64	2,600	97	3,200	100	2,300	92
65-69	2,600	90	3,000	90	2,246	89
70-74	2,800	85	3,000	90	2,100	85
75-79	3,000	90	3,000	92	2,591	85
80+	3,000	90	3,500	100	2,500	90
Total	2,700	90	3,048	95	2,300	90
N	2,246	6,985	1,221	3,315	1,025	3,670

Source: China Health and Retirement Longitudinal Survey (CHARLS), 2015 Wave

Unconditional Retirement Hazard Rates



Hazard rates at each age are defined as the percentages of those who exited employment at the age among those who exited no earlier than the age.

Source: China Health and Retirement Longitudinal Survey (CHARLS), 2015 Wave

Labor Supply Among Those Over 50 (Linear Probability Model)

Dependent variable: Working (0/1)

Selected explanatory variables	Urban		Rural	
	Men	Women	Men	Women
Age	-0.066*** (0.021)	-0.038* (0.022)	0.021** (0.010)	-0.001 (0.013)
Age-Squared/100	0.039*** (0.014)	0.020 (0.016)	-0.024*** (0.013)	-0.010 (0.015)
Number of HH members under 6	0.008 (0.037)	-0.060 (0.041)	-0.003 (0.013)	-0.041*** (0.015)
<u>Number of ADL/IADL difficulties</u>	-0.037*** (0.004)	-0.016*** (0.004)	-0.054*** (0.003)	-0.039*** (0.002)
<u>Receiving Employee Pension</u>	-0.190*** (0.040)	-0.206*** (0.031)	-0.058* (0.033)	-0.119*** (0.038)
<u>Receiving Resident Pension</u>	-0.088* (0.050)	-0.068** (0.035)	0.004 (0.020)	0.022 (0.016)
Spousal # of ADL/IADL difficulties	0.006 (0.005)	0.003 (0.005)	0.011*** (0.003)	0.021*** (0.003)

Selected explanatory variables	Urban		Rural	
	Men	Women	Men	Women
Education: Middle School	0.014 (0.025)	-0.021 (0.026)	-0.015 (0.011)	-0.034* (0.018)
Education: High School and Above	0.063** (0.026)	0.055* (0.029)	-0.019 (0.017)	-0.004 (0.029)
Spouse Working	0.290*** (0.028)	0.321*** (0.036)	0.183*** (0.013)	0.285** (0.017)
Average Years of Schooling of Children	-0.003 (0.004)	0.007 (0.004)	-0.003* (0.002)	-0.004** (0.002)
Number of Children	0.004 (0.010)	0.003 (0.010)	-0.016*** (0.005)	-0.004 (0.005)
Observations	1955	1733	6394	6619
R-squared	0.519	0.410	0.333	0.294

Conclusions

- Retirement patterns are very different in urban and rural China
 - Rural elderly “work until dropping”
- Retirement is strongly associated with
 - Mandatory retirement policy for workers covered under the urban employee pension (formal sector workers)
 - Greater coverage and generous pension in urban areas
 - A significant urban-rural gap in economic resources
- Policy implications for an aging China
 - Urban residents should be encouraged to stay on the labor force longer: raising retirement age? facilitating gradual retirement?
 - More generous social pensions for informal workers, allowing the freedom to retire
 - Joint retirement preferences.