

ECONOMIC DEMOGRAPHY

Nasselenie Review, Volume 40, Number 1, 2022, 75-94
ISSN 0205-0617 (Print); ISSN 2367-9174 (Online)
<http://nasselenie-review.org>; e-mail: nasselenie_review@abv.bg

HEALTH POTENTIAL FOR EMPLOYMENT OF PEOPLE TO LATER AGE

Rossitsa Rangelova

*Economic Research Institute –
Bulgarian Academy of Sciences*

Sofia, 3 Aksakov Str., POBox 788, Bulgaria

r.rangelova@iki.bas.bg

Abstract: *Increasing life expectancy and ageing population put fiscal challenges facing government programs for social security and create a need for policy to extend the retirement age. The large-scale and long-time worked out project “International Social Security” (ISS) studies these problems including 12 developed countries in the world. The project is organized by the National Bureau of Economic Research, supported by the National Institute on Ageing of the Population in the United States. The article considers part of the project, in particular empirical work on the seventh stage, which is focused on health as a potential of older people to increase their employment to a later age. The subject of the study is the population aged mainly 55-69. Two alternative methods and an additional approach based on self-assessment of health are applied. The results obtained show that people in pre-retirement and retirement age have significant additional health potential to work to a later age.*

Keywords: social security; retirement; health potential; labour market for the elderly; economically advanced countries.

This article can be cited as follows:

Rangelova, R. (2022). Health Potential for Employment of People to Later Age. *Nasselenie Review*, Volume 40, Number 1, 75-94. ISSN 0205-0617 (Print); ISSN 2367-9174 (Online).

The article was published in Bulgarian in *Nasselenie Review*, Volume 34, Number 2, 2016, pp. 36-57.

© R. Rangelova, 2022

Submitted – January 2022

Revised – April 2022

Published – June 2022

The author has read and approved the final manuscript.

INTRODUCTION

Any in-depth knowledge of how increased life expectancy can be associated, on the one hand, to the years of employment of individuals and, on the other hand, to the years spent in retirement, would help politicians to better address labour market issues and regulations and incentives related to retirement. Today, people live on average longer than ever, which changes the way of life, or as they say, “70 is the new 60”, and this has its consequences (Hendrik, J., L. Thiel and A. Börsch-Supan, 2015). Given higher life expectancy and marked ageing of the population, raising the retirement age is seen as a source of further economic and social progress (European Commission, 2012).

A large-scale and long-running *International Social Security* (ISS) research project involving teams of analysts and experts from twelve economically developed countries around the world has been dedicated to these issues for about twenty years¹. This project was organised within the National Bureau of Economic Research, assisted by the National Institute on Ageing in the United States. This project takes into account and uses the large differences in social security programmes in different countries and serves as a natural laboratory to study the effects of legal regulations on retirement and the participation of older people in the labour market.

The purpose of this research is to determine how health affects the ability to work and, accordingly, what can be expected in terms of employment levels. Such research can help politicians understand how health limits the ability of older people to work. If health is a barrier and politicians are interested in raising employment, more resources, care, time and energy may need to be allocated to understanding and reducing this constraint.

The project compares the experience of the twelve countries considered, using the differences in the administrative provisions on the retirement of people and studying the effects thereof². The project schedule comprised seven stages. The first three stages examined the differences in retirement legislation and their effects, coming to the following conclusions: (1) retirement incentives are strongly bound to the share of older people in the higher age groups in different countries; (2) in countries where workers are more encouraged to delay their retirement, they are more likely to do so; (3) future changes in social security could have a significant impact on labour force participation and on public finances, respectively. The fourth stage examined the question of whether higher employment among the elderly is associated with an increase in youth unemployment, however no relation between the two indicators was found. The fifth and sixth stages focused on disability social security programmes. What was established was that the changes undertaken in these programs would lead to a reduction in access to social security owed to disability and this would increase

¹ The project was entitled “Social Security Programs and Retirement around the World”. International Social Security - ISS - Grant P01 AG012810. All authors of the reports are scientists from leading universities and research centres in different countries. The author of this article did not participate in the work of the project.

² The countries involved in the project were: Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom and the United States.

the supply of labour force. The seventh stage focus of research was whether and to what extent adults were sufficiently healthy to be able to offer their labour for longer periods. Two main methods were used, respectively, to assess the capacity of the health status and how much older individuals might work compared to employees having had the same mortality rate in the past or compared to younger people today who are in similar health. Both methods show that people of pre-retirement and retirement age have significant additional health potential of employment at a later age. As an additional approach, an analysis based on people's self-perceived health was introduced.

The aim of this article is to describe, comment and analyse the efforts on the seventh stage of the project in search of an answer to the question of whether people of the age groups in question are sufficiently physically healthy to count on increasing their participation in paid work at a later age.

GENERAL CHARACTERISTICS OF THE SEVENTH STAGE

Health is a heavily limiting factor whenever it comes to decision making on employment by older workers. On the other hand, state social funding policies relying on economies are becoming a further challenge. The relationship between health status and the supply of labour to people in later ages is a subject of research and discussion by experts and of particular interest to socio-economic policy makers in developed countries, and this is are typical for the phenomenon of ageing population.

The seventh stage of project examines the extent to which the health of the elderly would allow them to work longer. For the elderly people in the majority of the countries considered, those aged 55 and over, or mainly between 55 and 69, however some of those nations feature differences: Sweden examines the age interval between 55 and 64, while the Netherlands and the UK feature a longer age interval, between 55 and 74 years, etc. The project uses the expression "health as a capacity for work; this would be a potential associated with human performance. The project aims at outlining an overview of this potential of older people, but not at suggesting how long each individual can work in the older age groups, or how to directly change the pension system in different countries.

As a matter of fact, the retirement age is determined by various factors such as: the adopted regulations concerning retirement in each country; individual health; employment opportunities predetermined by the labour market, etc.

Over the last 2 or 3 decades, many countries in the world have pursued retirement age raising policies, policies aimed at reducing generosity in social security and tightening the conditions for early retirement or retirement due to reduced working capacity, etc.³ In addition to working capacity, there are some other significant factors

³ These issues are widely studied by the key authors of the project. For example, see Milligan, K. and D. A. Wise, 2012 and others.