LABOR FORCE PARTICIPATION AT OLDER AGES
IN THE WESTERN PACIFIC: A MICROECONOMIC ANALYSIS

ABSTRACT. Retirement has become a very important stage of life for persons in developed countries. Life expectancy for those over age 60 has increased markedly. Rising real income and the institution of broad based social security systems have encouraged older workers to leave the labor force at younger ages.

Reductions in older age mortality have also affected the less developed regions. Increases in the number of older persons, coupled with continuing high fertility, have increased the size of the working age population through both large entry cohorts and longevity of current workers. The capacity of the economy to absorb this growth is severely limited. As a result, labor force decisions by older individuals will be of increasing importance.

This study provides new evidence on labor force decisions in four developing countries in the Western Pacific: Fiji, the Republic of Korea, Malaysia, and the Philippines. A uniform survey sponsored by the World Health Organization in the four countries of persons aged 60 and over is employed to estimate the determinants of work decisions.

Key Words: labor force, retirement, Western Pacific, World Health Organization

INTRODUCTION

Retirement has become a very important stage of life for many persons in developed countries. Rising real income and the institution of broad-based social security systems have encouraged older workers to leave the labor force at younger ages. Reduced mortality at the older ages has markedly increased life expectancy for those over 60. These factors have combined to produce a longer period of retirement for persons in developed countries.

These countries also have been experiencing population aging which is reflected in increases in both the absolute and relative size of the older population. These changes have increased the cost of providing retirement income to older persons and, as a result, the transition from work to retirement in the developed economies has become a much studied topic.

In the developing countries, life expectancy at older ages is much lower and labor force participation rates are much higher. Due to these economic and demographic differences, retirement has historically not been a lengthy period for most persons in developing countries.

Recent reductions in mortality at older ages in the less developed regions have increased the size of their older population. Despite increases in the number of older persons, continuing high fertility has kept the pace of population aging slow: declines in fertility in developing countries have only taken place since 20–30 years ago and are only beginning to affect the age structure of the labor force. Since these reductions in mortality have been accomplished without corresponding drops in fertility, the size of the population of typical working
ages has been rising both through increasingly large entry cohorts and longevity of current workers. When these demographic changes are coupled with slow economic growth, the capacity of the economy to absorb additional workers is reduced, thereby encouraging governments to introduce additional incentives for older workers to retire. For example, in the Philippines, compulsory retirement age is currently 65, but proposals are under consideration to lower this to age 60 (Domingo 1989:65).

Population aging may increase the importance of lowering the age of retirement to avoid high rates of unemployment, and correspondingly increase the duration of retirement for the individual. As a result, labor force decisions by older individuals will be of increasing importance to both researchers and policymakers in developing countries.

This study provides new evidence on retirement in four countries: Fiji, the Republic of Korea, Malaysia, and the Philippines. Labor force participation equations for older men and women are estimated using data from surveys supported by the World Health Organization Western Pacific Regional Office (WHO/WPRO) for each country in 1984. These data enabled us to examine the social and economic determinants of labor force activity in each of these countries.

COUNTRY CHARACTERISTICS

Before examining the surveys themselves, we first consider some of the general characteristics of these countries. Although all four countries are in the Western Pacific region, Korea is in East Asia, Malaysia and the Philippines part of South-East Asia, and Fiji in Melanesia, according to United Nations classification.

Table I provides measures of population size and age structure for each country along with several important economic indicators. All estimates in Table I are for baseline year 1985, with projections for the year 2000. These countries range in size from the Philippines with 54.5 million people, to Fiji with a population of only 700,000.

The countries also differ in their age structures. For example, the Philippines are the youngest of the nations with a median age of 19.4 and only 5.3 percent of its population 60 and over. By contrast, the Republic of Korea has a median age of 23.7 and has 6.5 percent of its population 60 years of age or older. The populations of all these countries are expected to continue to age between 1985 and 2000. The largest increase in the older population is expected in Korea where the population 60 and over is expected to rise from 6.5 percent of the population to 9.2 percent by 2000. By contrast, the proportion of older persons in the Philippines is projected to increase to only 6.1 percent.

Korea is not only the oldest of the countries, but also is the most developed, having the highest per capita income ($2,160) and the largest proportion of its population in urban areas (65.4 percent). Fiji and Malaysia have somewhat lower per capita income ($1,710 and $1,980, respectively) while the per capita