



NOT READY TO RETIRE?: HOW ECONOMIC INSECURITY SHAPES THE FUTURE OF AGING WORKFORCES

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RESEARCH QUESTION: AS THE ELDERLY POSTPONE RETIREMENT FOR VARIOUS REASONS, WHY IS THE ELDERLY LABOR PARTICIPATION RATE HIGH AMONG DIFFERENT AGING COUNTRIES?

INTRODUCTION

The elderly population in OECD countries has increased significantly since 1985, increasing the old-age dependency ratio. This demographic change brings economic and political challenges, especially regarding the sustainability of the pension system. This research explores why the workforce participation of older people remains high in aging countries, focusing on Japan, Germany, and the United States. A regression analysis aims to inform future research and policy by testing the correlation between economic variables and the workforce participation of older people.

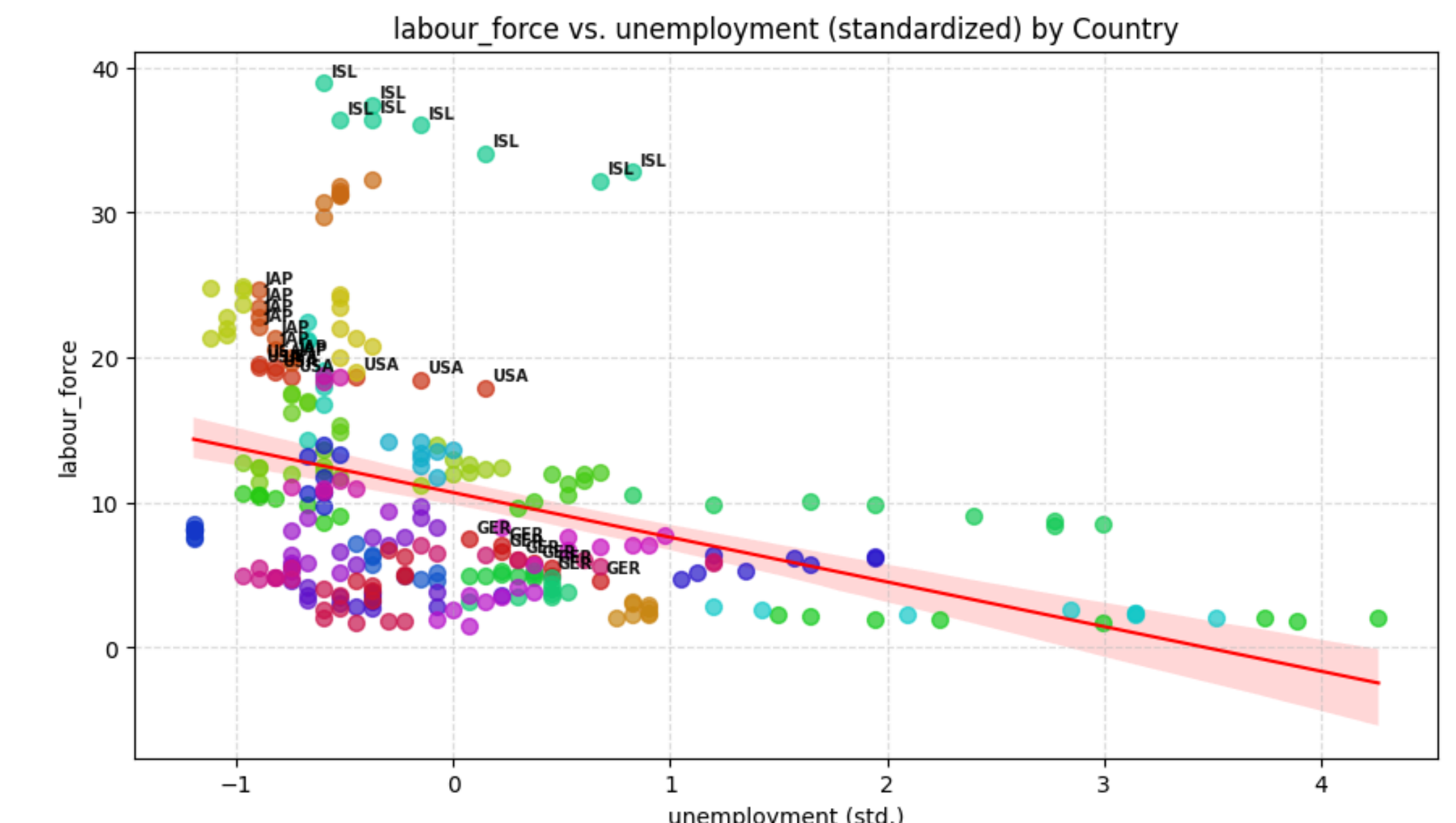
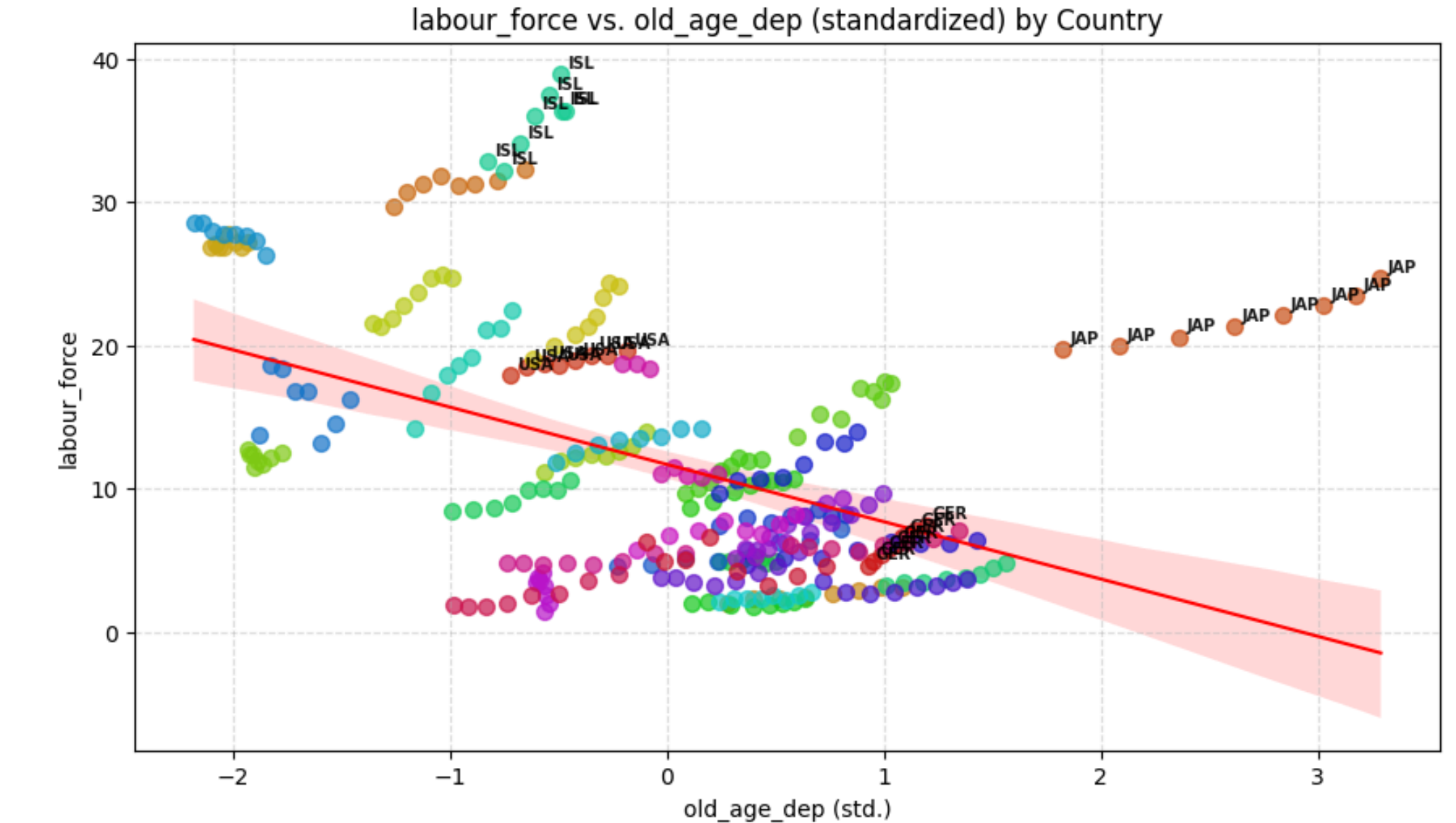
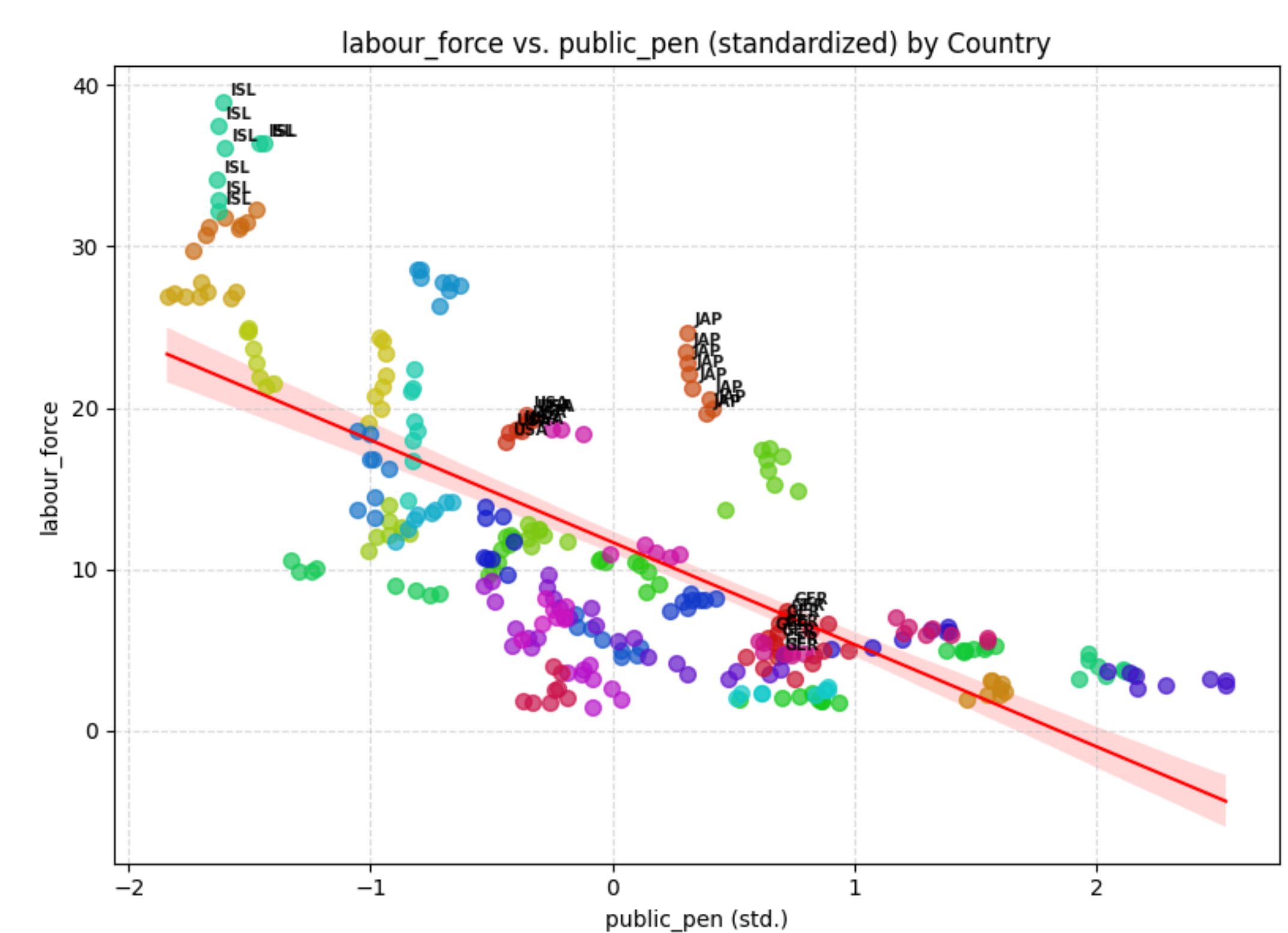
HYPOTHESIS

Economic insecurity among the elderly leads to increased labor participation.



METHODOLOGY

- Regression analysis with OECD countries to examine how the elderly labor force participation (ELP) is affected by certain variables.
- We expect to find a negative relationship with pension spending and unemployment, and a positive relationship with the dependency ratio.



LITERATURE REVIEW

Aging incentivizes countries to raise the retirement age to avoid fiscal constraints on the budget. How much the state and private sector should be involved in pension systems depend on the economic culture or whether they are closer to rigid welfare programs. Sustainability of social security systems becomes a huge challenge to overcome in aging countries. As the old-age dependency ratio increases, encouraging the elderly to retire later becomes an attractive policy for states. While Naumann and others suggest that elderly favour more generous pension systems, Galasso argues that aging reduces average profitability from social security systems and the pension replacement rate. Therefore, elderly who may want to avoid a competition for pension benefits would even support an increase in retirement age. This indicates a decision based on financial necessity to retire, where the amount of pension benefits becomes the main source of income for elderly. Lower income individuals favor higher public pensions. Others argue that cultural understandings of work and economic efficiency of these countries' economies also shapes the responses to pension systems. Pension adequacy and gender inequalities also matter in labor participation rate. Factors like health, pension adequacy and strict employment legislations (EPL) push the elderly away from labor markets. Seniority based wages and job opportunities and employment security offered by welfare systems pull elderly into the labor markets.



COMPARATIVE ANALYSIS

Pay-as-you go pension systems and the strong social security system in **Germany** was consolidated by our regression analysis. Results are similar to other OECD countries, and the argument that a strong social security system leading to a lower financial insecurity and ELP rate holds true for the case of Germany.

The low public pension and unemployment spendings in **the United States**: The argument that weak public social security systems leading to a higher elderly labor force participation rate holds ture for United States.

Japan is a clear demographic outlier as the most old-age dependent. Because, Japanese government and the Japanese people wants the elderly to work as long as possible to keep social security expenditures and generational economic weight under control. The cultural attitude also supports these findings.

CONCLUSION

Overall, public pension and unemployment spending were negatively correlated with the ELP rate. However, the old-age dependency and ELP rates were also negatively correlated, contrary to our hypothesis. Germany supported our hypothesis. The US had a relatively higher ELP, which may still relate to social security variables, since there is lower state support for the elderly. Japan had a very high ELP rate, its public pension spending was not lower. Although high ELP was expected due to its high dependency. While economic insecurity can drive continued work, other factors must be considered. These include health, education, gender, cultural attitudes toward work, job availability, and long working hours.



*By scanning the QR code, you may access the references of our study.

