



What about seniors?

A quick analysis of the situation of older persons in the labour market¹

A lot has been said and written in the past decade about the situation of youth in the labour market and the hardships they face. Being amongst the most negatively affected by the latest global jobs crisis, it is only natural that youth caught the attention of academia, policy-makers and the media around the world. But what about seniors? How are they coping with recent economic developments? How are they getting by in fast-changing labour markets? How secure are they in their pre-retirement and retirement years?

This brief sheds light on the labour market situation of older persons. It focuses on trends in the proportion of seniors in the working-age population and labour force (and their impact on senior labour force participation rates and dependency ratios), the patterns of senior labour underutilization and social protection coverage of seniors.

Senior population and labour force

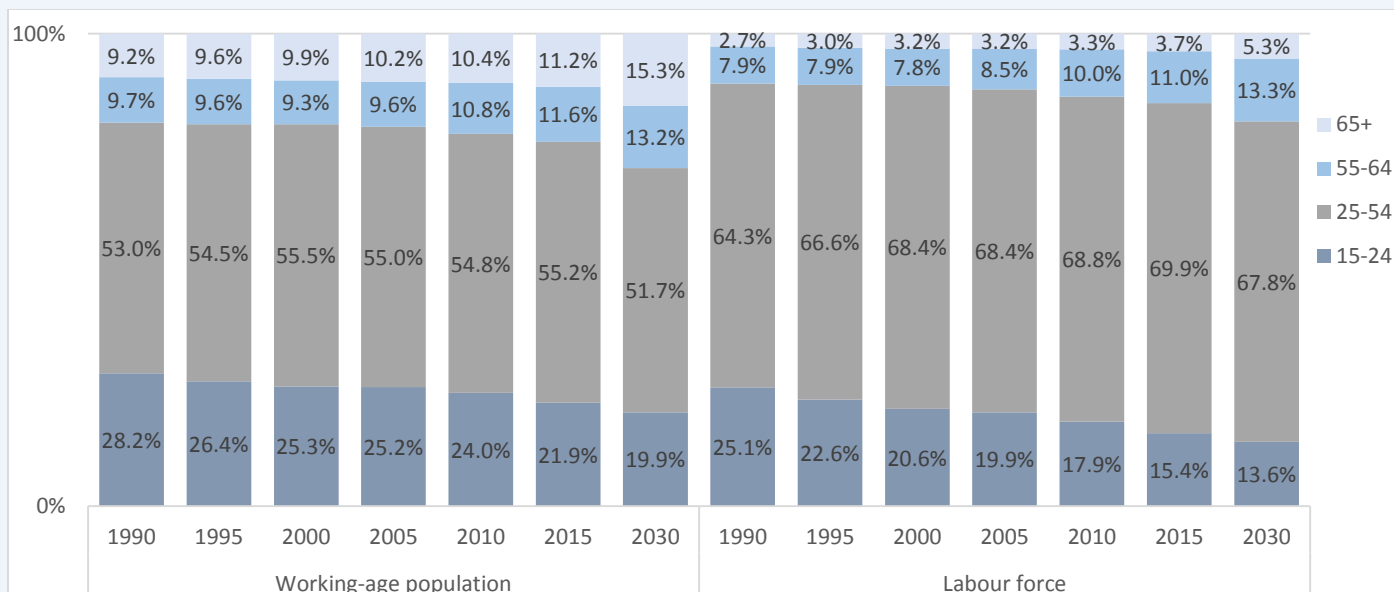
Upward trend of the senior share of labour force projected to continue

At a global level, the share of seniors (persons aged 65 and above) and older persons (aged 55 and above) both in the working-age population² and in the labour force has increased in the past few decades, and is projected to continue increasing at an even faster pace. This coincided with a marked and steady decrease of the share of youth (persons aged 15 to 24) in the working-age population and labour force (see figure in the following page). These trends may be explained by demographic shifts including gains in life expectancy, the reduction of fertility rates and the resulting ageing of the population. Economic changes may have also played a part in the evolution of the distribution by age of the labour force (insufficient old-age pensions leading older workers to postpone their retirement, for instance).

¹ This brief was prepared by Rosina Gammarano, Economist in the Data Production and Analysis Unit, ILO Department of Statistics.

² Working-age population refers to ages 15 and over in all figures included in this brief.

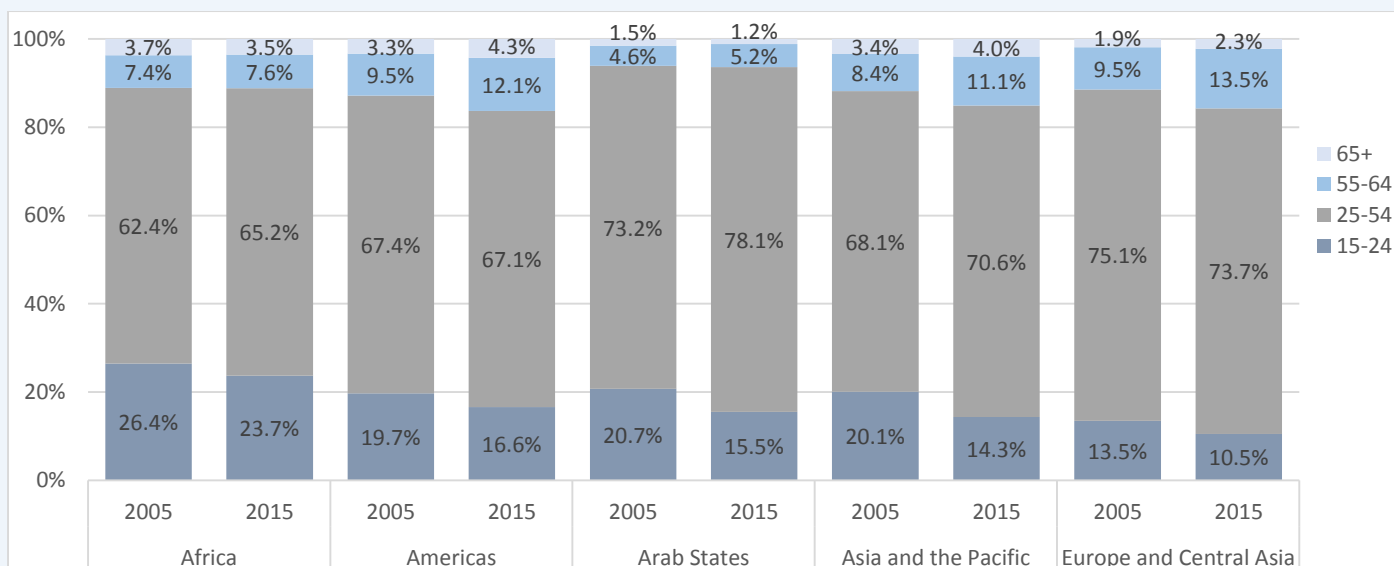
Distribution of the world's working-age population and labour force by age group (1990-2030)



Source: ILOSTAT, ILO Labour Force Estimates and Projections, November 2017 and UN, World Population Prospects: 2017 Revision.

However, these global trends mask significant differences by region. In fact, in the last decade, the senior share of labour force has decreased in Africa and the Arab States while the share of persons of prime active age (25 to 54) in the labour force increased. The share of youth in the labour force declined in all regions between 2005 and 2015, but most significantly in Asia and the Pacific. In the Americas and Europe and Central Asia, there was a reduction of both the share of youth and that of persons in their prime active age in the labour force. Thus, the ageing of the world's labour force seems to be driven by Asia and the Pacific, the Americas and Europe and Central Asia (see figure below).

Distribution of the labour force by age group, by region (2005 and 2015)



Source: ILOSTAT, ILO Labour Force Estimates and Projections, November 2017.

Senior labour force participation rates

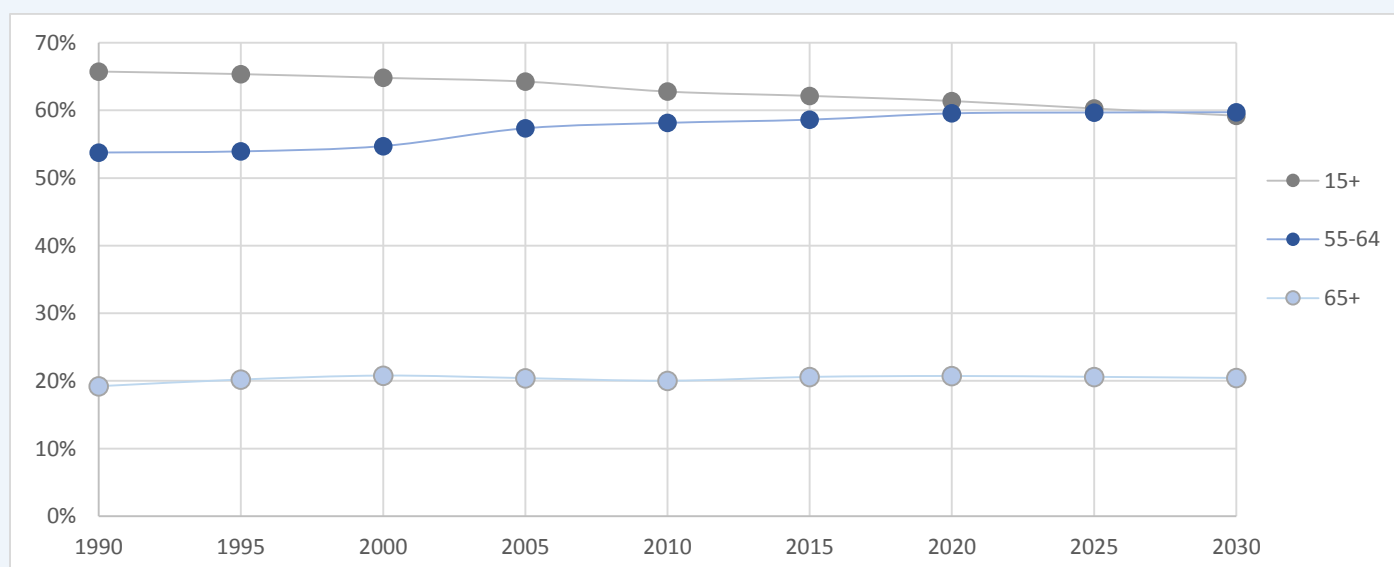
Steadily increasing labour force participation rates of seniors and near-seniors

The trends of the distribution by age of the working-age population and the labour force imply an increase during the past few decades of the global labour force participation rate of seniors and near-seniors (persons aged 55 to 64), while the total labour force participation rate has continuously declined. What is more, these tendencies are expected to continue: the overall global labour force participation rate is projected to continue decreasing while that of seniors and near-seniors is expected to continue rising, to the point where near-seniors could have a higher labour force participation rate than the average among the whole working-age population before 2030 (see figure below).

Here too, we observe some large differences across regions: between 2005 and 2015, the senior labour force participation rate fell in Africa, the Arab States and Asia and the Pacific, while it rose in the Americas and Europe and Central Asia. Similarly, during the same period, the labour force participation rate of near-seniors dropped in Africa and Asia and the Pacific, while it rose in the other regions. In the past decade, the labour force participation rate of all persons aged 15 and above declined in the Americas and Asia and the Pacific, driving the overall reduction in the world labour force participation rate. Interestingly, near-seniors had a higher labour force participation rate in Africa in 2005 than the total working-age population, which was still true by 2015 but with a smaller difference (see figure in the next page).

The significant differences in the levels of senior labour force participation rates across regions provide some insight into the extent to which social protection systems manage to secure seniors' living conditions after retirement in each region. In 2015, the senior labour force participation rate was close to 7 per cent in Europe and Central Asia whereas it reached almost 39 per cent in Africa, an indication that many older African workers do not feel secure leaving the labour force.

World labour force participation rate by selected age groups (1990-2030)



Source: ILOSTAT, ILO Labour Force Estimates and Projections, November 2017 and UN, World Population Prospects: 2017 Revision.

Labour force participation rate by selected age groups and region (2005 and 2015)



Source: ILOSTAT, ILO Labour Force Estimates and Projections, November 2017 and UN, World Population Prospects: 2017 Revision.

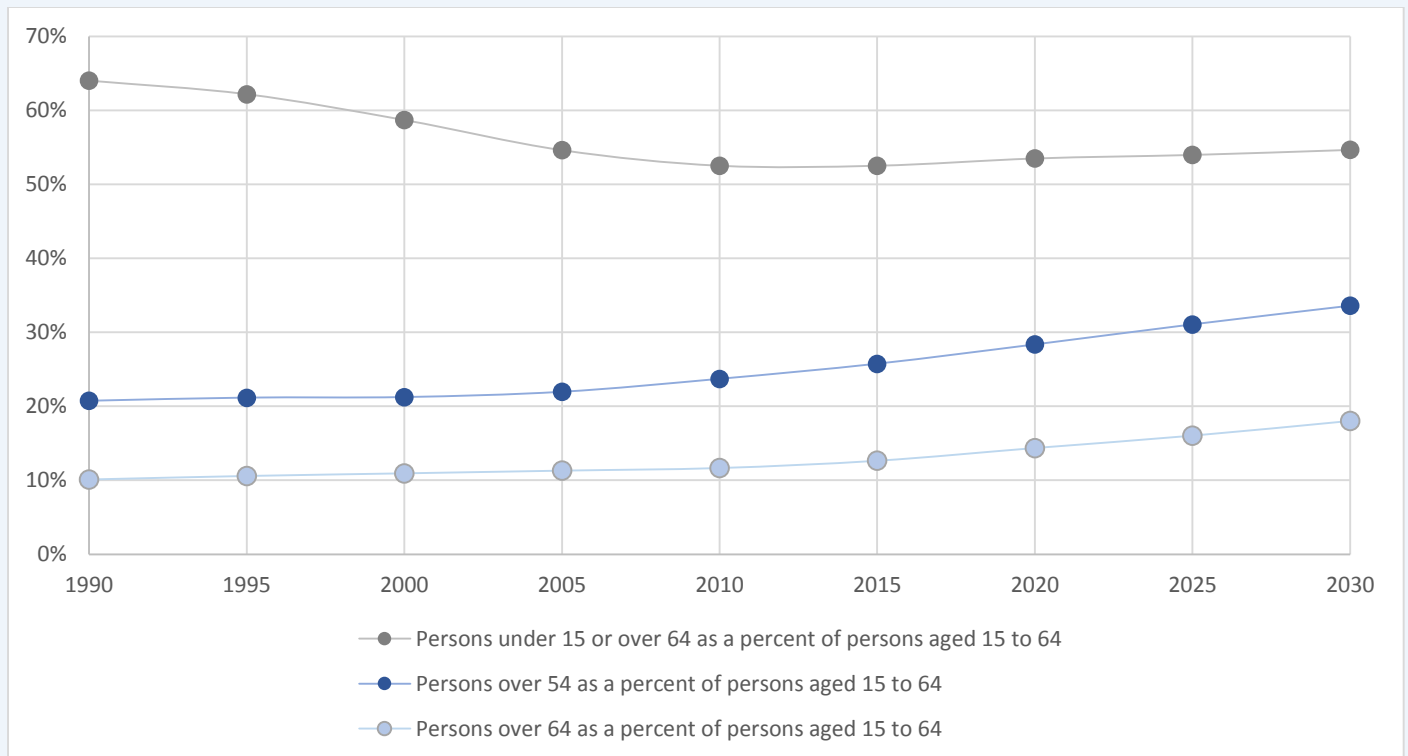
Dependency ratios

Rising dependency ratios with seniors the fastest growing population age group

The ageing of the world population and labour force brings along major concerns in terms of dependency ratios, that is, the number of persons in the age bands considered inactive relative to the number of persons in the core active age bands. Dependency ratios are key socio-demographic and economic measures, in that they convey to what extent the working-age population (or the core active-age population) can support the inactive-age population. In other words, they allow us to understand how heavy the weight of the non-working-age population is on the working-age population. There are many possible ways of defining a dependency ratio, based on the age groups of interest to the analysis, but in general they all follow the same principle: the higher the dependency ratio, the less persons of working or core active age per person of inactive age, and the heavier the weight on the working- or core active-age population.

Global dependency ratios measured as the number of persons over 64 as a percent of persons aged 15 to 64 and the number of persons over 54 as a percent of persons aged 15 to 64 have both continuously increased in the past few decades, and their upward trend is expected to continue and accelerate in the near future. The trend analysis is more mitigated when looking at the number of persons under 15 or over 64 as a percent of persons aged 15 to 64: this dependency ratio declined until around 2010, driven by the shrinking of the child population, and it has slowly risen since then (see figure in the next page).

World dependency ratios, various measures (1990-2030)

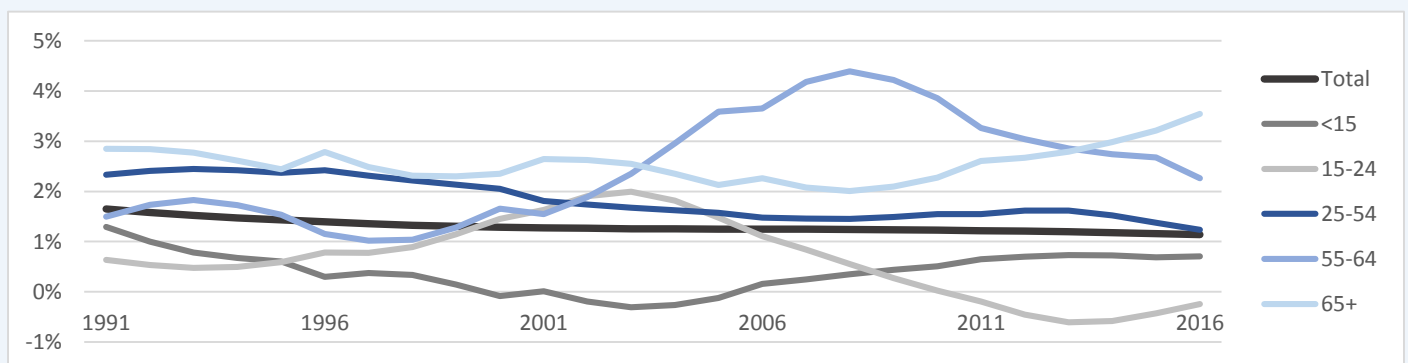


Source: ILOSTAT, 2017 and UN, World Population Prospects: 2017 Revision.

This has a direct (negative) effect on the living conditions and labour market situation of both seniors and non-seniors. Non-senior workers are subject to supporting the increasing weight of seniors, while seniors are in many cases forced to remain in the labour force beyond their desired retirement age. In fact, the soaring senior and near-senior labour force participation rates may well be a reflection of rising dependency ratios and the inability of societies to cope with them satisfactorily, leading older persons to stay in the labour force to secure a living income.

The study of the growth rates of each population age group allows us to understand the patterns of the abovementioned dependency ratios. During the last decade, seniors represented the fastest growing population age group, while youth population decreased and the prime active age group rose at a moderate, albeit continuous rate (see figure below).

Annual growth rates of the world population by age group (1991-2016)

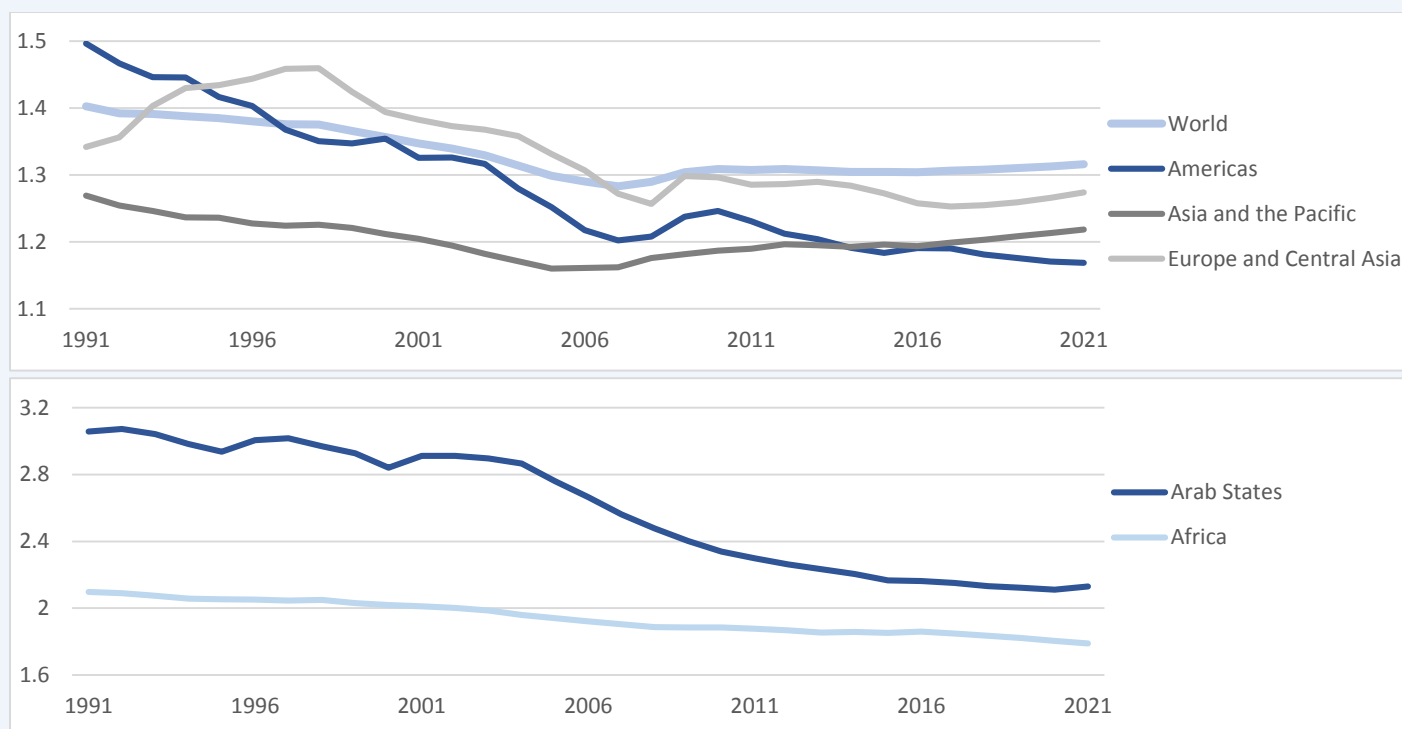


Source: ILOSTAT, 2017 and UN, World Population Prospects: 2017 Revision.

The study of these demographic patterns provides an insight into the drivers behind the changes in the labour dependency ratio, defined as the ratio of all persons under 15 years of age and all persons either unemployed or outside the labour force aged 15 and over to total employment. The labour dependency ratio has declined in all regions in the past two decades, with a more pronounced fall in the Americas, the Arab States, and Europe and Central Asia, while the decrease was more modest in Africa and Asia and the Pacific. This amounts to a clear but moderate decline of the global labour dependency ratio during this period, resulting in fewer dependents per worker on average (see figure below).

The labour dependency ratio is influenced by many different factors, including social (such as the increase in female labour force participation in the Arab States contributing to the notable fall in the region's labour dependency ratio), economic (such as the latest global jobs crisis explaining the sudden increase in the global dependency ratio around 2009) and demographic (such as the slow growth of the global child population). However, the rising labour force participation of seniors and near-seniors and the demographic trends by age group mentioned in the preceding paragraphs are also key contributors to the downward trend of the labour dependency ratio.

Labour dependency ratio by region and for the world (1991-2021)



Source: ILOSTAT, ILO Labour Force Estimates and Projections, November 2017 and UN, World Population Prospects: 2017 Revision.

Senior labour underutilization

Low senior unemployment rates mask other forms of labour underutilization significantly affecting seniors, such as job-seeking discouragement

Rising senior and near-senior labour force participation rates raise the question of what kind of labour force participation is it that older workers are increasingly involved in. Are they employed? If so, is their employment satisfactory? Would they like to work more hours? Or are they unemployed? And if so, what are the characteristics of senior unemployment?

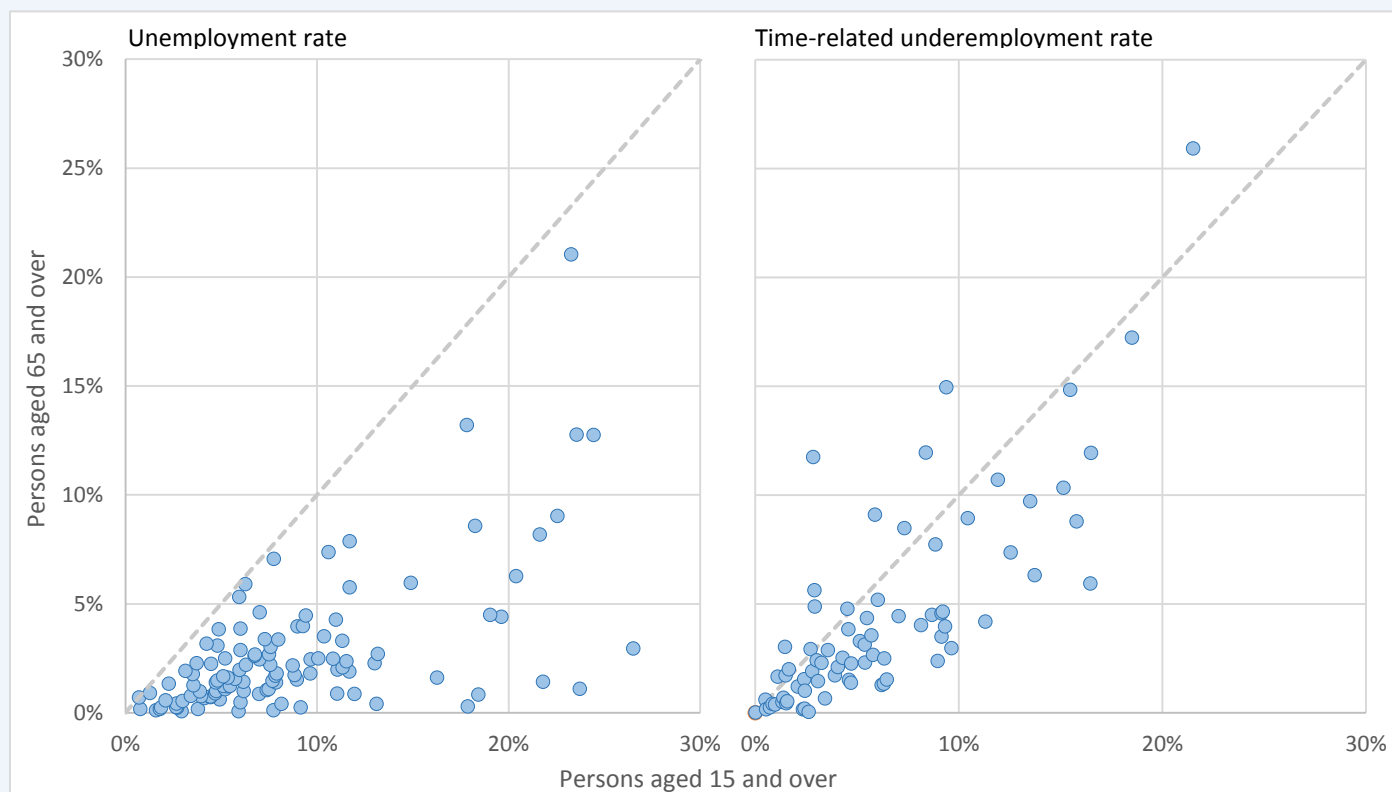
The study of employment-to-population ratios does not prove to be very revealing in this case. In fact, when we try to see whether senior employment-to-population ratios have risen as steadily as senior labour force participation rates, the findings are unclear. In 68 per cent of the countries with robust time series available in ILOSTAT, senior employment-to-population ratios rose from 2005 to 2015, indicating that seniors are increasingly remaining in (or finding) employment. However, also in 68 per cent of countries with available data, the change in percentage points from 2005 to 2015 of the senior labour force participation rate was higher than that of the senior employment-to-population ratio, implying that the labour demand for seniors is not keeping up with the growing senior labour supply.

To explore the mismatch between senior labour demand and senior labour supply further, it is necessary to refer to the key measures of labour underutilization. Studying the patterns of the unemployment rate, the most widely cited measure of labour underutilization, we discover that seniors and near-seniors are not disproportionately affected by unemployment (defined as being without employment but available for and seeking employment). That is, seniors and near-seniors do not appear to be especially likely to be unemployed in comparison with other groups in the labour market. Indeed, in all of the 113 countries with post-2009 data on the unemployment rate by age in ILOSTAT, seniors had a lower unemployment rate than the average across the working-age population. Thus, seniors who remain in the labour force are less prone than average to being unemployed, which could either mean that seniors are more able to secure a job or that seniors tend to leave the labour force altogether when becoming jobless rather than seek employment (thus joining the persons outside the labour force rather than remaining in the labour force as unemployed).

Combining the unemployment rate with other labour underutilization measures provides additional insights regarding the situation of seniors in the labour market. These indicators reveal that although seniors may seem fairly well shielded from unemployment, they are not protected from all forms of labour underutilization.

For instance, in one fifth of countries with post-2009 data in ILOSTAT, the time-related underemployment rate is greater for seniors than for the whole working-age population. In these countries, the share of employed who would like to work more hours and are available to do so is larger among seniors than among all persons of working age. In these cases, it is harder for seniors to find jobs with the working hours desired and they must settle for the working time available. The patterns of senior time-related underemployment are most striking when studied alongside those of the senior unemployment rate, indicating that seniors are facing issues in the labour market preventing them from resorting to unemployment while suffering from other types of labour underutilization (see figure in the next page).

National unemployment and time-related underemployment rates, ages 15+ and 65+ (latest year available after 2009 for each country)



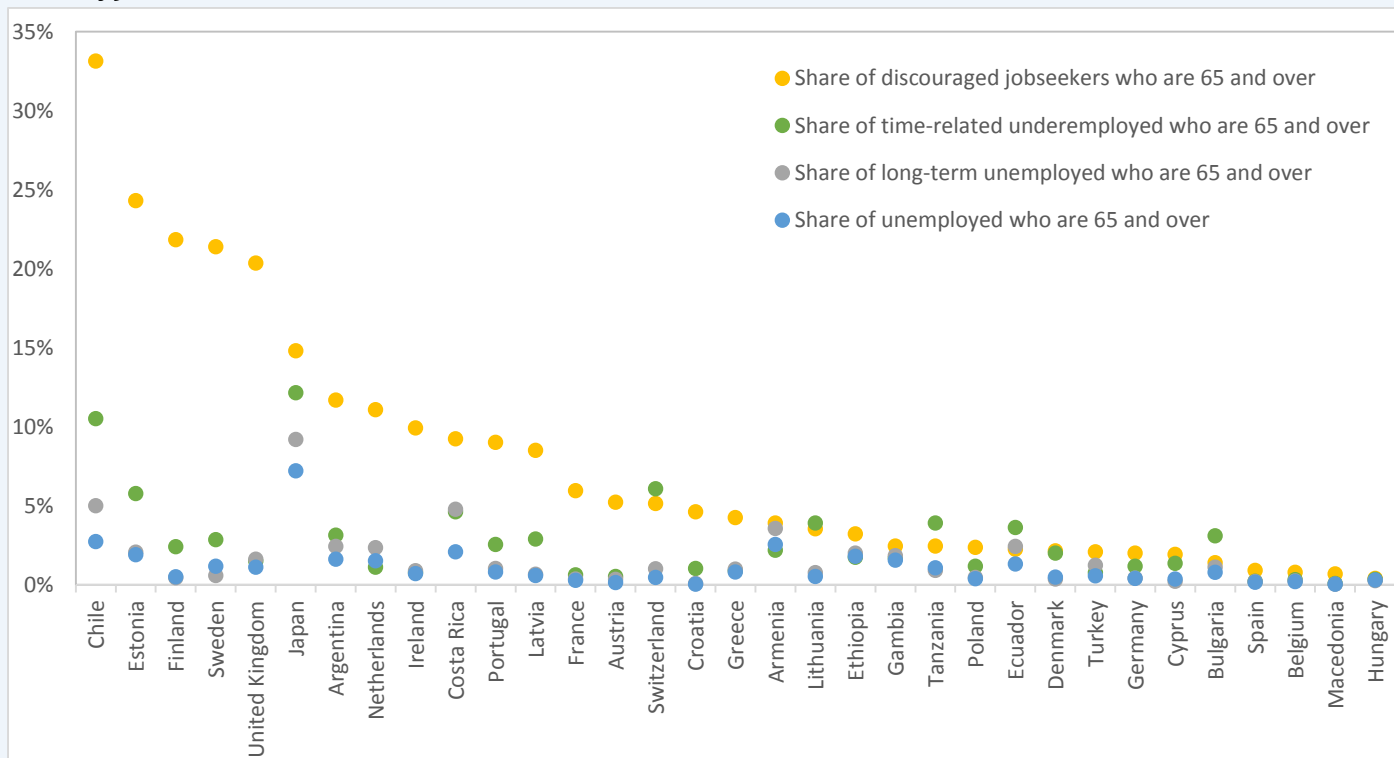
Source: ILOSTAT (country-level data).

The low senior unemployment rates observed in numerous countries may well hint at the difficulties of job seeking for seniors and their discouragement in this regard. Indeed, in all countries with available data in ILOSTAT (for 2010 and after), the share of seniors among the unemployed is much smaller than among the discouraged jobseekers (persons without employment and available for it who are not looking for a job due to labour market reasons such as the past failure to find a suitable job or being considered too young or too old by prospective employers). Senior unemployment may then be modest not because seniors have employment or are not available for employment, but rather because they are discouraged in their job seeking, revealing labour market segmentation and the existence of a large potential senior labour force (i.e. persons not in employment with an interest in employment for whom existing conditions limit their active job search and/or their availability). This is all the more true for older workers (i.e. seniors and near-seniors together): in more than half of the countries with post-2009 data, persons aged 55 and over represent more than a third of the discouraged jobseekers (see the two figures in the following page).

Furthermore, in nearly 82 per cent of countries with data, the share of persons aged 65 and over among the long-term unemployed (i.e. unemployed for one year or longer) is larger than their share among all the unemployed, and in almost 94 per cent of countries with data, the share of persons aged 55 and over among the long-term unemployed is greater than the unemployed overall. Thus, although unemployment does not disproportionately affect older persons, those who are unemployed are more likely to remain so. This may be due to issues such as the inadequacy of their skills relative to the job vacancies, the mismatch between their skills and the skills needed in the labour market, the lack of suitable jobs for their level of experience and qualifications, and the reluctance of employers to hire senior or near-senior workers. The data convey a difficult situation for seniors and near-seniors in the

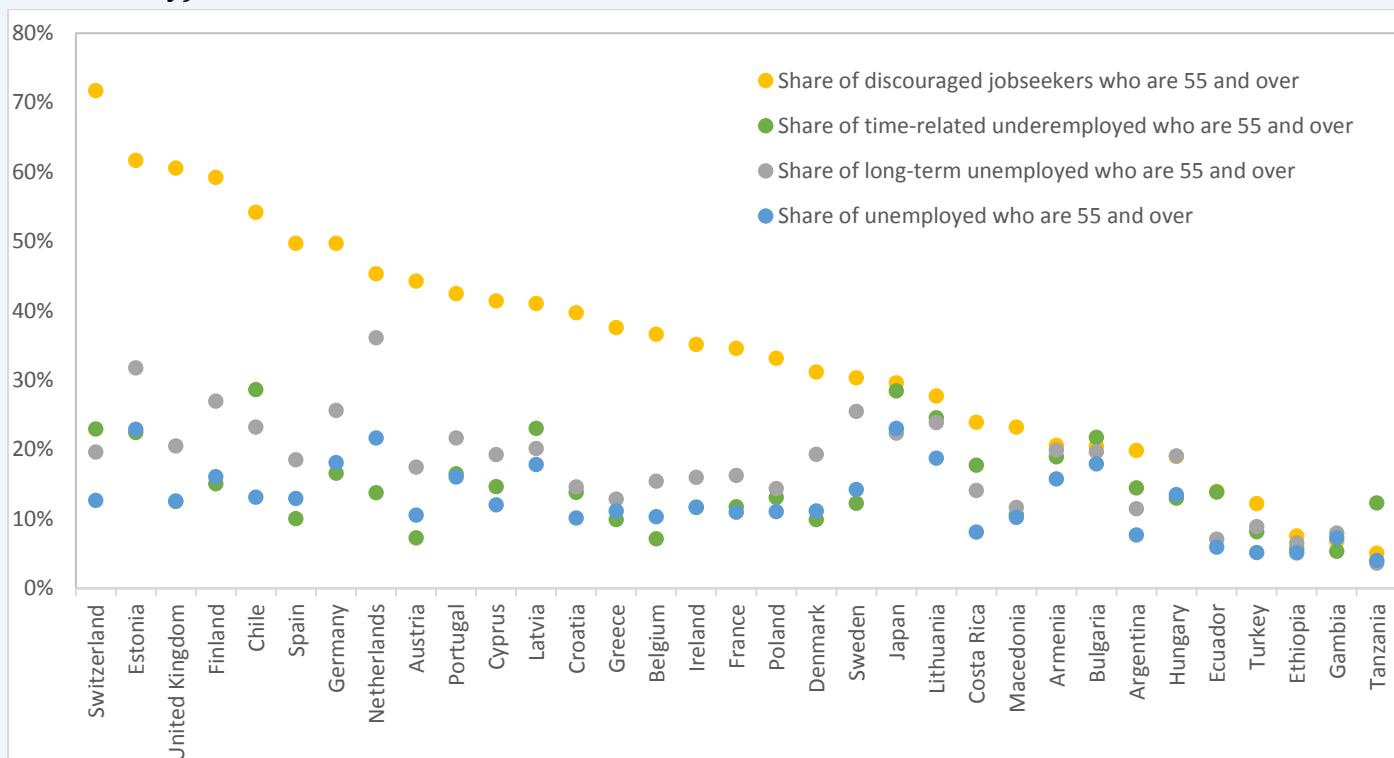
labour market, whereby once they become jobless they face extreme difficulties in finding a new job, to the point of becoming discouraged and quitting the job search altogether, and whereby even when they have a job they are more likely than other workers to have less working time than desired (see the two figures below).

Senior share of labour underutilization, various measures (latest year available after 2009 for each country)



Source: ILOSTAT (country-level data).

Older workers' share of labour underutilization, various measures (latest year available after 2009 for each country)



Source: ILOSTAT (country-level data).

Social protection coverage of older persons

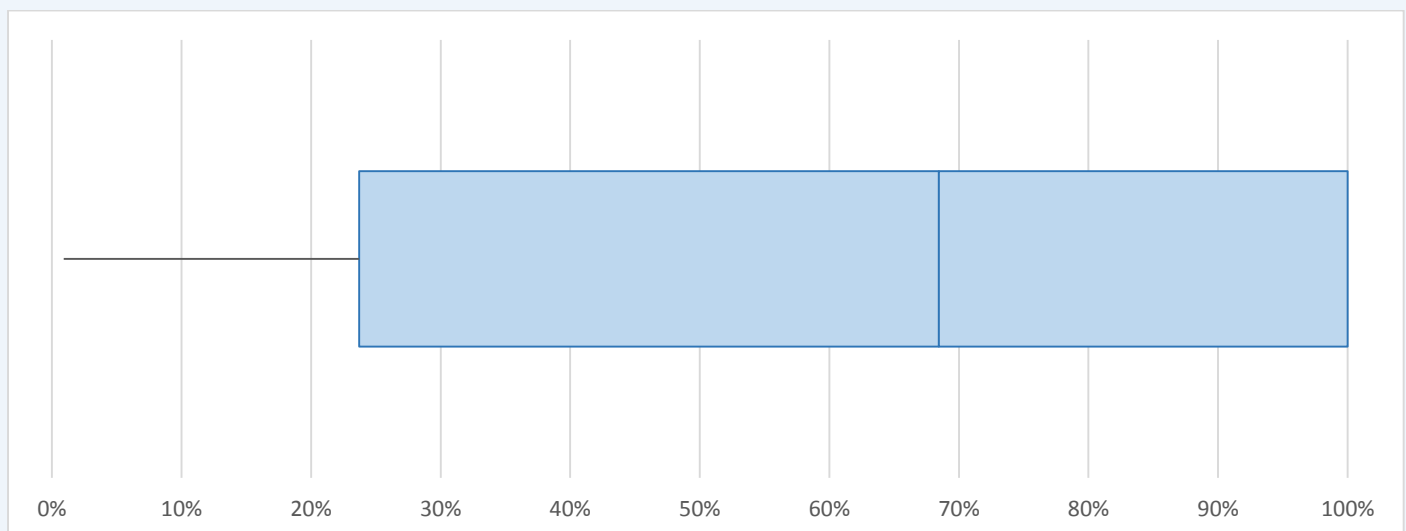
Despite the high global share of older persons receiving a pension, insufficient social protection coverage prevents seniors from leaving the labour force in many countries

Seniors' access to social protection is crucial to ensure that they can leave the labour force at a desirable age with guaranteed decent living conditions. According to ILO estimates based on country data compiled through the ILO Social Security Inquiry, the proportion of persons above statutory retirement age receiving an old-age pension in the world was close to 68 per cent in 2016. This figure is rather encouraging in that it shows that almost seven out of ten persons of old age in the world are receiving a pension, which supports their living conditions.

Nonetheless, this figure masks considerable differences across countries and regions, and it does not inform on the quality and level of the social protection coverage of older persons (that is, to what extent old-age pensions are sufficient on their own to guarantee decent living conditions, not forcing seniors to remain in the labour force to complement them).

In the 149 countries with available data for recent years (2010 or after), the average share of persons receiving old-age benefits is 60 per cent and the median is close to 68 per cent. This means that countries with available data concentrate at the top, with high social protection coverage of older persons. In fact, the third quartile of the distribution is 100 per cent, which means that in one out of four countries with available data, all persons above retirement age receive a pension. However, it is worth noting that on the other end of the spectrum, there are also one quarter of countries where less than 24 per cent of persons above retirement age receive old-age benefits.

Distribution of the proportion of persons above statutory retirement age receiving an old-age pension across countries (latest year available after 2009 for each country)



Source: ILO estimates based on country data compiled mainly through the ILO Social Security Inquiry.

Concluding remarks

Rising senior labour supply coincides with widespread labour underutilization, while insufficient social protection coverage prevents seniors from leaving the labour force

Seniors and near-seniors find themselves in a very delicate situation in the labour market. Insufficient levels and/or quality of social protection coverage of older persons in some countries, coupled with the demographic phenomenon of the ageing of the population, is leading older persons to stay in the labour force for longer and longer, and this trend is projected to continue.

However, labour markets are failing to adapt to the demographic shifts marked by the ageing of the population and of the labour force. Labour markets remain segmented and seemingly hostile to older workers, with an inability to absorb the rising senior and near-senior labour supply. Persons aged 55 and above are disproportionately vulnerable to labour underutilization. Although senior and near-senior unemployment rates are relatively low, the difficulties of job search activities for older persons, the lack of jobs for their skills and the reluctance of employers to hire older workers all give rise to various forms of senior and near-senior labour underutilization that aren't reflected in unemployment rates alone. Older persons are particularly prone to being among those discouraged in their job search.

Given the relentless demographic shift happening in most regions around the world, labour markets will need to adapt to the changing age distribution of the labour force by integrating older workers in a satisfactory manner, finding ways to match their skills, experience and expectations and providing them with adequate social protection.