CLASSIFYING WELFARE STATES BASED ON ELDERLY LABOR FORCE PARTICIPATION

Park Hyebin

The 3rd Seminar on East Asian Social Welfare

Doshisha Univ. and Chung-Ang Univ.

Seoul, 25 June 2011

INTRODUCTION (1)

- Low birth rate and aging population are consequences of economic development and the improvement of the living standards and medical care(Seike 2006).

- It is also predicted that the increase of elderly population would lead into the rising of socio-economic cost, calling for a measure to reduce it.

- The main problems would be how to design the life of elders in the graying societies and find a way to support them.

INTRODUCTION (2)

- The old-age income is more than a problem of individuals but rather a matter of the entire society and its governing state.

- *I recommend Labor Force Participation of Old-age People as one of the solutions.*

Introduction (3)

- Many studies demanding the protection and invigoration of elder people's labor force participation.

- Studies on finding factors pertaining to the retirement and labor market participation of the elders are of utmost frequency.

- Among the factors considered in precedent studies are: pension, retirement age, vocational status prior to the retirement, health condition, technological progress in workplace, respect to active aging and productive aging.

4

CONTENTS OF TODAY'S PRESENTATION

- Meaning of an international comparative study

- Other studies on classifying welfare states

- Methods and fact findings

- Conclusion

AN INTERNATIONAL COMPARATIVE STUDY

- An international comparative study could be one option for studying the matter.

- Finding unique features of a specific state by examining cases in other countries and making comparisons(Uzuhashi 1998).

- Grasp the global tendency on the policies, broadening the available options for future policies(Park 2005).

6

STUDIES ON CLASSIFYING WELFARE STATES(1)

- Studies on classifying welfare states have advantages on understanding the flows of welfare policies and services of the targeted country at large.

- To find tendency in a series of policies.

- De-commodification and stratification are the most representative indexes(Esping-Andersen 1990)

7

STUDIES ON CLASSIFYING WELFARE STATES(2)

- Social investment strategy(Kim 2008)

  →according to employment rate, female employment rate, unemployment rate, gini coefficient

- Dedomestication (Kröger 2011)

  →suggest a new index to international comparisons of child care and service provision

- Relationship between Welfare and employment (Miura 2003)

  →employment rate of males of age from 55 to 64 and social expenditure

8

THIS RESEARCH'S SUGGESTION

○ Suggest a new index for studies on welfare states, based on the reality of labor force participation of elderly and indicators pertaining to it.

○ The suggestion is believed to be a new axis of international comparative studies on labor force participation of elder people, and to broaden the scope of such areas.

METHODS (1)

Labor force participate

Pull factor
(pension, unemployment benefits, desire to do more leisure activities or switch to other non-occupational jobs)

Push factor
(unemployment rate, the technological progress in workplace, health condition, mandatory retirement system, a preference for job to youth)

Retirement

source: Ebbinghaus(2006) ,OECD(2006)

METHODS (2)

- Use three indexes for classification .

(1) Pull factor：Public expenditure on
           pension/aging rate

(2)Push factor：entire unemployment rate

(3) Independent variable:
      labor force participation rate of both sexes age
       from 55－64

FACT FINDINGS

- Pension expenditure and unemployment rate are negatively related to labor force participation rate of elder people.

- 4 Groups

  Group A(Sweden, Norway, Japan, USA)

  Group B(Korea, Canada, Ireland, UK)

  Group C(Finland, France, Spain, Germany)

  Group D(Italy, Belgium, Hungary, Luxemburg)

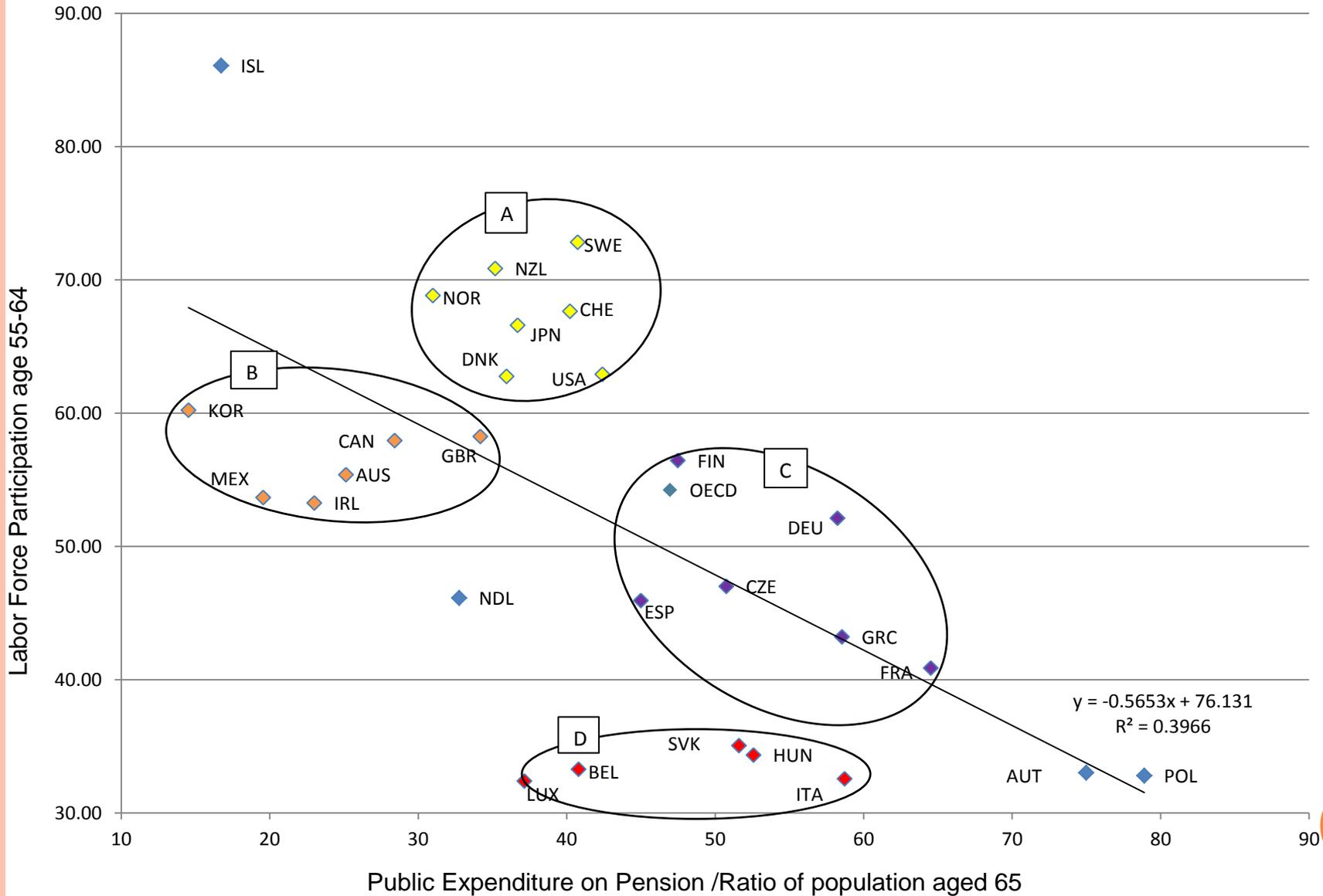# FIG. 2 PUBLIC EXPENDITURE ON PENSION AND LABOR FORCE PARTICIPATION RATE AGED 55-64
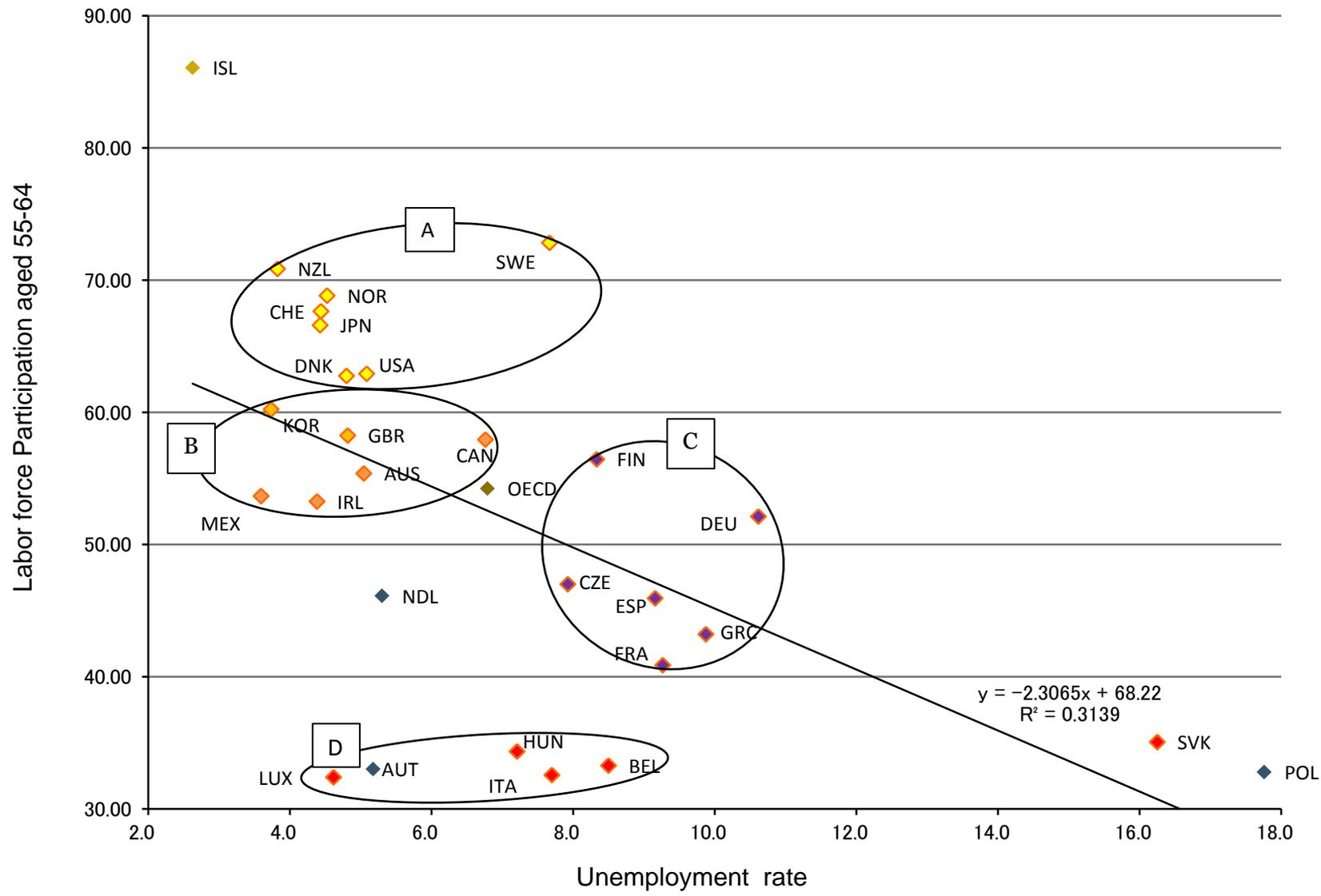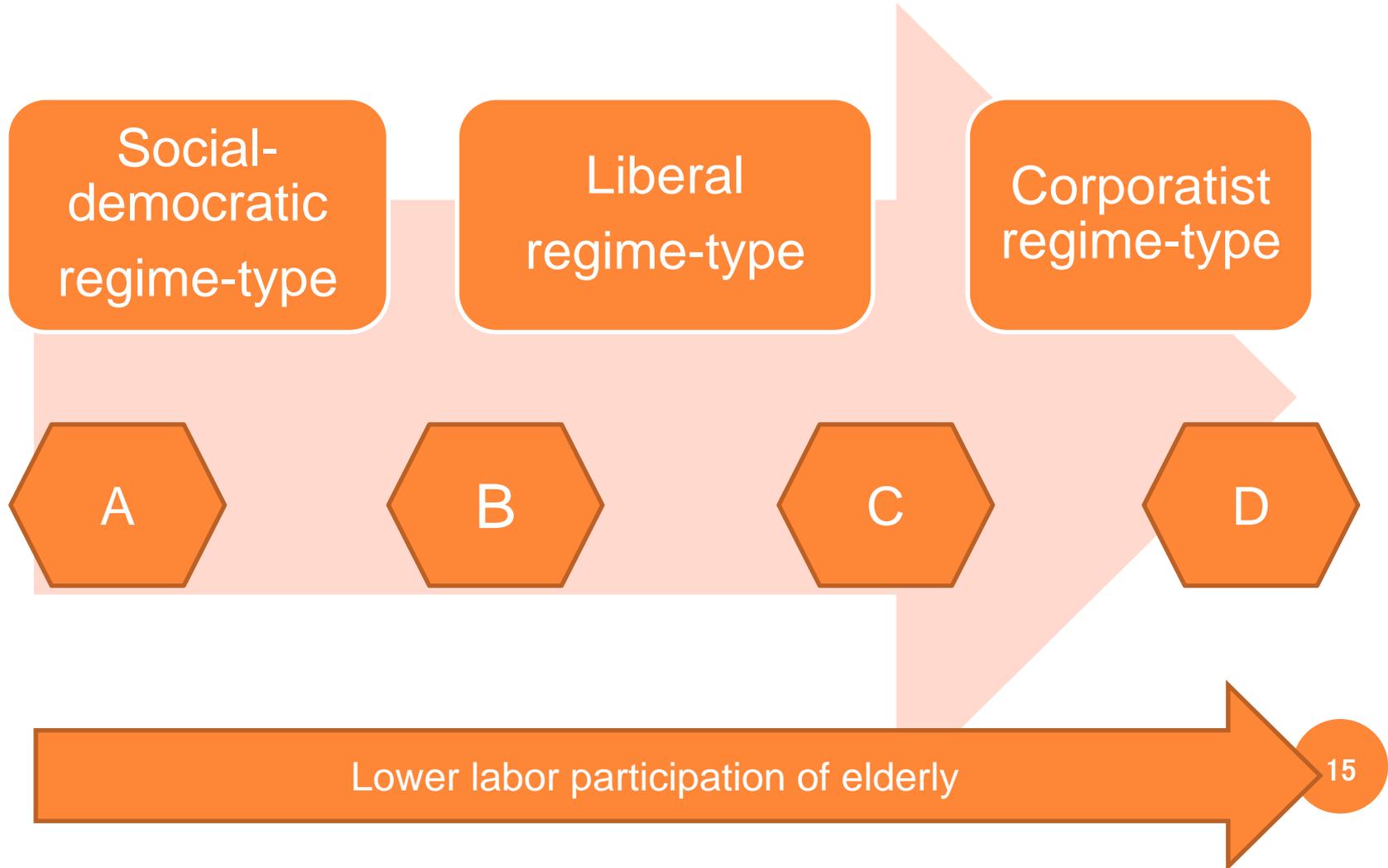

Public Expenditure on Pension /Ratio of population aged 65

$y = -0.5653x + 76.131$
$R^2 = 0.3966$

Source: OECD (2010)

FIG. 3 UNEMPLOYMENT RATE AND LABOR FORCE PARTICIPATION AGE 55-64

14

CONCLUSION (1) - GENERAL TREND

Social-democratic regime-type

Liberal regime-type

Corporatist regime-type

A

B

C

D

Lower labor participation of elderly

15

CONCLUSION (2) - GENERAL TREND

o The trend does not always fit the data.

o Classifying welfare states has a purpose to see a general trend among the targeted countries.

o Not every uniqueness of each state is to be taken in to account.

o It is assumed that there exist differences in culture, economic situation and the perspective on the elder`s labor force participation.

16

CONCLUSION (3) – CHARACTERISTIC COUNTRIES(SWEDEN, USA)

- Sweden has the highest labor force participation rates of elderly, despite the higher unemployment rate and pension expenditure rate than those rates of other countries in the group A.

  ← High degree of entire employment rate and expenditure of active labor market policies

- USA belongs to group A, although it is a liberal regime-type state.

  ← prohibit the age discrimination in employment by

  ADEA(Age Discrimination in Employment Act)

  high entire employment rate

CONCLUSION (3) – CHARACTERISTIC COUNTRIES(GERMANY)

- Since the 1970s, a political scheme to spur early retirement has been settled in the European states including Germany. However ,Germany have higher labor market participation rate of the elderly than Italy, France, which are the same Corporatist regime-type countries.

  ←pension reform, create new Act for elderly part-time jobs to be combined with partial pensions (Altersteilaeitgesetz, ATG)

18

Conclusion (4) – Characteristic countries(Korea, Japan)

○ Korea and Japan is classified in different groups, while in many Research studies, Korea and Japan fall in the same category.

← A view about sources of income in the elder's life is one of the reasons. Japan has higher sense of self-reliance than Korea. In Korea, there are higher expectations for social security and stronger opinions calling for the financial support from family.

← The practical mandatory age in Korea is around late 50 and that of Japan is around early 60. This fact can be another explanation for such difference of Japan and Korea.

19

NEED FURTHER RESEARCH

- To analyze the background of other countries and the characteristic of each group with the labor market theory.

REFERNCES

- Atsusi SEIKEI (2006), *Living in Age-free Society*, NTT Publishing.

- Bernhard Ebbinghaus (2006), *Reforming Early Retirement in Europe, Japan , and the USA,* Oxford University Press.

- Byunghyun PARK (2005), *Comparing the Welfare states*, Community.

- Delsen and Reday－Mulvey (1996), Gradual Retirement in the Netherlands, Lei Delsen and Gneviève Reday－Mulvey.(eds.), *Gradual retirement on the OECD countries: macro and micro issues and policies,* Ashgate Publishing, pp. 111－132.

- Gøsta Esping－Andersen (1990), *The Three World of Welfare Capitalism,* Policy.

- Gøsta Esping－Andersen (2008), *Trois leçons sur l'ètat－providence* Bruno , Palier.

- Hisakazu KATOU(2007), *Demographic Economics*, Nihon Keizai Shimbun Publishing.

- Hyebin PARK (2011), A Review of Elderly Work, *Doshisha University Graduate Course Collection of essays* , Vol.25, pp. 56－64.

- Japanese Cabinet Office (2007), *The 6th International survey on Living and Consciousness of Senior Citizens.*

- Jonathan Gruber and David A. Wise. Eds. (2010), *Social Security Programs and Retirement Around the World: The Relationship to Youth*

- Employment, The University of Chicago Press.

- Kyoseong KIM (2008), Classifying Welfare States Based on the social Investment Strategies, *Social Welfare Policy*, Vol. 35, pp. 29-59.

- Mary MIURA (2003), 'labor market regulation and Welfare States－ International Comparative and Japan's position', in Takahumi UZUHASHI (Ed.), *Welfare states in Comparing.* Minerva syobou, pp. 109－133.

- OECD (2006), *Live Longer, Work Longer*, OECD.

- OECD (2010), *OECD Factbook 2010: Economic, Environmental and Social Statics*, OECD.

- Teppo KRÖGER (2011), Defmilisation, Dedomestication, and care policy: Comparing Childcare Service Provisions of Welfare States, *International Journal of Sociology and Social Policy*, Vol. 31.

- Takahumi UZUHASHI (1997), *A Comparative Study of Welfare States – features and prospects of Japanese Model*, Nihon hyoronsya.

THANKS FOR LISTENING