Older workers: How does ill health affect work and income?

By
Xenia Scheil-Adlung
Health Policy Coordinator, ILO Geneva*
January 2013

Contents

List of Figures

*The author would like thank Ms Daphne François who during her internship at ILO supported the development of this article

1. Background

Health is central for work and income. It is also a precondition for development. Thus, everybody, including "older persons should be enabled to continue with income-generating work for as long as they are able to do so productively."[1] However, frequently it is assumed that older workers are challenged by deteriorating health and do not need to generate income given their lifelong accumulation of income. In reality, older workers are often unable to find work or continue working: Globally 66 percent of older workers are seeking employment and only 34 percent of workers aged 60+ are employed. [2]

As a result, progress in sustainable development is hampered as it is not based on the full potential of the work force and older workers find themselves often in difficult socio-economic situations without work and excluded from access to income and needed social protection, particularly social health protection.

The questionable assumption of deteriorating health of all older workers independent of their health status is often aggravated by the notion of reduced productivity and results in discrimination and marginalization in labour markets. The impacts of related exclusion processes are significant, both for the development of countries, particularly given the global ageing, and at the individual level due to lack of wages and income. The latter frequently results in profound impacts on the affordability of even basic services: Globally, 53 percent of people aged 60 + find it (very) difficult to pay for basic services and 34 percent state that they can hardly access health care when in need. Access to affordable medicines is the most often reported problem of older people in this context.[3]

Against this background, this article seeks to provide evidence on the fact that older workers constitute a non-homogeneous group concerning health challenges. It analyses the impacts of ill health of those concerned on work and income and argues to remove barriers faced by older workers when accessing labour markets and health care. Finally, it discusses comprehensive policy approaches that have the potential to address the issues faced by older workers.

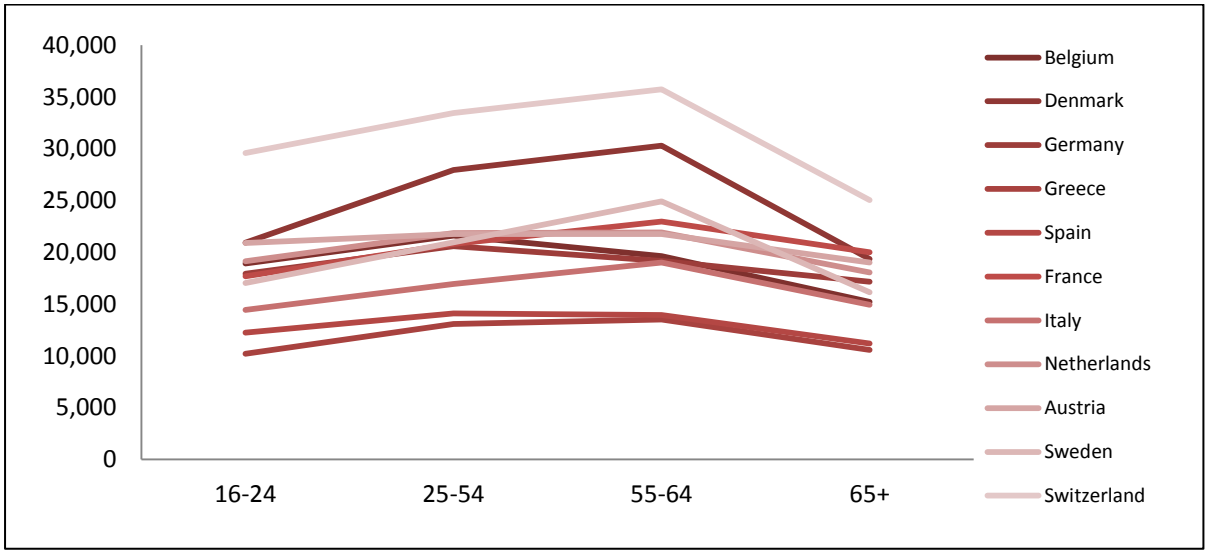
2. Income and labour market participation of silver workers

The income situation of older – silver – workers varies significantly across and within countries. In many European countries, as of age 55, workers' income decreases significantly when comparing to younger age cohorts. (Figure 1): In 2011, the median equalised net income of European workers aged 55 + varies on average between 14,000 and 35,000 EUR and decreases at age 65+ to a range

[1] United Nations (2003) Madrid Plan of Action on Ageing.
[2] UNFPA & HelpAge International (2012), Ageing in the Twenty-First Century: A Celebration and A Challenge, pp. 134-135.
[3] UNFPA & HelpAge International (2012), Ageing in the Twenty-First Century: A Celebration and A Challenge, pp. 134-135.

between 11,000 and 25,000 EUR. Thus, it reaches values that are comparable to the net income of the youngest age cohort.

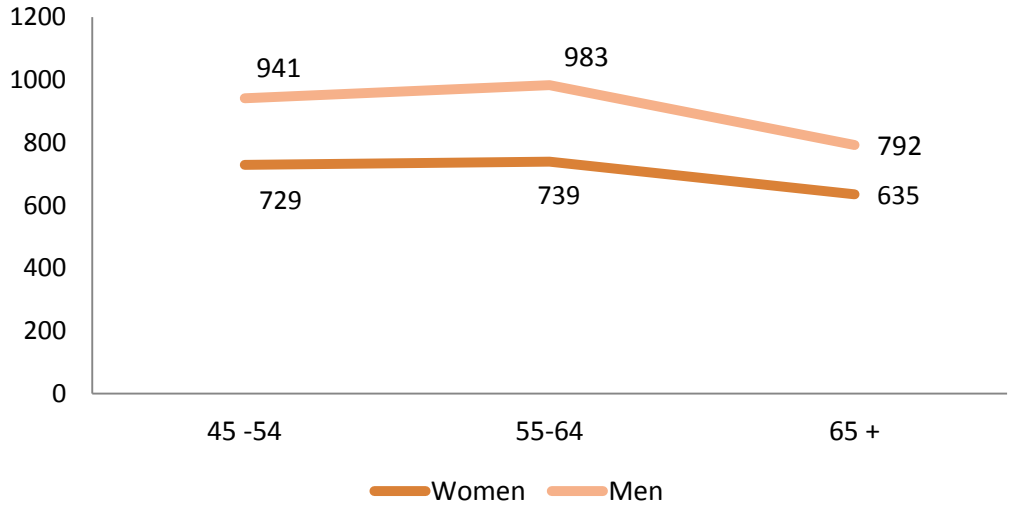
Figure 1: Median equivalised net income by age group in selected European countries (EUR, 2011)



Source: Author's calculations based on Eurostat data, 2012

Older female workers continue to experience a gender pay gap in older ages and women beyond age 55 receive significantly less income than men.[4] Figure 2 illustrates this situation for female full time workers in the USA: The women workers' weekly income decreases from 729 US$ at age 45-54 to 635 at age 65+. This corresponds to a decrease from 941 US$ to 792 US$ for male workers.

Figure2: USA: Median weekly earning of full time workers by age and gender, USD, 2010



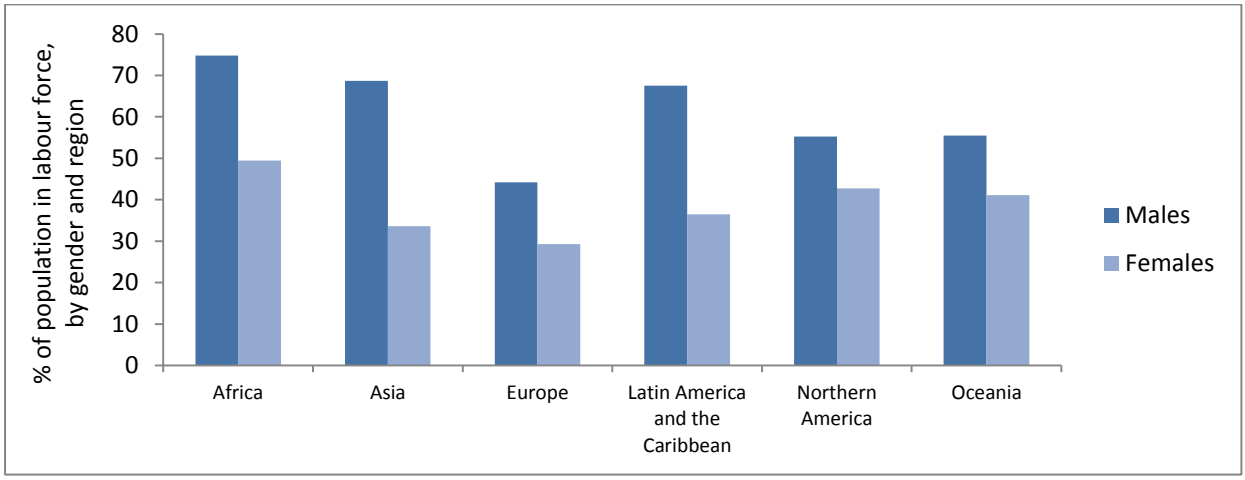
Source: Bureau of Labour Statistics,2012

[4] ILO (2010), Women in Labour Markets: Measuring Progress and Identifying Challenges, pp. 11-23.

The trend of decreasing income of older workers appears side by side to the trend of low labour force participation of the older age cohort. (Figure 3) Globally, labour force participation of older workers of both sexes is unequally distributed across and within countries: It reaches around 45 percent in Europe where it is globally lowest. Highest rates of about 75 percent are found in Africa. In some of the poorest African countries these rates exceed even 75 percent such as in Malawi, where in 2010 about 90 percent of older workers aged 65 + participated in the labour market.[5]

Gender differences can also be observed as regards labour market participation: In all regions of the world the percentage of women participating in the labour market is lower than that of men, with differences being largest in Asia.

Figure 3: Labour force participation of older (50+) workers, by gender and region, 2010



Source: Author's calculation based on ILO Laborsta data, 2012

These data are pointing to the fact that

- In all regions workers aged 50+ need and wish to work and generate income
- In many countries, the income of older female workers is significantly lower than that of older men
- 50+ aged workers in Europe seem to be challenged by higher barriers to enter labour markets than in other regions of the world.

In some European countries, (early) retirement regulations are forcing older workers out of the labour markets by terminating formal work at a certain age through legislation; in compensation for loss of wages, frequently income support through old age pensions is provided, which is not the case in other regions of the world. In these regions, older workers continue to work since they cannot afford to retire: Figure 4 shows that labour force participation of people aged 65 + is highest in countries where only small shares of the older population receive pensions, and vice versa. High labour market participation is thus associated with a lack of access to old age pensions for older workers. Related evidence is most visible in African countries as opposed to OECD countries.

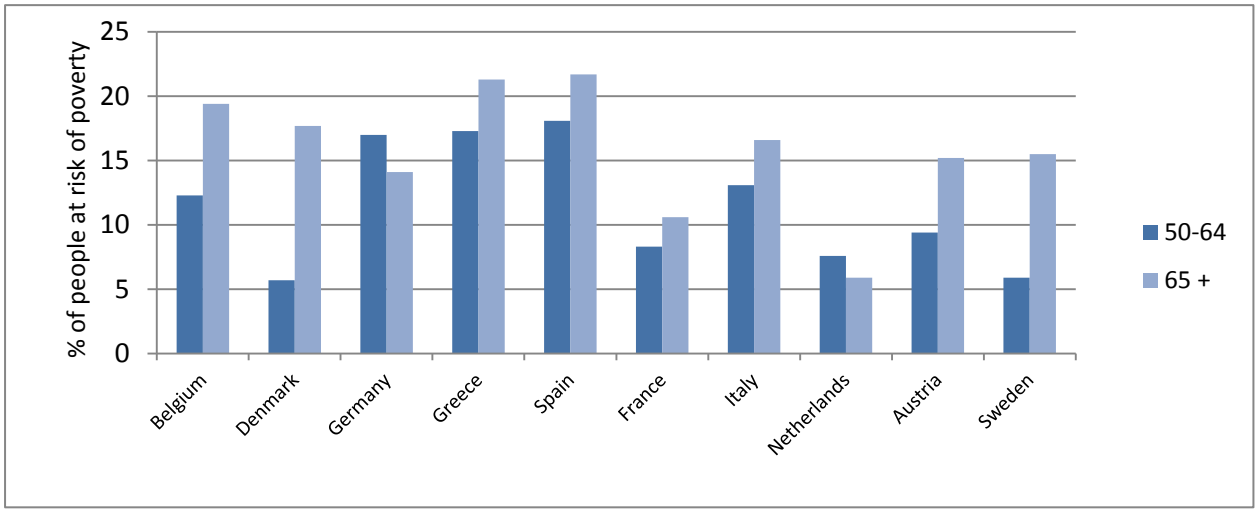
[5]ILO Labousta 2012.

However, even in European countries where we find globally highest coverage rates of old age pensions[6], poverty is one of the main threats of older persons and can be considered as a key driver for seeking work. Figure 5 shows the higher vulnerability of older people: In most of the selected European countries the risk of falling into poverty increases with age. This risk is highest in Spain and Greece and increases most significantly with age for people in Denmark.

Figure 4: Persons above retirement age receiving pensions and labour force participation of the population aged 65 +

Source: ILO (2010), World Social Security Report, p. 50.

Figure 5: The risk of falling into poverty by age cohort



Source: Author's calculations based on Eurostat data, 2012

[6]ILO, World Social Security Report, 2010

3. Health challenges: Impacts on work and income

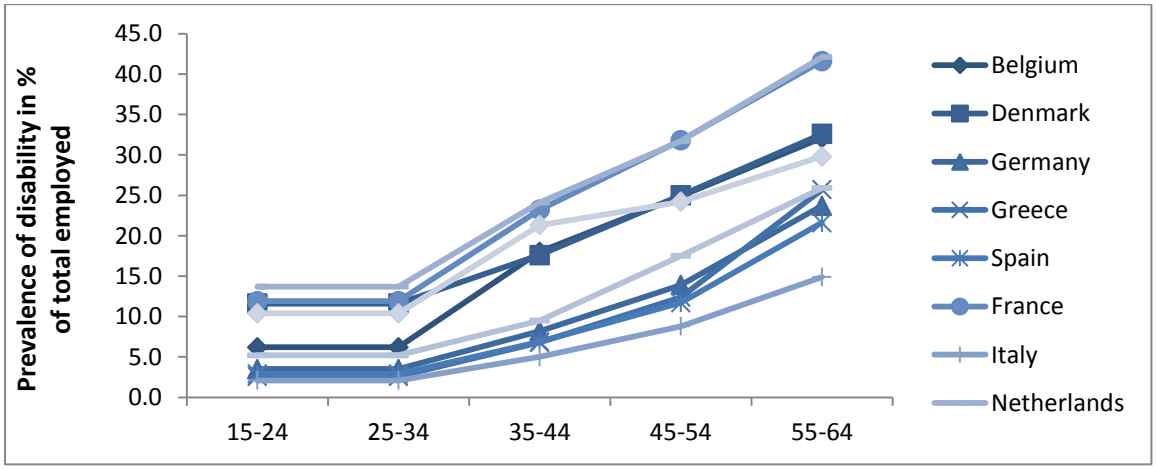
a. Impacts on work

How many older workers are concerned by health challenges and how does it impact on work and income? We will address this question using evidence from longer-term disability and short term absenteeism for paid sick leave of older workers.

Evidence on long-term disability of older workers

Figure 6 shows that in the selected European countries disability rates of workers aged 55 to 65 range between 15 percent in Italy and 40 in France as compared to about 9 and 32 respectively in the younger cohort of 45 to 54 year old employees. However, these figures should be interpreted with caution. It is most likely that the significant differences across the countries reflect issues beyond the health status given the relative comparable health status of the population across these countries. Such differences might derive from policies and assessment methods of disability, that provide incentives/disincentives to report disability, criteria governing the granting of disability benefits, generosity of benefit levels, and even economic cycles whereby e.g. in times of recessions lower rates of ill health among workers can be observed due to the fear of job loss.[7] Thus, only a general trend that a certain percentage of older workers is less healthy than the younger age cohorts can be confirmed.

Figure 6: Prevalence of disability among the employed in selected European countries, by age group, 2002



Source: Author's calculations based on Eurostat 2012

How does disability of those concerned impact on continued employment?

In Germany

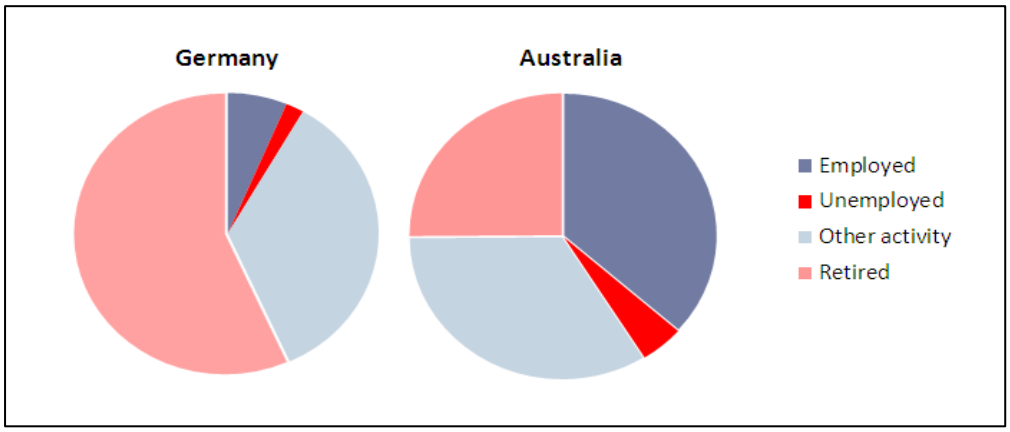
- Only 7 percent of former disability benefit recipients are still employed two years after exiting the benefit
- 2 percent are unemployed

[7] Scheil-Adlung, X., Can the European Elderly afford long-term care

- More than two thirds are either retired or engaged in other activities than work.

Similar trends on different levels can be observed in Australia, where about 40 percent of ex-disability beneficiaries are employed and 5 percent are unemployed two years after exit from the benefit. (Figure 7) Again, related information should be interpreted as a trend only since it might be influenced by e.g. labour market and disability policies, disability scheme design as well as macro-economic impacts. However, evidence points to the fact that the employment status of disability beneficiaries cannot be considered as sustainable and frequently results in retirement or other activities than employment. Related trends are confirmed for all OECD countries.[8]

Figure 7: Labour force status of disability beneficiaries two years after exiting the benefit

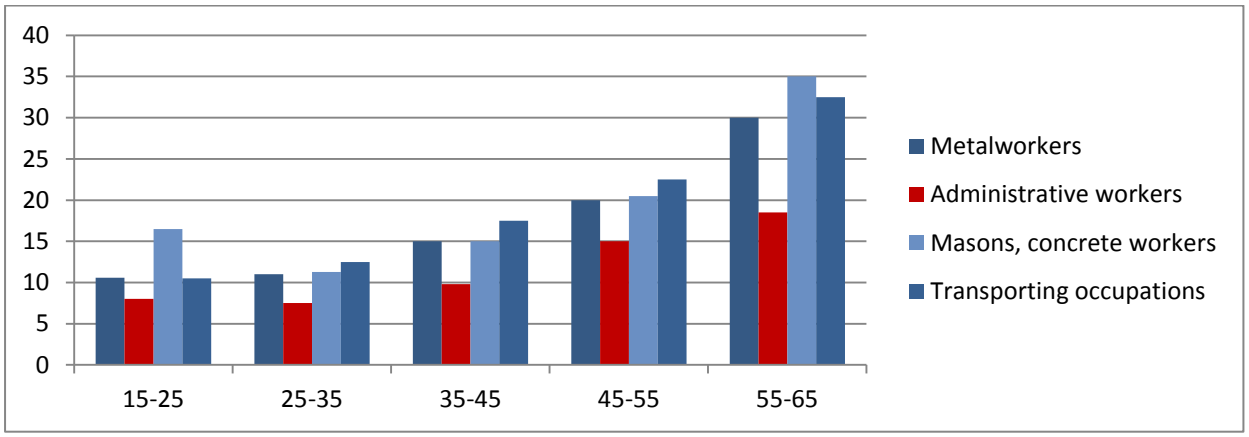


Source: OECD, Employment Outlook 2009, p. 231.

Evidence on short term absenteeism of older workers

Which evidence exists on short-term absenteeism of older workers due to ill health? While younger workers are more likely to take frequently short periods of sick leave, the total average time spent on sick leave increases with age: In Germany workers in the construction sector aged 15-25 spent on average 17 days on sick leave while workers aged 55-65 in the same economic sector are absent for about 35 days due to ill health. This compares to 8 and 19 days respectively for administrative workers. (Figure 8)

Figure 8: Total days of sick leave by age and selected professions, Germany, 2010

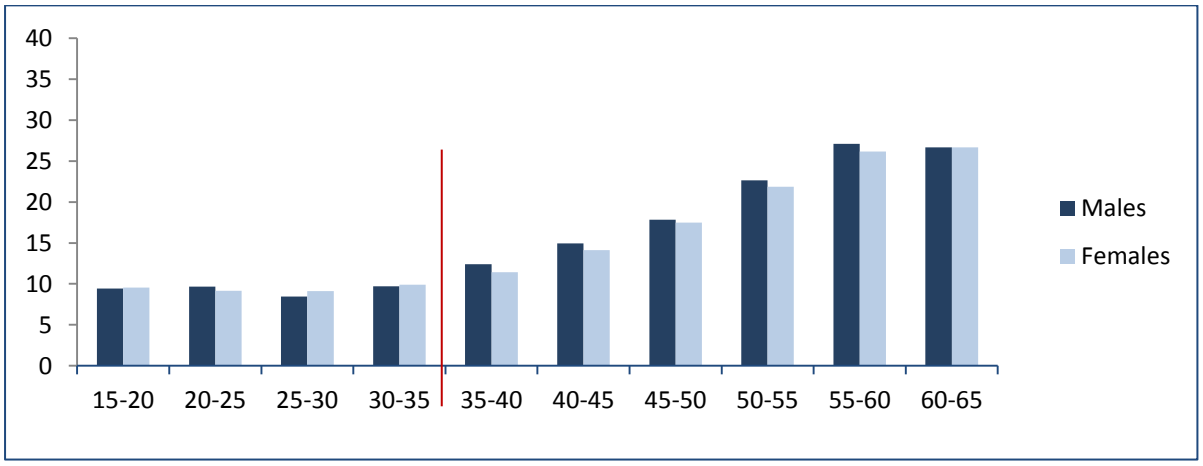


Source: BKK Gesundheitsreport 2011, p. 103-104.

[8] OECD (2009), Economic Outlook 2009, pp. 211-238.

Thus, while absenteeism increases with age, there are significant differences by profession and economic sector. It is not surprising that older workers in sectors demanding more physical labour are more likely to experience an increase in sick leave days as compared to workers in other sectors. Further differentiating the data with regard to gender reveals that from age 35 onwards men spend on average more days on sick leave than women. (Figure 9)

Figure 9: Total days of sick leave by age group and sex, Germany, 2010



Source: BKK Gesundheitsreport 2011, p. 41.

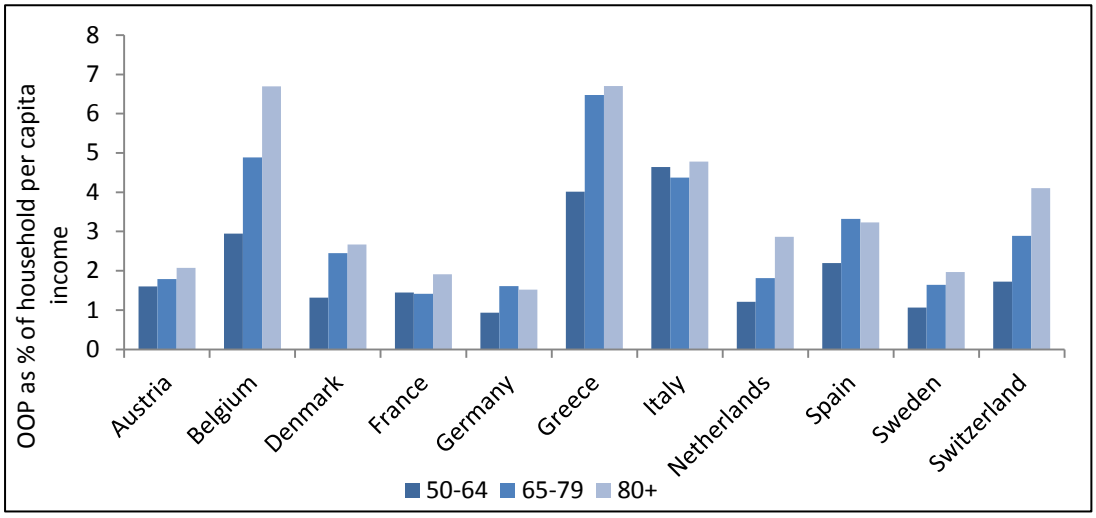
The evidence suggests that older workers are often in a less favourable socio-economic situation than younger workers. Further, they more often experience health challenges both long-term disability and short term diseases. The differentiation by profession and gender showed that specific groups of older workers are more vulnerable than others and these groups are particularly in need of affordable health care.

b. Impacts on income

What are the impacts of the health challenges observed on the income of older workers? Besides job loss, forced retirement and reduced income due to part time work, private health care costs are most significantly impacting on workers' income. The reasons are that in many countries social health protection systems do not provide adequate financial protection for older persons. Constraint benefit packages that require co-payments, user fees for needed treatments or medicines are particularly burdening the vulnerable and those suffering from chronic diseases. Related out-of pocket payments (OOP), i.e. payments that have to be made at the point of service delivery, might reach significant percentages of up to 7 percent of total household income of the elderly and further increase with age.[9] (Figure 10) In addition, the high monetary burden caused by gaps in financial protection results in inequitable access to health care.

[9] Scheil-Adlung, X, J. Bonan (2012), Can the European elderly afford the financial burden of health and long-term care? Assessing impacts and policy implications, ILO, Geneva, pp. 25 & 29-32.

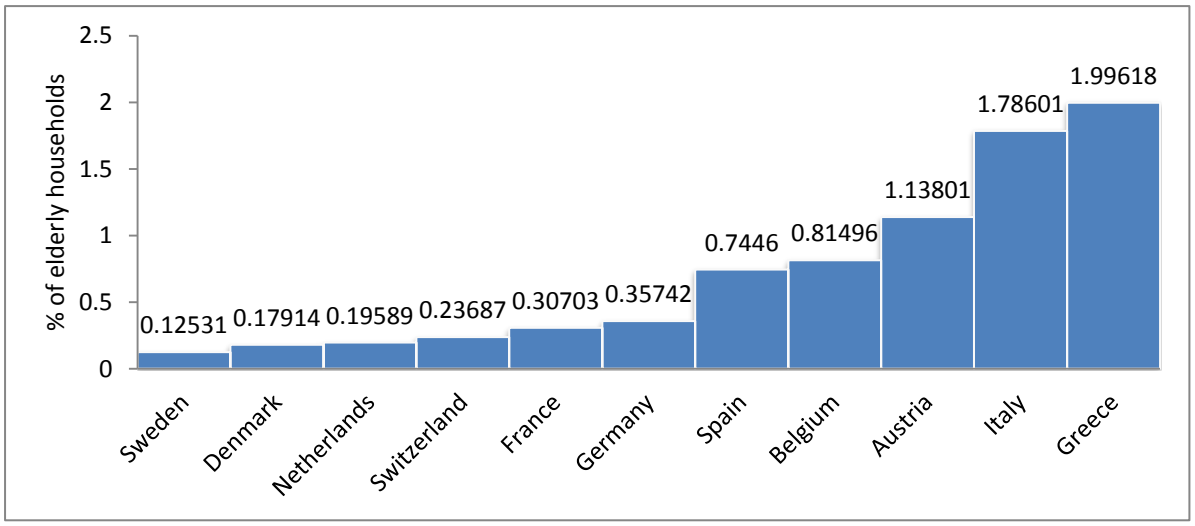
Figure 10: Out-of-pocket payments in % of household per capita income by age



Source: Scheil-Adlung & Bonan, 2012, p. 25.

In some cases the share of household income that has to be paid for service delivery in the form of OOP expenditures exceeds even the household annual gross income and thus results in financial ruin of older workers. (Figure 10) This phenomenon is observed in most European countries, however to a different extent. While in Greece and Italy nearly 2 percent of all elderly households with at least one member aged over 50 years are affected, more than 0.5 to 1 percent of elderly households are concerned in countries such as Austria, Belgium and Spain whereas less than 0.5 percent are impoverished by health care costs e.g in Germany, France, Switzerland and the Netherlands.[10] Reasons for these financial impacts are either due to very low household income or very high OOP expenditures. In both cases gaps in income support and financial protection for older workers results in catastrophic OOP expenditures.

Figure 10: Share of elderly households paying more than 100% of household annual gross income for health care



Source: Scheil-Adlung & Bonan, 2012, p. 18.

[10] Scheil-Adlung, X, J. Bonan (2012), Can the European elderly afford the financial burden of health and long-term care? Assessing impacts and policy implications, ILO, Geneva, p. 18.

4. Improving the situation of older workers through coherent and inclusive policy approaches

Key health challenges of older workers are based on

- **Barriers to participate in the labour market due to uncoordinated disability, old age pension and labour market policies**, particularly for women
- **Reduction and loss of income for workers aged 50 +**
- **Increased rates of disability and disease** as compared to younger workers impacting on the ability to work and income, particularly for physically demanding work
- **Gaps in financial protection of private health expenditure**

Against this background a coherent and inclusive policy response is required that addresses the different dimensions causing the disadvantageous status quo of older workers in terms of lack of access to paid work, income and financial protection of private health expenditure. Thus,

- **Employment barriers** need to be reduced through adequate policies that allow higher labour market participation for older workers which are willing and able to work
- **Policy coherence** across sectors should be achieved e.g. between with labour market and social protection policies
- **Coverage and financial protection** of older workers in social health protection need to be increased
- **Income support** e.g. through old age pensions, social assistance and others should be envisaged to address the vulnerability of older workers.

Labour market policies should aim at decent work for older workers and, particularly in developing countries, facilitate the transition from informal to formal labour markets as well as social protection coverage. In addition, income support measures for older workers should guarantee basic income security that allows older workers to access at least essential services and goods such as medicines. In order to increase equitable access to health care, effective access to affordable health care benefit packages should be provided. They should be designed with a view to address specific health conditions of older workers and minimized OOP expenditures. Disability and retirement policies that result in exclusion of productive older workers from the labour market should be reconsidered.

The Social Protection Floor (SPF) approach defined in ILO Recommendation concerning National Social Protection Floors (No. 202) addresses the above issues in a comprehensive way. The SPF approach emphasises that social security policies – including social health protection – are in line with economic and labour market policies and thus highlights the need for policy coherence across sectors.

The approach is based on a multidimensional definition of needs and poverty and includes guarantees of

- Universal access to essential and affordable social services e.g. in the area of health;
- Basic income security, in the form of various social transfers (in cash or in kind), such as pensions for the elderly and persons with disabilities, child benefits, income support benefits and/or employment guarantees and services for the unemployed and working poor.

Objectives of national social protection floors should be defined at the national level and in line with the following key principles:

- Entitlements based on legislation;
- Non-discrimination on any ground including age and gender
- Adequacy of benefits;
- Fair and sustainable financing;
- Coherence with social, health, economic and employment policies;
- Efficiency and effectiveness including involvement of organizations of employers, workers and others concerned
- Inclusive decision making based on national and social dialogue of all partners concerned.

Effective access to at least essential health care should be affordable, available, of adequate quality and include financial protection. Principles of equity, solidarity and social justice are basic characteristics of universal access to social health protection.

Generally, financing of Social Protection Floors is possible at any level of economic growth and can be realized through various financing mechanisms and based on taxes, contributions or premiums or a mix of these.

Monitoring is suggested as an important tool providing feedback to policy makers. It is therefore recommended to develop relevant social security data, statistics and indicators, which can be used for exchange of information and experiences on strategies, policies and practices between different countries. The development of relevant indicators for monitoring progress in the area of effective access to health care[11] should take the following elements into account:

- Population coverage defined as the proportion of the population affiliated to a scheme or system such as national health systems or social insurance schemes;
- Availability of services based on the existence of health work force, infrastructure, goods and products measured by the ILO Access Deficit Indicator[12] focusing on the density of the health work force per population;
- Affordability and financial protection, defined by the absence of financial barriers to access services (such as OOP, particularly catastrophic payments);
- Quality that is strongly linked to the availability of sufficient resources, particularly public funding.

5. Conclusion

Evidence suggests that older workers are a non-homogenous group. This is reflected in terms of health challenges and related impacts on work and income:

- The socio-economic situation of ageing workers, particularly women, is characterised by decreasing income as compared to income generated by younger workers. In Europe older

[11] Scheil-Adlung, X., Bonnet, F., Beyond legal coverage: Assessing the performance of social health protection. In: International Social Security Review, Vol 64, Issue 3, 2011

[12] ILO, Social health protection, An ILO Strategy towards universal access to health care, Geneva 2008

workers are facing particular challenges to participate in the labour market frequently due to marginalization and exclusion. For older workers, the risk of falling into poverty is significant.

- Some groups of older workers – e.g. in Germany men working in physically demanding jobs – are more likely to be hit by ill health. This is reflected in increased disability rates and take up of sick leave days. Disability is likely to result in non-continuation of prior employment and frequently leads to retirement and unemployment.
- Ill health of older workers is often linked to impoverishing private out-of-pocket payments for health care due to constraint health care benefits.

This situation can be efficiently and effectively addressed by the ILO Social Protection Floors Recommendation, 2012 (No 202). The Recommendation focuses on policy coherence between labour market and social policies and suggests universal access to needed health care and basic income support for all in need. Thus, it has the potential to increase the labour market participation of older workers if they wish and address vulnerability based on lack of income and access to health care.