

Retirement Incentives and Couples' Labour Supply Decisions

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The Brazilian population has been showing signs of major changes in the past few decades. According to the United Nations, the average age of the population in Brazil is projected to be 47.5 years by 2050, compared to 19.2 years in 1950. The length of working life has fallen over time, due to both increases in educational attainment (thus fewer younger workers) and changes in retirement behaviour (fewer older workers). In addition, it is argued that the rules and regulations of the provision of social security benefits affect older workers' retirement decisions (Wise, 2004). The combination of these three elements increases the concern for the sustainability of public social support programmes for elderly people.

The influence of social security rules on labour supply decisions, especially for couples, in developing countries is not well known. People know a great deal about male participation in the labour force in different countries around the world, but we know less about female and couples' retirement behaviour. However, the increasing female participation in the labour force implies that they are also an important part of the labour supply decision and social security problem. In a recent paper, Queiroz and Souza (2012) use Brazilian data from 1998 to 2008 and combine descriptive analysis with regression models to examine how social security financial incentives and personal characteristics affect couples' retirement behaviour.

The figure shows couples' joint participation in the labour force by husband's age in 1998 and 2008. The percentage of both spouses out of the labour force increases rapidly as the husband's age increases. The incidence of households in which only the wife is in the labour force is relatively small, but it increases for older husbands. This figure provides more evidence to support the idea of incentives to joint retirement in the Brazilian pension system, just as observed in the USA and European countries.

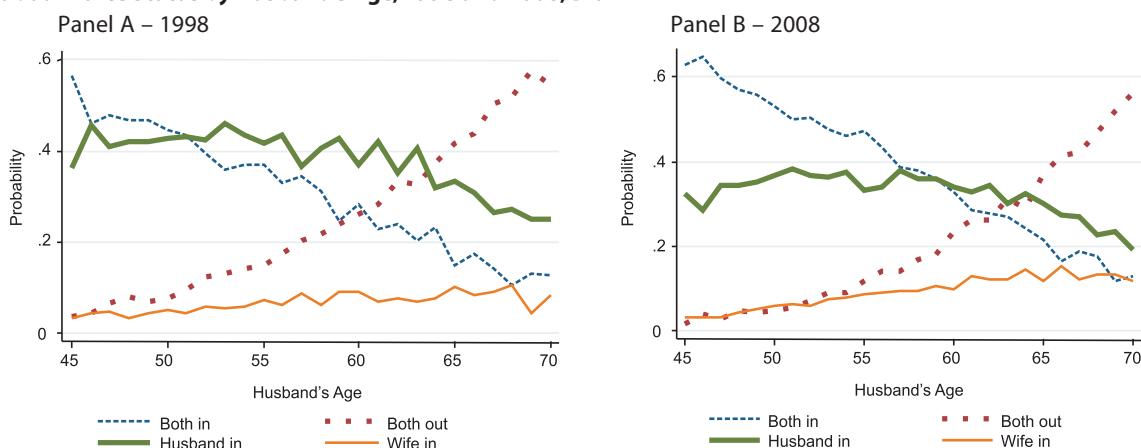
The most striking change between 1998 and 2008 is the decline in the probability of couples with only the husband in the labour force, and the decline in the probability of both spouses being out of the labour force in early ages (of the husband). Those changes might be reflecting the changes in social security regulations, especially after 1998 with the introduction of *Fator Previdenciário*—a discount factor aimed at making early retirement less attractive—and the continuous increase in the participation of married women in the labour force.

There are several important findings in the paper. First, they show evidence that the social security system in Brazil creates incentives to retirement and that they are more beneficial to the wealthier sub-population groups. Second, they observe that males and females respond in the same way to their own characteristics (specifically, age and education). Third, and more interesting, they find that husbands and wives react differently to their spouse's variables. In particular, they find that husbands respond positively to their wife's education, which measures wealth and income, but the opposite effect is negative. Finally, they observe that the effects of health status changed from 1998 to 2008, but it is necessary to further investigate the results.

References:

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Joint Labour Force Status by Husband's Age, 1998 and 2008, Brazil



Source: PNAD, 1998 and 2008.

