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Healthy enough to work longer?

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Objectivos (Objectives):

In the last decades, most of developed countries have faced a declining of the effective age of retirement; this trend has placed a considerable pressure on the financial retirement systems, which ought to be reversed. The reversion of this trend has encouraged authorities to develop policies to extend the duration of working life, including postponing the retirement age. Yet, the possibility to postpone the age of retirement obviously depends on the health status of older employees. In this context we analyse Portuguese data to determine if there are valid reasons, especially health conditions, which would allow postponing the age of retirement.

We pursue three different, although related, objectives. The first one is to estimate a "continuous" health index in order to analyse the evolution of the individual's health status along his lifetime (35-80 age range) and try to capture a health "breaking point", that, is an age at which the health index starts declining at a higher gradient. The second one is to estimate a model for the sub-population aged 50-80 years old, with the aim of comparing the individuals' health according to their retirement status. The third one is to estimate a health index for two other different groups (aged 50-65) regarding their health insurance coverage, one for the full sample and a restricted one for the ADSE group. To sum up, the health status among those who actually retired at statutory age was compared with those who might work till 70 years old.

Metodologia (Methodology):

Despite the three different purposes a similar methodological strategy has been adopted. For all, the most adequate methodological approach is the estimation of a model for ordinal data. Then, we chose to estimate an ordered probit model.

Control variables include demographic and socio-economic variables, such as age, gender, income, geographical regions, education, retirement status, etc. Additionally it includes objective measures of health such as some chronic illnesses and long duration disabilities. Our data has been drawn from the last edition of the National Health Survey (2005).

Resultados (Results):

A health index has been estimated in order to analyse the evolution of the individual's health status along life time (35-80 age range). Nevertheless, no "breaking point" has been found. We specify and estimate a latent health index using two different strategies in order to estimate the retirement effect. Firstly, we consider the whole working population versus

the retired population.We find that the retirement effect is not a significant determinant for explaining individual health condition; however, retired individuals seem to be in worse health conditions. Secondly, a health index was estimated on a sample joining two different groups, which differ in their health insurance coverage. We conclude that the two sub-populations are not statistically different.

Conclusões (Conclusions):

Our main finding is that, apparently, the retirement decision by itself does not affect health status. Conversely, the ageing process has important health costs, which must be considered by public authorities before any delaying retirement policy is adopted.