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Labor Markets and Social Security: A Study for Central America

English - Or. Español

Case studies, research, comments and other inputs for the paper are welcome, and may be submitted by email to:

Liliana Charles l.charles@ciss.org.mx or Silke Fontanot s.fontanot@ciss.org.mx

Index

	Page
I. Introduction	5
II. Labor Market for Older Adults	6
II.1 Trends in Labor Force Participation Rates for Older Adults in Central America.....	6
II.2 Characteristics of Work around Retirement Age.....	8
III. Income Sources for Older Adults	14
III.1 Social Security and Coverage for Older Adults.....	14
III.2 Income Sources for Older Adults in Central America.....	15
IV. Conclusions	18
V. References	20

Tables

I. Employment Status for Workers	9
II. Workers by Firm Size and Age Group	10
III. Economic Sector for Workers	11
IV. Importance of Secondary Job for Workers	12
V. Weekly Hours around Retirement Age	13

Figures

I. a) Labor Force Participation Rates: Men Aged 55-59, 1950-2000	6
I. b) Labor Force Participation Rates: Men Aged 60-64, 1950-2000	7
I. c) Labor Force Participation Rates: Men Aged 65+, 1950-2000	7
II. Older Workers by Firm Size	10
III. Economic Sector for Older Adults	12
IV. Income Sources for Older Adults in Costa Rica and Honduras	16
V. Older Adults Income Sources by Age Group in Costa Rica and Honduras	17
VI. Older Adults by Number of Income Sources in Costa Rica and Honduras	18

Boxes

I. Labor Market for Older Adults in Japan..... 8

Abbreviations

LFP Labor Force Participation

I. Introduction

One of the main objectives of social security programs is to provide a guarantee on an income source during old age. With the exception of a few countries in the planet, when there is an old age pension, it is, or at least should be the most important source of income for people aged 65 and over. In addition, pension income is commonly linked to health insurance which is also, in general, the main source to finance medical insurance services for retirees. To have a pension and access to health insurance may have a great impact on the individual decision to retire from the labor market.

Currently, the increase in life expectancy and quality of life after 60 has led some countries to consider the possibility of increasing the official retirement ages in order to recognize an improved work capacity and a longer duration of the benefit period. The experience of developed countries in recent years suggest that the issue is somewhat more complex than just a financial balance, since other elements such as the level of savings during their working life, the probability of early retirement through disability or unemployment insurance, and the actuarial misalignments arising when they reach the age of retirement, may also influence in the decision of retiring from the labor market, finding that persons retires early anyway.

Countries are making decisions on national legislation and the administration of social security programs, and will continue to do so in the future. The years to come are extremely significant since the decisions made will be difficult to change in next decades. Therefore, it is convenient to have a long run vision about the way policies may influence the conditions of the labor market for older adults. In any other way, policies could in the end be dictated by a sequence of cycles generated by unemployment, sector crisis and other events that can be inescapable.

In order to review what is happening in Central America, this paper describes the employment and social protection conditions of workers around the official retirement age. It does so using presentations of statistics on coverage, income sources, labor status and employment conditions of older adults, obtained from recent household surveys –made between 2001 and 2004¹--, as well as from other international databases.

The main objectives from this paper are: i) to describe trends in labor force participation (LFP) among older adults and to identify some labor characteristics, ii) to study the coverage provided by social security and to identify the main income sources of the elderly, and iii) to establish some general principles that may be followed by social security institutions when implementing such programs.

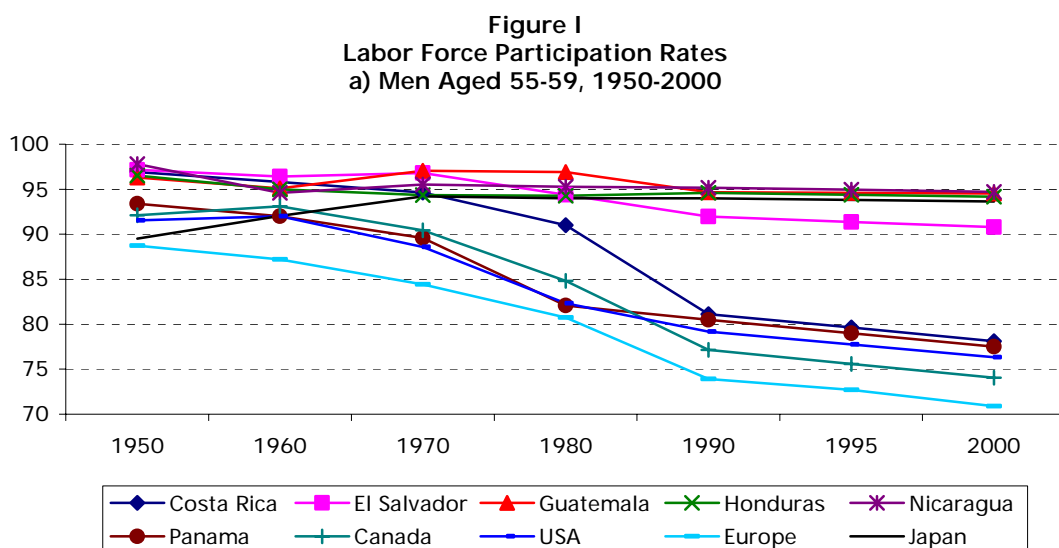
¹ Some figures and tables in this paper are based in the following household surveys: *Encuesta de Hogares de Propósitos Múltiples*, INEC, Costa Rica (2004); *Encuesta Permanente de Hogares de Propósitos Múltiples*, INE, Honduras (2004); and, *Encuesta Nacional de Hogares sobre Medición de Nivel de Vida* (EMV), INEC, Nicaragua (2001).

II. Labor Market for Older Adults

II.1 Trends in Labor Force Participation Rates for Older Adults in Central America

Since the end of the sixties until the beginning of the eighties, industrialized countries have shown a decreasing trend in the LFP rates among older adults (individuals aged 55 and over). This decline may be observed in each age sub-group.² The most significant decrease can be found among workers in the 60 to 64 age group, and for the age group 65 and over, the LFP rate in most of these countries was almost zero. This behavior, combined with the increase in life expectancy and quality of life, caused that most social security systems of these group of countries fell into crisis. Because of the reforms in national legislation and to the improvements in the administration of social security programs, in some countries the trend rolled into a halt, and in some others, such as Australia, the United States of America and Japan, the LFP rate has been even growing since the beginning of the nineties. Nevertheless as it will be seen below, even when the labor force participation rate of older adults in Central American countries has been decreasing, the levels in the year 2000 are still high compared to some developed countries, especially for older adults in the age sub-group 65 and over.

With the purpose to obtain a more detailed analysis, Figure I shows the trend of male LFP rate in three age sub-groups: panel a) shows the LFP for the age sub-group 50-59, panel b) shows the LFP for the age sub-group 60-64 and, finally, panel c) shows the LFP for the age sub-group 65 and over. This section presents only the male labor force participation, since more than 72% of older women and more than 47% of women in the age sub-group 15-54 are inactive (ILO various years).

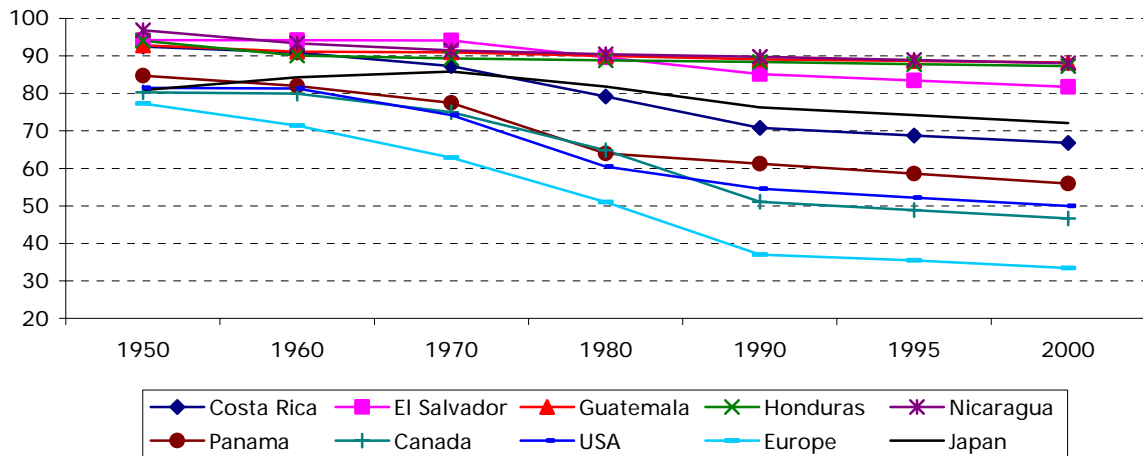


In panel a) of Figure I it is observed that in most Central American countries, the labor force participation of older adults in the age sub-group 55-59 has been relatively constant

² Three sub-groups are considered: 55-59, 60-64, and 65 and over.

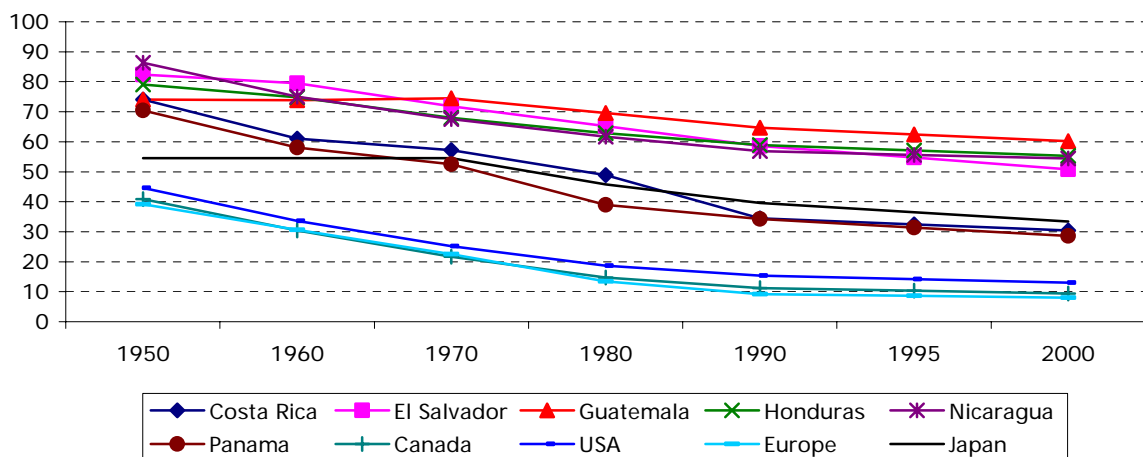
over time –about 95%-- with the exception of Costa Rica and Panama, where the LFP has fallen, reaching 80% in the year 2000.

Figure I
Labor Force Participation Rates
b) Men Aged 60-64, 1950-2000



Again, for older adults in the age sub-group 60-64, it is observed that with the exception of Costa Rica and Panama, the labor force participation has been relatively constant over time –about 90%-. In Costa Rica and Panama, the LFP trend is still decreasing. Nevertheless, the levels are considerably higher than the ones observed for the developed countries.

Figure I
Labor Force Participation Rates
c) Men Aged 65+, 1950-2000



Source: ILO, various years.

The group of older adults aged 65 and over are for particular interest, because in theory, this group of individuals should be enjoying a pension and in consequence should not be working. In panel c) of Figure I it is observed that with the exception of Japan, developed countries show low labor force participation levels. Nevertheless, in Central America, even

when LFP show a decreasing trend, the current levels in most developed countries are high – around 60%-. Even Costa Rica and Panama show a LFP near 35% in the year 2000.

In summary, it is observed that the LFP for older adults in Central America is considerably higher than the one observed for developed countries in every age sub-group. Although the LFP rate has been decreasing over time, the dimension and the levels varies across countries, excelling two trends. The first trend is the one observed for Honduras, Nicaragua, Guatemala and El Salvador, and the second, is the one observed for Costa Rica and Panama, whose LFP rate has been clearly decreasing over time, with low levels compared to the rest of the countries in the region, but still high for international standards.

Box I
Labor Market for Older Adults in Japan

In 1960, almost 70% of men aged 65-69 were participating in the labor force. By 1990, this figure had fallen to 53%, still high compared to the United States and Europe. There are various factors affecting this decline in the LFP rate, of which improvements in social security benefits is a significant factor.

Enrollment into a pension plan is compulsory to everyone in the workforce including the self-employed. The payment of pensions has little effect on the labor force participation of the self-employed, because eligibility for benefits is not linked with leaving the labor force. Although the average benefit level is low relative to the one received by salaried employees, it is granted automatically at age 65.

On the other hand, the social security benefits for the salaried employees are more significant in relation to their working income and are subject to an earnings test. The share of salaried employees in the labor force has been growing. This group is influenced more by social security policies and pensions have become more important for the retirement decisions of the older Japanese workers (in Japan, retirement usually means the separation from their primary firm in which one used to work for a long time; often, it is a transition to a part time job).

An interesting feature of the labor force participation of older persons in Japan is not only its relatively high level, but also that the long run pattern of decline has been reversed since 1998. Some attribute the high levels of labor market participation in Japan's elderly to insufficient social security benefits, but this is not a plausible factor to explain the reversal of the trend, as Japan's social security benefits have increased over time (Gruber and Wise 2004).

Next section presents some labor characteristics faced by older adults in Central America. Due to the data availability, only the cases of Costa Rica, Honduras and Nicaragua were analyzed.

II.2 Characteristics of Work around Retirement Age

Until the fifties, retiring from the labor market in the industrialized countries was something that happened at a determinant age, with low probability of receiving a pension before. Since then, several mechanisms have been developed in order to provide networks of economic protection for older adults, and some of them became potential routes for transition from labor market activity to early retirement. Nevertheless, in Central America the overview is very different, because even in Costa Rica and Panama the labor force participation rate is high compared to international standards. Therefore, this section shows some labor characteristics faced by older adults in three Central American countries, which are Costa Rica, Honduras and Nicaragua, in order to know where and in which conditions they are working and the level of the labor market flexibility. The statistics presented in this

section were elaborated with the following household surveys: *Encuesta de Hogares de Propósitos Múltiples*, Costa Rica (2004), *Encuesta Permanente de Hogares de Propósitos Múltiples*, Honduras (2004), and, *Encuesta Nacional de Hogares sobre Medición de Nivel de Vida* (EMV), Nicaragua (2001).

Occupational Category

Table I shows that in Costa Rica, Honduras and Nicaragua, the percentage of self-employed workers increases with age, and the contrary happens with the occupational category of salaried job. This is a combination of two effects. On the one hand, as workers gain human and physical or financial capital, they move to self-employment; on the other, older workers separated from their jobs may be forced into self-employment if they are unable to obtain a job in the formal sector (CISS 2005).

Table I
Employment Status for Workers
(percentage)

		Costa Rica	Honduras	Nicaragua
Salary workers ^{1/}	15-54	71.5	51.3	45.6
	55-59	53.9	27.3	24.4
	60-64	45.9	28.3	23.8
	65+	20.4	21.2	10.5
Self-employed ^{2/}	15-54	18.8	36.7	26.2
	55-59	32.1	67.3	52.6
	60-64	38.3	65.8	51.2
	65+	56.2	73.8	61.8
Other ^{3/}	15-54	9.7	12.0	28.2
	55-59	14.1	5.4	23.0
	60-64	15.8	5.9	25.0
	65+	23.3	5.0	27.7

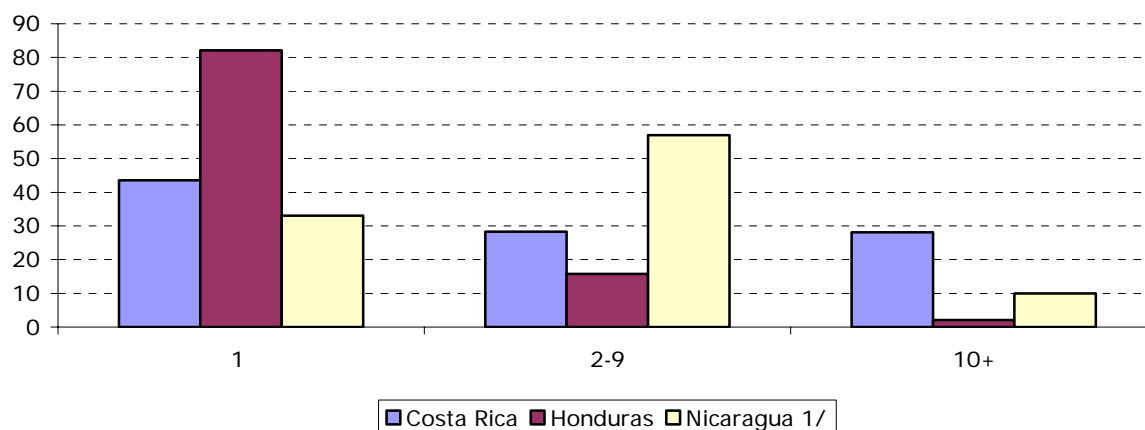
Notes: 1/In Honduras, the salaried group includes salaried individuals of the agricultural sector and some other sector. 2/In Honduras, agricultural workers are among independent workers. 3/In Costa Rica, there are the items employer or active partner, domestic worker and non-paid workers; in Honduras, within this category are only the items employer and non-paid worker. In Nicaragua there are day laborers, the employer or entrepreneur/member of a production co-operative, the non-paid worker or the non-paid family member and some others not specified.

Source: Own elaboration using data from household surveys.

Firm Size

Figure II shows the percentage of older workers aged 55 and over by firm size. It is observed that in Costa Rica and Honduras, older adults tend to be working in firms with one person, whereas in Nicaragua, around 50% of this population tends to be working in firms with 2-4 persons. One important difference between the three analyzed countries, is that in Costa Rica the categories “2-9” and “10+” comprehends a strong proportion of the group under study.

Figure II
Older Workers by Firm Size
 (percentage)



Note: 1/Because of the structure of this household survey, the firm size was calculated as follows: 1, 2-10, 11+.
Source: Own elaboration using data from household surveys.

Another issue to be considered is that if we analyze the firm size by age group, it is observed that in Honduras and Nicaragua, the younger as well as the older population tend to be working in small firms (with one employee for Honduras and with 2-9 employees for Nicaragua), meaning that there is not a great margin to decide in which firm size to work for these countries.

Table II
Workers by Firm Size and Age Group
 (percentage)

		Costa Rica	Honduras	Nicaragua ^{1/}
1	15-54	21.0	69.4	19.4
	55-59	33.9	81.2	31.6
	60-64	40.1	81.3	28.2
	65+	56.8	84.1	38.7
2-9	15-54	28.9	26.3	53.5
	55-59	26.9	16.5	54.9
	60-64	28.5	16.4	59.3
	65+	29.5	14.2	56.5
10+	15-54	50.1	4.3	27.1
	55-59	39.1	2.3	13.5
	60-64	31.4	2.3	12.5
	65+	13.7	1.8	4.8

Note: 1/Because of the structure of this household survey, the firm size was calculated as follows: 1, 2-10, 11+.
Source: Own elaboration using data from household surveys.

Economic Sector

In Table III it is observed that the importance of the rural sector grows with age. It is also observed that in Honduras and Nicaragua, this is the most important sector even for the age sub-group 15-54. This is directly linked with the results reviewed previously in section II.1, since workers in rural areas have less access to social security, making it more likely for them to keep working after age 65.

Table III
Economic Sector for Workers
(percentage)

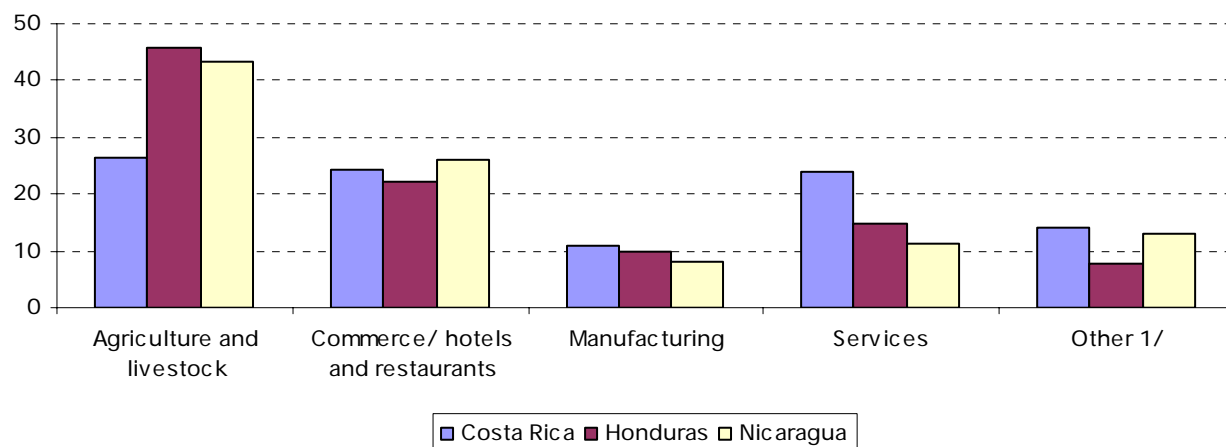
		Costa Rica	Honduras	Nicaragua
Agriculture and livestock	15-54	13.7	31.9	31.1
	55-59	19.1	39.8	33.9
	60-64	23.8	46.0	47.0
	65+	36.7	51.3	49.1
Commerce/hotels and restaurants	15-54	25.7	21.0	22.6
	55-59	23.9	25.3	29.5
	60-64	21.3	21.1	21.4
	65+	27.8	20.6	27.6
Manufacturing	15-54	14.2	17.1	12.3
	55-59	14.8	8.4	8.7
	60-64	10.2	10.0	9.5
	65+	8.2	10.8	6.3
Services	15-54	26.6	19.3	17.0
	55-59	23.5	17.9	14.7
	60-64	22.7	14.5	11.4
	65+	26.0	11.7	7.8
Other ^{1/}	15-54	19.9	10.7	17.0
	55-59	18.7	8.7	13.2
	60-64	22.0	8.5	10.7
	65+	1.2	5.7	9.2

Note: 1/In Costa Rica and Nicaragua, items are grouped as follows: mining and quarry; electricity, gas and water; building; transportation, storage and communications; and other (households with domestic service and extraterritorial organizations). In Honduras, includes mining and quarry; electricity, gas and water; building; transportation, storage and communications. In every country, each one of these items takes less than 10%.

Source: Own elaboration using data from household surveys.

Figure III shows the proportion of older workers by economic sector. In Honduras and Nicaragua, it is clearly observed that workers over 55 are concentrated in the rural sector. Nevertheless, in Costa Rica, older adults are concentrated in this sector together with the commerce/hotels and restaurants sector and the service sector.

Figure III
Economic Sector for Older Adults
 (percentage)



Note: 1/In Costa Rica and Nicaragua, items are grouped as follows: mining and quarry; electricity, gas and water; building; transportation, storage and communications; and other (households with domestic service and extraterritorial organizations). In Honduras, includes mining and quarry; electricity, gas and water; building; transportation, storage and communications. In every country, each one of these items takes less than 10%.
Source: Own elaboration using data from household surveys.

Secondary Job

Along with a major incidence of informality, countries with lower or less egalitarian distribution of income tend to have a relative high percentage of workers with one or more additional jobs. The low personal income levels and the lack of support by social programs combine to make older workers in these countries to look for an additional job. This is needed to help them to sustain their consumption, and in some cases, the one of their dependents. This problem is more serious in rural areas.

Table IV shows that in each analyzed country, there is an increase in the percentage of workers with two or more jobs when moving from the 15-54 to 55-59 age group. Honduras shows the most dramatic change and, in fact, 53.74% of the older adult population lives in rural areas.

Table IV
Importance of Secondary Job for Workers
 (percentage)

	Costa Rica	Honduras	Nicaragua
15-54	5.6	20.2	8.4
55-59	5.9	31.4	11.7
60-64	4.5	25.9	10.6
65+	1.5	25.9	8.2

Source: Own elaboration using data from household surveys.

Working Hours

The experience of developed countries suggests that increasingly more full-time workers do the transition to retirement through a part-time job. An increase in the importance of the part-time job for workers aged 55 and over was observed since the end of the eighties

and the beginning of the nineties. For Central American countries, the evidence is not so clear, mainly due to the lack of jobs with this characteristic, and to the low payment offered.

Table V shows that the differences between the 15-54 and 55-59 age groups are less than 7% for the three analyzed countries, and for most of the individuals under study, working hours are maintained even over the age 65.

Table V
Weekly Hours around Retirement Age
(percentage)

		Costa Rica	Honduras	Nicaragua
1-20	15-54	9.5	11.4	9.4
	55-59	14.5	14.3	12.6
	60-64	18.0	19.7	7.6
	65+	32.0	21.6	16.4
21-39	15-54	17.3	10.8	17.5
	55-59	21.7	11.3	17.4
	60-64	16.3	15.2	25.4
	65+	21.8	21.9	28.3
40+	15-54	79.8	71.3	73.1
	55-59	74.3	64.0	70.0
	60-64	66.7	63.9	67.0
	65+	46.1	56.6	55.3

Source: Own elaboration using data from household surveys.

Underemployment

As mentioned in the previous sub-section, most older adults keep working full time in the three analyzed countries, and a important proportion of them keep working full time even after they are 65 years old. Nevertheless, it has to be considered that persons aged 55 or older who work full time for a payment less than the minimum wage –invisible underemployment—represent 11.5% of occupied older adults in Costa Rica and 34.91% in Honduras.³ In addition, if we analyze the 15-54 age group, it is found that the invisible underemployment represent 10.35% for occupied workers aged 15-54 in Costa Rica and 30.96% in Honduras, meaning that the differences between the analyzed age groups are small.

On the other hand, it is interesting to deepen in the causes of partial work for this group of individuals. It was found that for workers aged 55 and over, the proportion of persons who want to work more hours but do not do it because they can not find additional job –visible underemployment—represent 5.6% of older occupied workers in Costa Rica, 5.2% in Honduras, and 6.6% in Nicaragua. In addition, it was found that older adults who want to work more hours but do not do it because of health reasons represent 2.56% of older occupied adults in the first, only 0.21% in the second, and 2.06% in the third analyzed country. For individuals aged 15-54, the percentage of persons working under the concept of visible underemployment represent 13.61% for occupied persons aged 15-54 in Costa Rica, 7.42% in Honduras, and 5.3% in Nicaragua.

³ This information couldn't be obtained for Nicaragua.

III. Income Sources for Older Adults

Older adults may deal with several obstacles for finding employment as the result of their own aging process, and the consequent decrease of their working capacities. In fact, some older adults are forced to retire by national laws, and some others retire because of health conditions. However, as soon as these individuals conclude their economically active life, and thus the possibility of receiving an income from labor, they gradually have to rely on their own life savings and available social resources.

Typically, three main income sources are widely observed for this specific population group, which are social programs, individual savings, and family transfers.

In relation to social programs, the most important are the social security programs, developed at the beginning of the 20th Century. The main purpose of these programs was to alleviate, through a guarantee of an income flow, the consumption needs of older adults, whose aging process affects their working capacities, and thus reduces their need from work. Two major programs can be distinguished. On the one hand, there are the contributive programs, created as to provide a monetary income source at old age as the substitution of income from labor. On the other, there are the non-contributive or supplemental programs, created as a tool to alleviate poverty.

The main feature of non-contributive or supplemental programs is their financing mechanism, which relies on general taxes and does not depend on previous labor participation, in contrast to contributive programs. Thus, the purpose of these programs is to cover those devoid of sufficient protection. The amounts granted in this kind of programs are small relative to the level of pensions from contributive programs, since the purpose of non-contributive programs is only to guarantee a minimum level of consumption.

Most of the existing social security programs in the American Continent were created in the first half of the 20th Century, being mainly contributive. Many of these systems were fragmented, focused on specific targets and groups of population. Although most of these systems have evolved and expanded their coverage, and some others, such as Argentina, Brazil, Cuba, Chile and Uruguay have solved the problem of fragmentation (CISS 2005), vulnerable groups of society, such as older adults, still remain uncovered.

III.1 Social Security and Coverage for Older Adults

As mentioned before, one of the main objectives of social security is to provide a guarantee on a source of income during old age. In most developed countries, these programs tend to be universal and extremely generous, such that it is not worth for older adults to stay in the labor market. Nevertheless, in Central America, the overview is highly different, since the coverage is far away from being universal.

Costa Rica was the first country of the region in establishing its social security systems, following Panama, Guatemala, El Salvador, Nicaragua and Honduras (Mesa-Lago 1985; Mesa-Lago and Bertranou 1998). Panama's social security system outstands for being

the most unified of the region, since there is only one program that covers all workers in the private and public sectors; there are also voluntary programs for supplementary pensions (CISS 2005).

In addition to being the first country in the region in establishing its social security systems, Costa Rica provides since 1974 a non-contributory pension to poor sectors, based on income tests and the availability of resources, covering according to the 2004 household survey, 12.6% of the population aged 65 and over, whereas contributive pensions covers 36.6% of this population (Rofman 2005). On the other hand, we could not find sufficient evidence which supports the existence of non-contributive programs in countries as Honduras, being that this country invests most resources in educational and reconstruction programs. Contributive pensions covers 14.5% of older adults aged 65 and over in El Salvador, 11.3% in Guatemala, 5.8% in Honduras and 4.7% in Nicaragua (Rofman 2005; *Encuesta Permanente de Hogares de Propósitos Múltiples 2004*).

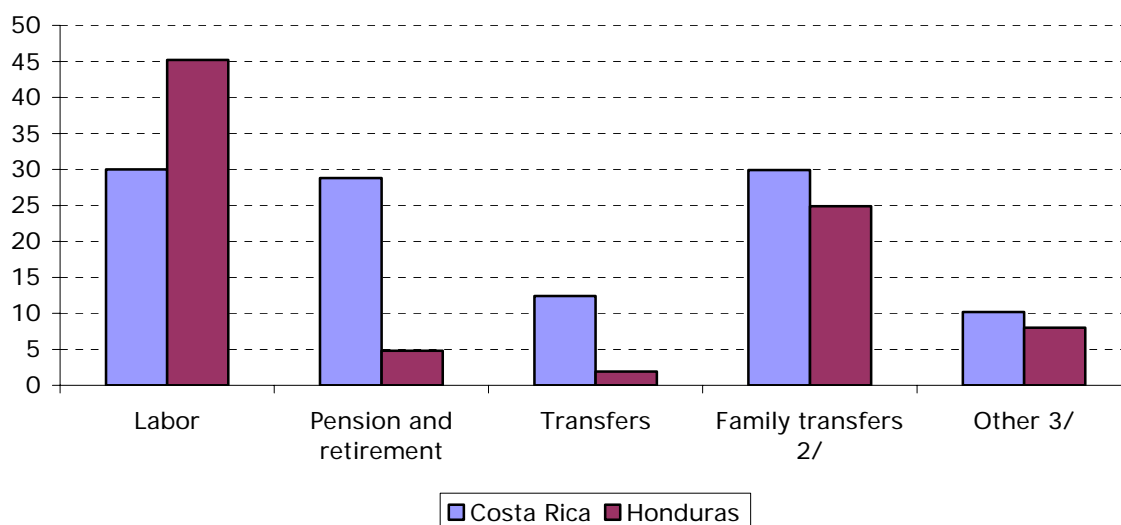
Due to the data availability, next sub-section shows the income sources for older adults in Costa Rica and Honduras. The statistics presented in its tables and figures were calculated with the household surveys previously mentioned.

III.2 Income Sources for Older Adults in Central America

The previous section established that a high proportion of older adults still remain uncovered by social security benefits. The purpose of this section is to identify the main income sources that older adults receive in Costa Rica and Honduras.

Figure IV shows the percent of older adults who receive income from labor, family transfers, social security programs or other income sources, such as income from assets and foreign income. It is observed that in Costa Rica, 30% or around of older adults are receiving by the year 2004 labor income, income from pensions, and family transfers. Nevertheless, in Honduras the most important income sources are labor income and family transfers, since the income from pensions or from social transfers covers 5% or less of older adults.

Figure IV
Income Sources for Older Adults in Costa Rica and Honduras^{1/}
 (percentage)

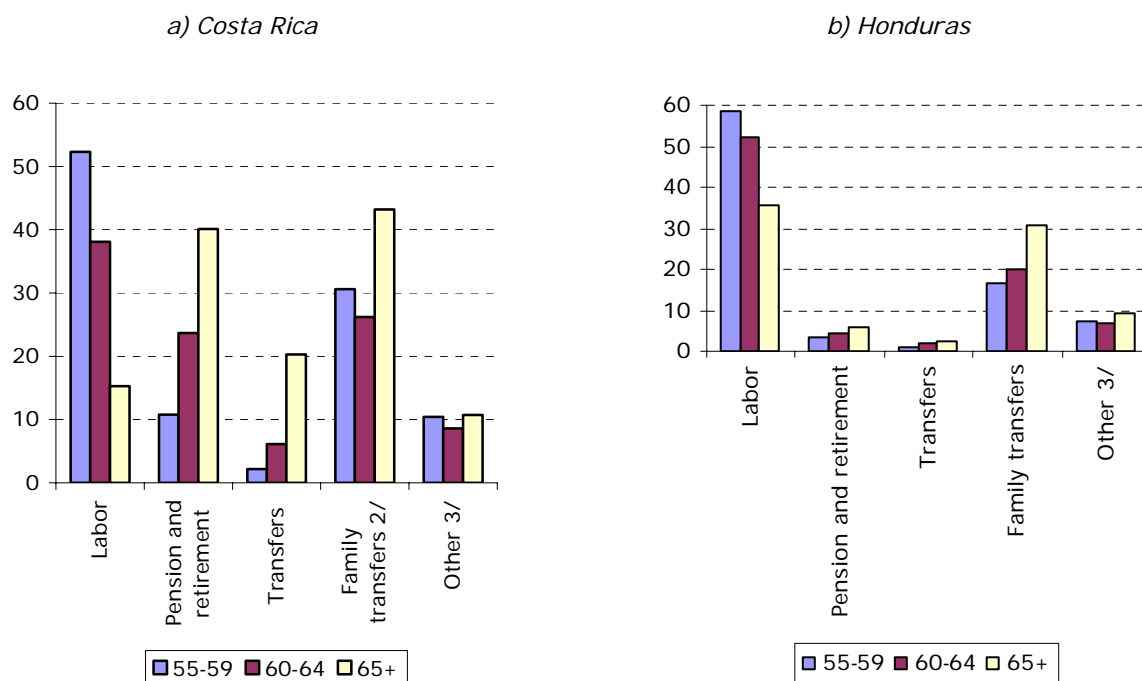


Notes: 1/The percentages are not exclusive between them, i.e., older adults may be receiving two or more income sources. 2/In Costa Rica correspond to the percentage of older adults who report not receiving any individual income source and live from the family income they live with. 3/In Costa Rica includes income from investments and other cash transfers. In Honduras includes income from renting, bank interests, and income from abroad, bonus and other not specified concepts.

Source: Own elaboration using data from household surveys.

Figure V shows the importance of income sources in every age-cohort, as well as its variations between cohorts. Panel a) shows that in Costa Rica, labor income becomes less important in older age-cohorts, whereas income from pensions as well as income from transfers in general becomes imperative. The proportion of older adults receiving other income is around 10%. On the other hand, panel b) shows that in Honduras, labor income and family transfers constitute the most important source of economic protection of older adults. In contrast, the rest of the income sources considered account for less than 10% of older adults.

Figure V
Older Adults Income Sources by Age Group in Costa Rica and Honduras^{1/}
 (percentage)

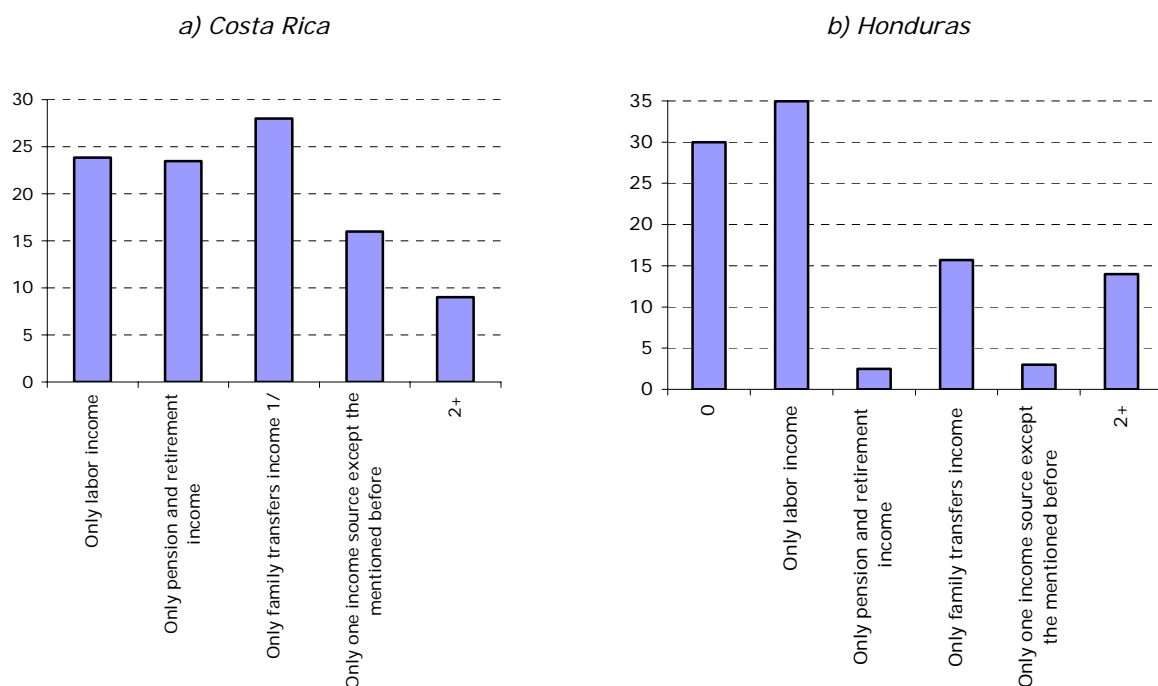


Notes: 1/The percentages are not exclusive between them, this is, older adults may be receiving two or more income sources. 2/In Costa Rica correspond to the percentage of older adults who report not receiving any individual income source and live from the family income they live with. 3/In Costa Rica includes income from investments and other cash transfers. In Honduras includes income from renting, bank interests, and income from abroad, bonus and other not specified concepts.

Source: Own elaboration using data from household surveys.

Figure VI shows the proportion of older adults by number of income sources. Primary, it is observed that 24% of older adults in Costa Rica and 35% in Honduras report as the only income source to have labor income. Also, it is observed that in both countries, an important percentage of the population aged 55 years and over receives family transfer income as the only income source, representing 28% in Costa Rica and 16% in Honduras. Nevertheless, it is observed that in Honduras 30% of older adults have answered to receive non individual income source. Therefore, when considering this value as in kind family transfers, the proportion of older adults receiving family transfers would be 46%.

Figure VI
Older Adults by Number of Income Sources in Costa Rica and Honduras
 (percentage)



Note: 1/In Costa Rica correspond to the percentage of older adults who report not receiving any individual income source and live from the family income they live with.
Source: Own elaboration using data from household surveys.

On the other hand, it is observed that 23.5% of the population aged 55 years and over in Costa Rica and 2.5% in Honduras receive as their only income source income from pension and retirement. Previously, it has been mentioned that the category “Pension and retirement” covers 28.8% of older adults in Costa Rica and only 5% in Honduras, meaning that from the persons receiving income from pension and retirement, only 81.6% in Costa Rica and 50% in Honduras receive it as their only income source. Therefore, it is important to analyze the causes of having other income sources than the one received from pension and retirement, since having more than one income source may be due by the one hand to the insufficiency of the amounts, but on the other, it can be due to a job preference in the case of labor income.

IV. Conclusions

Some countries of Central America have considered the possibility of rising the official retirement age due to the increase in the expectancy and quality of life of older adults. In developed countries, the sudden fall in the labor force participation rate before the official age of retirement has been important to make the decision to implement an increase in the official retirement age, and also to consider other mechanisms to encourage older adults to stay in the labor market. Nevertheless, the overview in Central America is very different.

Although the labor force participation rate of older adults in the region has diminished during the last four decades, by the year 2000 it is observed than in some countries like Honduras, Nicaragua, Guatemala and El Salvador, it is higher than 50%.

Therefore, we investigated about some labor characteristics for older adults in three Central American countries, being the group of older adults aged 65 and over for particular interest, because in theory, this group of individuals should be enjoying a pension and in consequence should not be working. It was found that people aged 65 and over generally work as self-employed, in small firms and in the rural sector. Some of them have to take additional jobs that help them to keep their consumption and, in some cases, the one of their dependents. Regarding to the working hours, it was observed that an important percentage of persons aged 65 and over still works full time. Nevertheless, in contrast to the developed countries, it was found that a considerable percentage of older workers takes jobs with a payment less than the minimum wage, meaning that this persons work because of a necessity and not because they enjoy to do so. In addition, we found that some older workers who work part time want to work more hours but do not do it because they do not find additional job, and not because the desire of enjoying other activities rather than the job that emerges as individuals become wealthier.

On the other hand, it was observed that for Costa Rica and Panama –countries that show lower LFP rates of older adults in the region—there are wider social protection networks. Nevertheless, it was found that in spite of existing non-contributive pension programs in Costa Rica, the coverage is still low.

Therefore, it was obtained that even for Costa Rica, the family transfers and the participation in the labor market are indispensable tools for guarantying an adequate income during old age for some older adults.

These results show that in Central America it should be recognized that the problem goes further than the simple increase in the official retirement age, since the main preoccupation of countries should be the lack of coverage for one of the most vulnerable groups of the population, that are older adults. This problem strengthens when finding that the overview for next older adult generations is not going to be very different as the one observed for current older adult generations.

Since the evidence show that the non-contributive pensions represent a strong tool for increasing coverage, we recommend that those countries who have not implemented this kind of programs do it, and those who already have them, should preoccupy in assigning in a better way the resources, and in finding new methods for amplifying coverage both, vertically and horizontally.

In addition, in this paper it became clear that the family plays an important roll in the income sources for older adults. Therefore, the debates in public politics may consider this variable when taking decisions.

It also became evident that a high majority of older adults keep working. Therefore, social security should be in charge of offering acceptable working conditions or at least of monitoring the working places where this population is concentrated to guarantee them some protection.

Finally, the debates in public politics should take into account the well being of the children, since the social protection of older adults depends growingly on investing in children.

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