

## **Employment and Household Income Dynamics among the Elderly in Russia, 2000-2012: Insights from Longitudinal Data**

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Russia provides an interesting context for studying the labor market experiences of the elderly because of its experience with market transition, its looming growth in the elderly dependency ratio, its low retirement age (55 for women and 60 for men) and its unusual pension policies that do not penalize pensioners for working (Buckley and Donahue 2000; Velkoff and Kinsella 2000; Chandler 2004). Reform of the pension system has been a topic of perennial discussion in policymaking circles (Sinyavskaya 2005; Fornero and Forrareesi 2007), yet no fundamental reforms have been enacted.

In a previous study (Gerber and Radl 2013) we use data from twenty cross-sectional surveys of the Russian population conducted from February 1991 to November 2007 to analyze the labor market participation and earnings of elderly Russians, defined as those who have reached pension age (55 for women and 60 for men). We find that economic desperation, exacerbated by low pension levels, pushed some elderly to seek employment for income on the labor market. Elderly Russians with more education had more opportunities to work, and education differentials increased as market reforms progressed. The correlates of earnings operate similarly for retirement- and pre-retirement age Russians, with several exceptions: unobserved factors favoring employment are negatively associated with earnings for the elderly, occupation mediates most of the effects of education, and patterns of change over time differ somewhat. Elderly Russians are not disproportionately blocked from employment following market reforms. Following the initial transition shock, their labor market activity increased. Overall, both push and pull factors shape the employment and earnings of the elderly, affecting different segments of them.

We are now preparing a follow-up paper for presentation at the 2014 PAA that extends this analysis in several important ways:

- 1) It brings the period covered by the analysis through 2012. The prior study only examined data through 2007, which prevented us from assessing whether the 2008 global recession (which affected Russia) influenced the labor market participation and earnings of the elderly disproportionately. While there is a growing body of empirical literature about the fortunes of the elderly on the labor market in Russia during the 1990s (Bridger and Kay 1996; Kolev and Pascal 2002; Tchernina and Tchernin 2002; Cherkashina 2011), when the country was undergoing the tribulations of market transition, there are far fewer studies of the 2000s, a period when market reforms had been consolidated, political stability returned, and economic growth resumed (except for during the 2008-2009 global recession.) Moreover, most of the existing literature relies on descriptive empirics rather than statistical models.
- 2) It uses a prospective household panel study, the Russian Longitudinal Monitoring Survey (described below), to analyze exit from and entry to employment, examine the interplay between household income/poverty dynamics and labor market participation by the elderly, and examine job mobility on the part of working pensioners. Because the previous study relied on pooled cross-sectional data sets with somewhat limited measures of individual and

household characteristics, there were several key questions that could not be addressed empirically:

- What individual, household, and contextual variables (characterizing time and space) affect the rates at which the elderly exit employment and (re-)enter employment?
- How do factors such as personal health, alcohol consumption, the health of family members, religious orientation, and changes in household composition affect the employment exit and entry rates of the elderly?
- To what extent does employment of elderly household members bring their households out of poverty?
- How is employment related to self-reported happiness for the elderly?
- How important a factor is household income from other sources in shaping pensioners' decisions about whether to enter or leave employment?
- How frequently do the elderly change jobs after they reach retirement age, and do they tend to change jobs directly or do they more typically do so after taking spells out of the labor force?

By addressing these questions, we will obtain a significantly more comprehensive picture of the role that paid employment plays in providing for the well-being of elderly Russians and their households.

3) We will also analyze hours worked by the elderly using data from four waves of the European Social Survey (2006-2012). By distinguishing part-time from full-time employment we will obtain a more nuanced understanding of whether the elderly in Russian tend to gradually reduce their labor supply after reaching retirement age (as is typical in many countries) or simply choose between continuing full time work and withdrawing from the labor force.

## **Data and Methods**

We will use waves 9-19 (conducted about annually from 2000 through 2011) of the Russian Longitudinal Monitoring Survey, a household panel survey with extensive measures of labor supply and household economic well being. The data contains the information necessary to estimate richly specified discrete-time hazard models of employment entry and exit, controlling for the competing risk of death or migration. The survey is a dwelling-based panel. Some households who leave a dwelling between waves are followed up at their new dwellings. We postulate that elderly Russians who change residence permanently are unlikely to work following migration, a hypothesis we can test with the data available from households who are followed after moves. We can also calculate equivalized household income from all sources at each wave and use that to classify households as poor or non-poor using the official poverty rates (the Russian government uses a threshold measure of poverty, indexed to household size and composition, similar to that used in the United States). They also include measures of self-reported health, alcohol consumption, and subjective well-being (happiness) for all household members. We have obtained the RLMS and are currently preparing it for these analyses.

We will also use 2006, 2008, 2010, and 2012 waves of the European Social Survey to examine the hours worked by the elderly. (The 2012 wave is scheduled to be released in October 2013).

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