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## Working More Years In Spain Has to Start from a Young Age: Lessons from the Labour Market Exit of People Aged from 50 to 65 in the Last Decade



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Since 2013, retirement age in Spain has been rising slowly from 65 to an expected 67 in 2027 and, with it, the minimum number of years of National Insurance contributions from 35 to 38. This policy is justified by sustainability of the social security system since the number of older people is increasing faster than the number of contributors. However, the policy has been criticised for not taking into account the diversity of working lives. The labour market and social construction of work differ with occupations and with gender, thus creating pluralities of working lives. Hence, the ways of leaving the labour market should take this diversity into account. Since the present wholesale policy of equally postponing retirement age for everyone overlooks the actual state of retirements, the aim of this study is to ascertain who has retired earlier or later in the last decade, the causes of exits from the labour market, and the repercussions on the number of years of National Insurance contributions. Premature exits from the labour market of people aged between 50 and 65 during the decade from 2010 to 2020 are analysed using data from the Continuous Sample of Working Lives (CSWL) taken from Spanish Social Security records. These are people who were born between 1945 and 1954. The results show that women work later than men, that people in Routine occupations tend to leave the labour market early, and that the number of years worked between the ages of 50 and 59 are a good predictor of prolongation of working life after the age of 60, although there are differences between the sexes.

## A universal retirement policy without knowing who is retiring

In the last decade, several European countries have opted to delay retirement age in response to rising life expectancy and concerns about sustainability of the social security system, which is financed by contributions made by participants in the labour market. If the number of elderly people rises faster than that of contributors, the sustainability of the system may be jeopardised. It would seem logical, then, to extend working life as life expectancy increases in order to sustain the social security system. If the focus is on working life expectancy, which is to say the number of years a person is expected to work in a lifetime, several studies have provided evidence that people in lower-skilled manual jobs have a lower working life expectancy than more highly qualified people in non-manual jobs. In Spain, in 2004, working life expectancy at the age of 15 was 38 years for men and 33 for women, but this situation was affected not long afterwards by the economic crisis of 2007, so that the post-crisis working life expectancy dropped to 29 and 25 years for men and women respectively, with more negative repercussions among people in lower-skilled manual occupational categories (Dudel et al., 2018). Working life expectancy is susceptible to changes in the market and can easily vary from one year to the next.

The wholesale delay in retirement age can perpetuate existing socioeconomic inequalities in working life expectancy and, moreover, extend them to the mechanisms for decent conditions of retirement. Before imposing a catch-all policy, it is important to know the age at which people retire, and why they retire, as well as identifying the people who are easily able to give up work at the present legal retirement age. This study for *Perspectives Demogràfiques* focuses on the experience of people who have retired in the last ten years.

Data from the Continuous Sample of Working Lives (CSWL) taken from Spanish Social Security from 2004 to 2020 is used to inquire into the participation of people in the labour market over the last fifteen years of their working lives and the circumstances of their early exit therefrom. The focus is on people who turned 65 at any point between 2010 and 2019 (the birth cohort of 1945 to 1954) and their participation in the labour market between their fiftieth and sixty-fifth or sixty-sixth birthdays (the period covering the years from 1995 to 2020, depending on the year of birth) is retrospectively

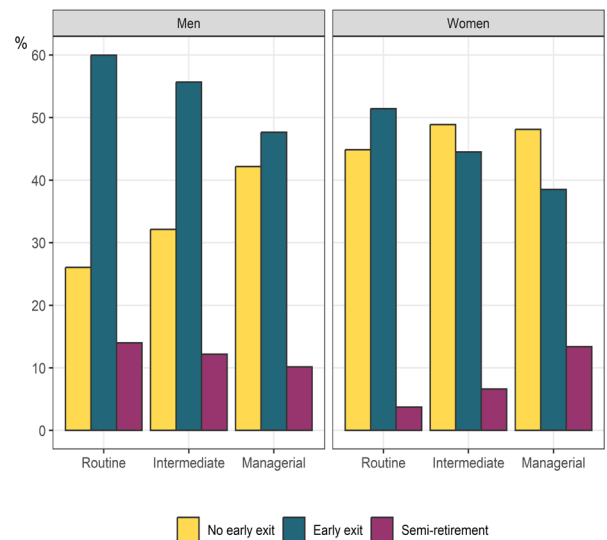
observed. The CSWL is an administrative register that makes it possible to identify exits from the labour market and their causes, including retirement, semi-retirement, death, or receipt of a disability allowance. It also shows the last contact with social security. For example, if after the age of 65, no contributory retirement pension is observed, and the last contact with social security was in previous years owing to an unemployment benefit, then it may be assumed that this person left the labour market prematurely after a period of unemployment and without having obtained a contributory retirement pension.

## Premature exits from the labour market

People registered in the CSWL are those who are still in contact with social security, which is to say that they have a longer presence in the labour market than those who are working in the informal labour market, or are not paying contributions, or others who are mainly engaged in unpaid work. Even so, in this group of people with a strong attachment to the labor market, it is found that 52.2% leave the labour market before turning 65, and 10.1% go into semi-retirement between 61 and 65 years of age. By gender, differences also appear since more men (55.5%) than women (45.5%) leave the labour market prematurely, with women working later.

Figure 1 shows that 60% of men in the lowest occupational category (Routine) make an early exit, compared to 48% of men in the highest occupational category (Managerial). Among women, the gap between the occupational categories is 12 percentage points (51% versus 39%). The big difference that appears is that a greater percentage of women work later than men, regardless of the occupational category.

The numbers in Figure 1 show that there is a significant percentage of men (10-14%) who opt for semi-retirement or, in other words, they work part-time during the years prior to full retirement, while also receiving a portion of their retirement pension. The percentage of women in the three occupational categories who take this option is lower, between 4% and 13%.



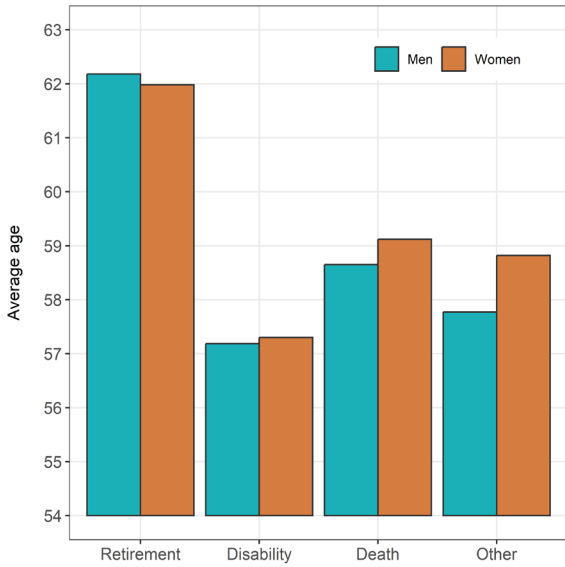
**Figure 1.** Percentage of exits from the labor market by occupational category. Men and women aged from 50 to 65.

**Source:** Author on the basis of the Continuous Sample of Working Lives (CSWL), from 2004 to 2020.

## Causes of exit from the labour market

Whether one leaves the labour market or not is one thing, but how the exit is made is quite another. In the case of early exits, 51% occur through contributory retirement, 26% through occupational disability, while 17% leave the labour market without any contributory benefit, and 5% die before reaching legal retirement age. The average age at which people leave the labour market in terms of the exit mechanism is shown in Figure 2. The average age for exits because of occupational disability is 57 years, while the ages of exits for other reasons are 58 for men and 59 for women. Exits because of retirement tend to occur at about 62 years of age. The average age of people who die before reaching the age of 65 is 59.

These data show that the different exit mechanisms are related with various kinds of loss of working years. Leaving because of disability means losing more years of working life than when leaving on a retirement pension. Early retirement can mean a lower level of income in these years. Leaving for other reasons, for example, no relation with the labour market after a long period of unemployment or inactivity without any kind of contributory pension after the age of 65 may put people at risk of poverty during retirement ages.



**Figure 2.** Average age of exit from the labour market by cause, for men and women, observed for ages between 50 and 65 years.

**Source:** Author on the basis of the Continuous Sample of Working Lives (CSWL), from 2004 to 2020.

## Employment and its relationship with exits from the labour market

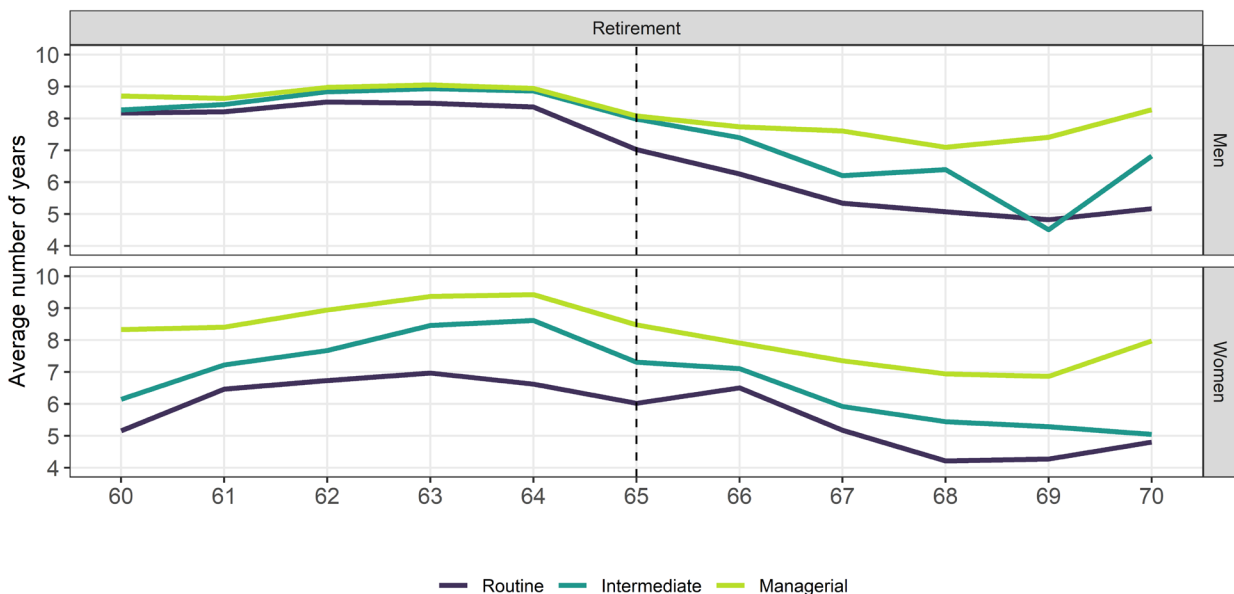
Figure 3 shows, on the vertical axis, the average number of years worked between the ages of 50 and 59 years and, on the horizontal axis, the average age of exit from the labour market due to retirement after the age of 59. In the case of women, the results clearly show that working less time between the ages of 50 and 59 is associated with a higher probability of leaving the labour market between the ages of 60 and 64.

A marked gradient between occupational categories is also observed. Women with jobs in Managerial categories work more intensively between the ages of 50 and 59, which means that they end up retiring at an age that is closer to the legal retirement age. Among men, the relationship is not so pronounced. Most men who retire between 60 and 65 years of age have worked a minimum of 8 years between the ages of 50 and 59, and this is not, therefore, a major factor in determining the age of final retirement, although men working in the Routine category of occupations tend to retire earlier.

In Figure 3, people retiring after the age of 65 represent 13% of the sample, and the figures show that they worked less years in the ages of 50 to 59 than the people who retired at ages from 60 to 65. This might be due to the fact that those who retire after the age of 65 do so with the aim of filling “gaps” in contributions.

## Delaying retirement age for everyone does not seem to be a good solution

A mosaic on the façade of the Menorcan house of one of Spain’s centenarians, Joan Riudavets, aged 114, says, “Arribar a vell, ha de venir de jove” (Getting old means starting young). Could this idea be applied to working life? Would working later mean starting young? The results of this study show that many people do not even reach the current retirement age but leave the labour market early for different reasons and,



**Figure 3.** Average number of years worked at ages from 50 to 59 (vertical axis) and average age of exit from the labour market due to retirement after the age of 59 (horizontal axis) according to occupational category.

**Source:** Author on the basis of the Continuous Sample of Working Lives (CSWL), from 2004 to 2020.

in most cases, losing between 2 and 8 years of social security contributions, an aspect that could be worrying when the baby boomer generation (born between 1956 and 1975, which will represent a higher ratio of retirees versus contributors) approaches retirement age. The reason for exit determines the number of lost years of working life and, hence, years of pension contributions. The study also shows how a longer working life before retirement is related to an exit from the labour market that is closer to the legal age of 65 years. All these results are marked by differences between the sexes and among occupational categories in which women work later than men, and people in “Routine” occupations are more likely to leave the labour market early than those in the “Managerial” group.

The results suggest that women work later because their smaller presence in the labour market at earlier ages would mean working longer to ensure the number of years necessary to achieve retirement with full benefits. The dichotomy of length of time in the labour market by sex is due to the social construction of work where women, regardless of their cohort of birth, spend more time engaged in unpaid domestic work than men, and those who are mothers are penalised in terms of both wages and entry into the labour market (Fernández Cordón, 2021). Furthermore, people classified as being in

“Routine” occupations have fewer employment possibilities than those in the “Managerial” category, and their working life expectancy is more affected by economic crises and changes in the market. With a diverse range of working lives according to occupation and gender, a one-size-fits-all policy of raising retirement age does not seem to make much sense and, in fact, would perpetuate inequalities that occur during working ages, extending them into old age, where there are also inequalities of health. Spanish data show that between 82% and 84% of life expectancy of people aged 65 is spent in poor health, with at least one health problem (Zueras & Rentería, 2020), and that more women join the labour market in the younger cohorts, but also that their working life expectancy increases in precarious jobs (Lozano & Rentería, 2019). This means that the quality of work at younger ages, and even in the fifties, might be more effective in terms of increasing contributions to the social security system than the number of years worked after the age of 60.

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