

cpb

Retirement patterns

Tilburg
April 2008

Retirement patterns in Europe and the US

Netspar Panel
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Overview

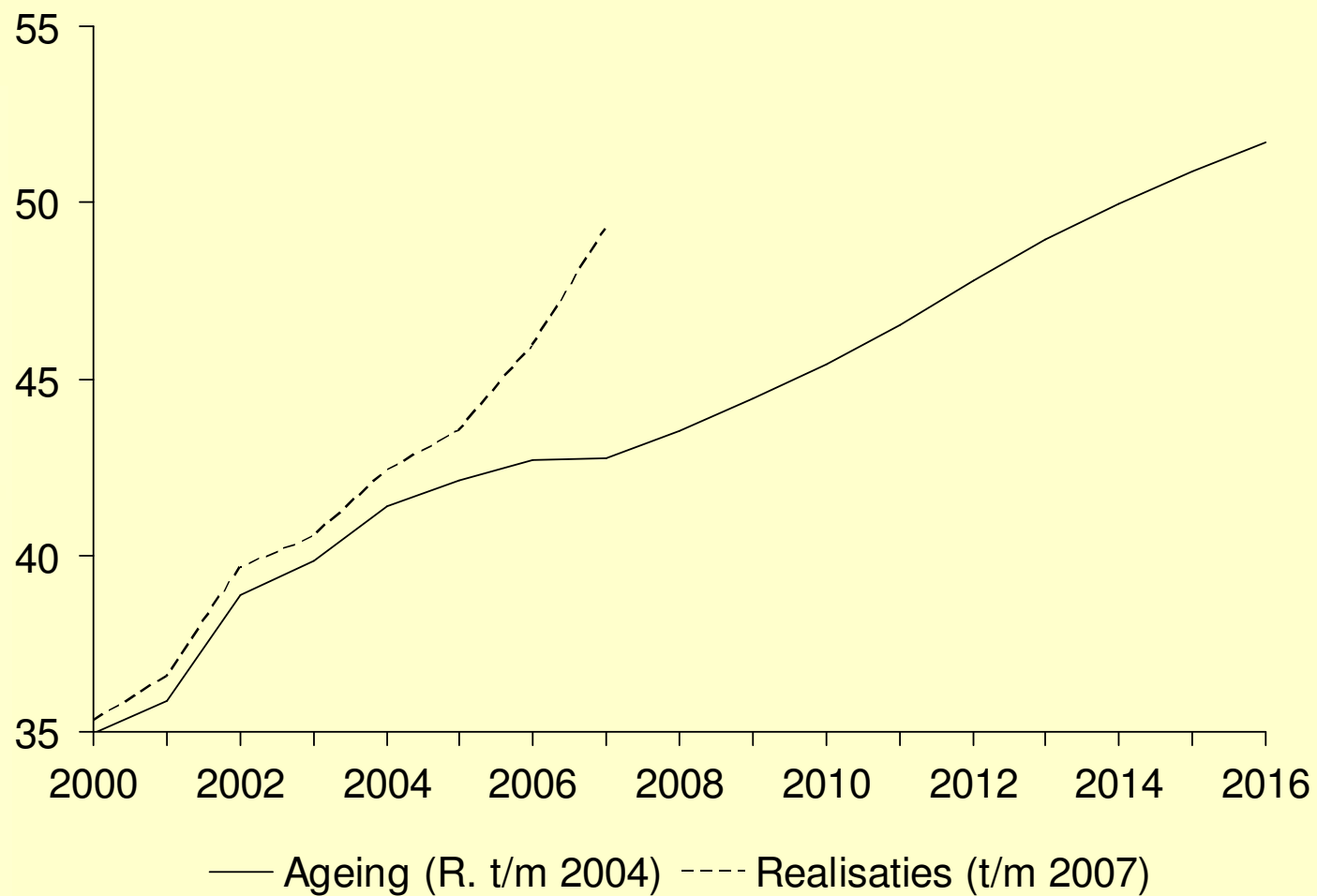
- Important for policy
- On role of health and financial incentives
- Methodology
- Still: a major puzzle remains a puzzle

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Participation 55-64



Financial incentives

- Policy: how to influence early retirement?
 - ▶ 1: income effect (wealth effect)
 - ▶ 2: price effect (substitution effect)
 - ▶ 3: 'social norms', 'interdependent preferences'

- Examples for Dutch case
 - ▶ 1: reduce pension wealth
 - ▶ 2: from VUT to prepension system
 - ▶ 3: increase normal retirement age

Methodology

- How to measure impact financial incentives?
 - ▶ macro: measurement error, endogeneity bias
 - ▶ micro: (natural) experiments!

- Still some advantages to macro approach:
 - ▶ political economy
 - ▶ role of 'social norms'
 - ▶ normal retirement age holds for almost everyone

Puzzle remains puzzle

- Health improves:
 - ▶ first order effect: life expectancy increases
 - ▶ second order effect: productivity increases

- Health and decreasing retirement age?
 - ▶ income effect must be very large!
 - ▶ 'collective arrangements' and 'social norms'