Discussion: Home production and retirement in couples: A panel data analysis

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Skepticism in public policy discussions that households are preparing adequately for retirement.

Analysis of economic preparation for retirement has relied on:

- Income and wealth (e.g. Knoef et al. 2014)
- Consumption
  - Life-cycle models of consumption- and savings behavior (e.g. Scholz et al. 2006)
  - Comparison of pre- and post-retirement consumption spending (e.g. Battistin et al. 2009)
Adequate preparation for retirement is not about income and wealth or consumption spending, but *well-being*.

- Consumption spending is a better measure of well-being than income.
- Well-being goes beyond a measure of consumption spending (Aguiar & Hurst 2005)
- Retired persons have considerably more time available than workers (non-work time).
- Retired persons may use this time to substitute for purchased goods and services: *home production*.
- Need for adequacy measures that go beyond income and consumption spending.
Retirement of one partner increases own home production, but decreases home production of the spouse.

Classical adequacy measures underestimate preparation for retirement.

Partially explains "Retirement-Consumption Puzzle."

Exploit time-use data in *German Socio-Economic Panel* (GSOEP):

- Detailed time-use information (e.g. Aguiar et al. 2013 (ATUS))
- Time-use information both spouses (e.g. Stancanelli & Van Soest 2012 (FTUS)).
- Panel structure (e.g. Colella & Van Soest 2013 (LISS)).
Identification strategy of causality between retirement and home production:

- Stancanelli & Van Soest 2012 and Bloemen et al. 2008 use RD approach (cross-section).
- RD not convincing in German case: not one unambiguous minimum eligibility age (used for robustness).
- Correcting for household specific unobserved effects should make error-term independent of retirement in time-use equation.
Time-invariant unobserved heterogeneity crucial in identification.

Both linear RE and FE models estimated. Simultaneously estimated for men and women?

Time-invariant unobserved heterogeneity correlated with regressors (e.g. retirement): need for FE.

RD approach estimated using SML. FE included?

What about *time-variant* unobserved heterogeneity? (Shocks in health, wealth, employment)
Time-use in home production activities is not the same as home production.

- Paper not explicit about this.
- In fact, households maximize \( u_i = u(c_{ik}^m, c_{ik}^h, l_{ik}) \) with \( k = m, f \).
- Home production function \( c_{ik}^h = g_{ik}(h_{ik}^h) \).
General case: Does home production allow households to keep well-being constant when facing an income-shock (e.g. market consumption)?

- Retirement assumed to be a discontinuous change in income (and time available) for home production.
- Retiring defined as moving from "working for pay" to "not working."
- Retirement may be more continuous: gradual/partial retirement (Kantarci & Van Soest 2008).
- Would we see similar time-use reactions when focusing on labor supply on the intensive margin?
Cross-effects

- Retirement increases own home production (men and women).
- Retirement decreases home production of the spouse.
- Do these effects depend on the retirement status of the spouse?
- \textit{Retired} \times \textit{Spouseretired}?
Verdict

- Relevant for the analysis of well-being.
- Well-readable, skilfully executed.
- Two approaches that are not perfect:
  - FE: time-variant unobserved effects (e.g. shocks) are relevant.
  - RD: not one unambiguous minimum eligibility age, e.g. imprecise.