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

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January 28, 2015, International Pension Workshop, Amsterdam

Motivation

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)

Motivation

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.

Contribution

- 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)).

Endogeneity

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.

Identification

- 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 versus Home production

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 $c_{ik}^h = g_{ik}(h_{ik}^h)$.

Retirement

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?
- $Retired \times Spouseretired$?

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.