

# Discussion: Cognitive functioning and retirement in Europe

Laura Bianchini and Margherita Borella

Review by Raymond Montizaan, Maastricht University

# Summary paper

- Investigating impact of retirement on cognitive functioning (word recall)
- Share dataset: longitudinal
- Convincing methodology: FE-model estimations with IV (country differences in eligibility ages for retirement)
- Main finding: Retirement has a positive effect on word recall
- Effect bigger for
  - College educated
  - Highly skilled workers
  - Individuals who spend more time on reading books

# Difficulties interpretation main results

- Mazzonna and Peracchi (2012) increased life satisfaction after retirement may increase investment in cognitive abilities. On the other hand, cognitive capital of less use after retirement
- Crucial to establish the cognitive skill types which may be affected by life satisfaction / are relevant for jobs: Retirement may also lead to a different investment pattern, but not to less / more investment.....
- Cognitive functioning only proxied by word recall. Effects bigger when people read books !!!!
- Thus be careful about the claims you make! Alternatively, add more cognitive skills as dependent variables to analyze whether a tradeoff is taking place (numeracy, fluency etc)

# Retirement system changes

- During estimation period: Retirement systems changed substantially. Although changes are exogenous to the individual, it remains the question whether these changes did affect investments in cognitive functioning?
- De Grip, Lindeboom and Montizaan (2012)
- Montizaan and Vendrik (2014)
- Substantial demotivating effects on working individuals who have to retire later. Could also explain your results. Postponement of retirement decreases life satisfaction of workers > retired people become relatively more happy > cognitive functioning

# Mechanism behind the change in word recall skills...

- Mazzonna and Peracchi (2012) increased life satisfaction after retirement may increase investment in cognitive abilities. Can be easily tested...
- Perhaps people are more concentrated on the survey (measured by the time spend on the total survey) after retirement, or feel less stressed....
- Besides life style and standard health questions (chronic disease, self-perceived health), also include mental health indicators

# Potential bias

- 1800 transitions into retirement
- But 325 individuals are excluded because they weren't consistent in recalling their retirement date
- By excluding these individuals, you exclude individuals with recalling problems in general >could also explain why you don't find the regular negative effect!
- What are their word recall scores and do results differ when you include them?

# Small comments

- Heterogeneity analyses: Interact the whole model with the variable of interest
- Also include the retirement status of the partner / health status of partner
- Retirement duration dividing into categories
- Discussion of the size of the effect. Is it economically significant (is 0,3 extra words much, and what does it imply for economically relevant outcome variables)?