Discussion of “Does consumption decrease after retirement, and for whom?”
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Modigliani’s Life Cycle Hypothesis
Euler equation of an utility maximizing consumer

> Expected discounted marginal utility of consumption is smooth

\[
E_t \left\{ \frac{(1 + r_{t+1})}{1 + \rho} \frac{\partial u(c_{t+1})}{\partial c_{t+1}} \right\} = \frac{\partial u(c_t)}{\partial c_t}.
\]
Degree of consumption smoothing around retirement?
Actual and predicted consumption growth - Demographics only
Inadequate retirement savings (unforeseen / lack of self-control)

Work related expenses

Consumption and leisure are substitutes
Increase in scope for home production- Aguiar and Hurst (2005)
The role of work-related expenses - Aguiar and Hurst (2005)
Your paper

Does a consumption puzzle exist in Israel?

> Synthetic panel on household non-durable expenditures (1997-2012)

\[ \ln C_i = \alpha + \beta \cdot Retired + X' \gamma + \varepsilon \]

> 3.5% decline in expenditures after retirement
> 12% decline for workers; 2.4% increase for non-workers
> Heterogenous effects among expenditure subcategories.
Your paper

Does the change in consumption differ between low and high consuming households

> **Workers:** Somewhat lower consumption drop among the bottom 10th and 90th percentile.

> **Non-workers:** Highest increase among the bottom half of the distribution

Are there differences between males and females?

> Similar pattern, but magnitude of the coefficients is somewhat larger for males.
How should the quantile result be interpreted?

> Safety net for low consuming households?
> Do high consuming households have substantial private retirement savings?
> Relative generous state pensions for non-workers?

> Males vs. females
> Self-employed vs. employed
What do we learn from disaggregate expenditure measures?

Generating more specific expenditure subcategories is probably more informative:

> Non-durable expenditures
> Non-durable expenditures excl. housing services
> Work-related expenditures
> Food expenditures
What are the institutional details of the pension system?

> What is the average replacement rate?
> Does the drop in disposable income differ between high and low income households?

Increase in the legal retirement age:

> 2005 65 → 66 for men; 60 → 61 for women
> 2009 66 → 67 for men; 61 → 62 for women
> When was this announced? Did pension benefits increase? Are all cohorts exposed to this reform?
Is the legal retirement age binding or do people have freedom of choice?

> You could exploit change in pension eligibility using a regression discontinuity approach (Battistin, Brugiavini, Rettore, and Weber 2009).
> Quantile treatment effects in the regression discontinuity design (Fradsen et al. 2012).
Other issues

> Estimate the same specification for all groups
  Men / Women / Total
  Working / Non-working / Total
  Consumption subcategories

> Is the number of observations in each subgroup still sufficient when you perform quantile regression.

> Table 7. Interaction of pre-retirement employment with age. Unclear how the results should be interpreted.