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Increases in well-being after transition to
retirement for unemployed.
Catching up with formerly employed persons.
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- Introduction
- Previous research
 - Scarring effects of unemployment
 - Beneficial effects of retirement
 - Negative effects of labour market inactivity
- Data
- Method
- Results
- Robustness checks
- Conclusion

- Unemployment in older age is of great concern for policy makers and individuals
- Some policies facilitate entry to retirement to withdraw older unemployed persons from the labour market
 - not any longer under pressure to fit the social norm of working
 - deprived of the benefits of employment or leave under pension deductions
- Retirement could improve well-being, but scarring effects of unemployment could extend beyond retirement

Scarring effects of unemployment

- Long-term negative effects extend well beyond a trauma and across the life course
 - Cumulative (Dis-)Advantages Theory and St. Matthew Effect (Dannefer 1987; DiPrete and Eirich 2006; Merton 1988)
 - “Objective” disadvantages: risk of future unemployment (Brandt and Hank 2014; Chauvel 2010; Ellwood 1982), downward job or income mobility (Chauvel and Schröder 2014; Gangl 2006)
 - A multitude of studies shows negative effects of unemployment for subjective well-being and physical health (e.g. Clark et al. 2001; Abolhassani and Alessie 2013; Riumallo-Herl et al. 2014)
 - Same holds for the retirement transition: involuntary or forced retirement is associated with lower SWB (Abolhassani and Alessie 2013; Bonsang and Klein 2012; Bender 2012)
- H1: Well-being in retirement of unemployed persons will be lower compared to well-being of retired, formerly employed persons

- A variety of studies confirms positive effects of retirement for subjective well-being
 - Using an Instrumental Variables approach, retirement has been found to increase financial and subjective well-being of older persons (Mokyr Horner 2014; Fonseca et al. 2014; Latif 2011)
 - Differential development of well-being for unemployed and early retirees show that transition could be an adaptive process (Pinquart and Schindler 2007, Wang 2007)
 - Hetschko et. al 2013: Significant increase in life satisfaction for employed and unemployed, though levels are lower and stay lower for unemployed
- H2: Well-being increases after transitioning to retirement of formerly unemployed persons.

Negative effects of labour market inactivity

- Economically inactive persons could be likewise affected by joblessness as unemployed: downward job or income mobility
- Inactivity could be hidden unemployment, due to institutional settings (Erlinghagen and Knuth 2010)
- Few research on subjective well-being of the inactive population
 - Negative effects for subjective well-being of disabled men and women (OECD 2008, Stam, et al. 2015)
 - Positive effects for (mostly female) homemakers compared to employed women (Mikucka 2011; Treas et al. 2011; Stam, et al. 2015)

→ Labour market inactivity is a label for a heterogeneous group, therefore no a priori assumptions

Wave 2 2006/7

(Self-)Employed
N=1460

Unemployed
N=212

Sick/Disabled
N=256

Homemaker
N=373



Wave 4 2011/12

Retired
N=2301

Wave 2 2006/7

Age 50 - 70

(Self-)Employed
N=1460

Unemployed
N=212

Sick/Disabled
N=256

Homemaker
N=373



Wave 4 2011/12

Retired
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Wave 2 2006/7

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Retired
N=2301

AT, DE, SE, NL, ES, IT, FR, DK, CH, BE, CZ, PL

Wave 2 2006/7

Wave 4 2011/12

Age 50 - 70

(Self-)Employed
N=1460

♀ 45.47%

Unemployed
N=212

♀ 52.58%

Sick/Disabled
N=256

♀ 51.66%

Homemaker
N=373

♀ 86.17%

Retired
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AT, DE, SE, NL, ES, IT, FR, DK, CH, BE, CZ, PL

Wave 2 2006/7

Wave 4 2011/12

Age 50 - 70

(Self-)Employed ♀ 45.47%
N=1460
🎓 31.30% 🎓🎓 39.46% 🎓🎓🎓 29.24%

Unemployed ♀ 52.58%
N=212
🎓 47.64% 🎓🎓 34.91% 🎓🎓🎓 17.45%

Sick/Disabled ♀ 51.66%
N=256
🎓 47.27% 🎓🎓 38.67% 🎓🎓🎓 14.06%

Homemaker ♀ 86.17%
N=373
🎓 56.57% 🎓🎓 30.29% 🎓🎓🎓 13.14%









Retired
N=2301







AT, DE, SE, NL, ES, IT, FR, DK, CH, BE, CZ, PL







Wave 2 2006/7







Wave 4 2011/12




Age 50 - 70




(Self-)Employed ♀ 45.47%
N=1460
 31.30%   39.46%    29.24%

Unemployed ♀ 52.58%
N=212
 47.64%   34.91%    17.45%




Sick/Disabled ♀ 51.66%
N=256
 47.27%   38.67%    14.06%

Homemaker ♀ 86.17%
N=373
 56.57%   30.29%    13.14%

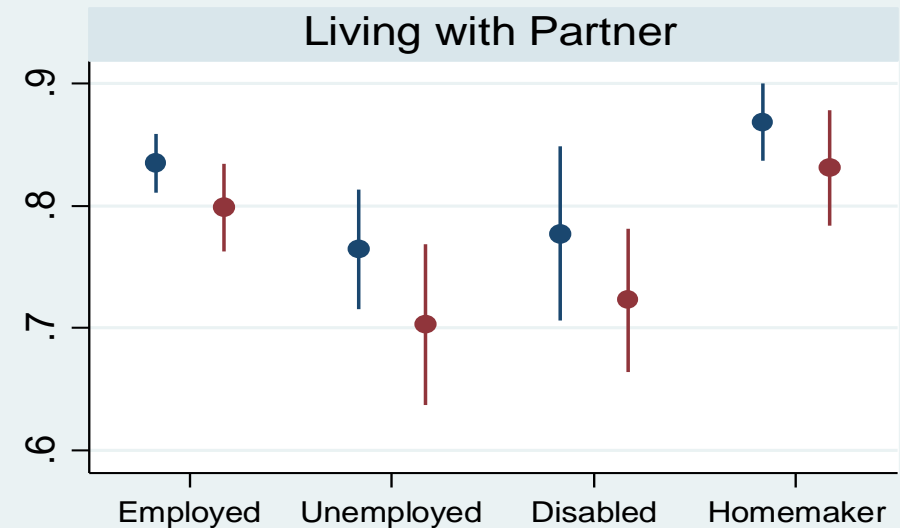
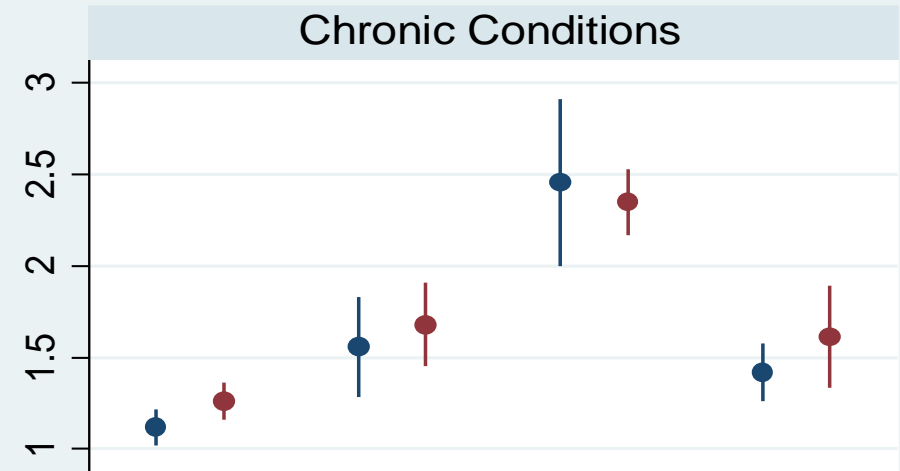
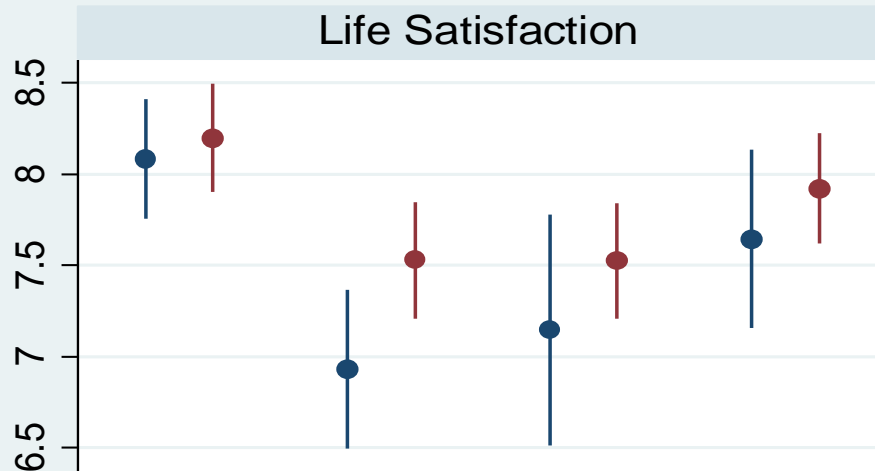
 83.42%  28.90%
 10.55%

 83.49%  10.85%
 5.66%

 95.70%  21.09%
 5.08%

 87.67%  17.69%
 5.09%

AT, DE, SE, NL, ES, IT, FR, DK, CH, BE, CZ, PL



● Wave 2 ● Wave 4

- The transition is modelled with a First Difference estimation
 - Individual level and country level differences are eliminated
 - t=0 before retirement (wave 2), t=1 after retirement (wave 4)

$$\Delta LS_i = \alpha + \beta_1 UNEM_{i,t=0} + \beta_2 DIS_{i,t=0} + \beta_3 HOME_{i,t=0} + \delta' \Delta X_i + \varepsilon' Y_i + c_j + \Delta v_i$$

- ΔLS_i : change of life satisfaction
 - $UNEM_{i,t=0}$: dummy indicate unemployment (being disabled/ homemaker) before retirement (t=0)
 - ΔX_i are time variant and Y_i are time invariant controls
 - c_j are country fixed effects and Δv_i is the individual error term
- Change over time and between statuses

$$DID = \bar{y}_{N,1} - \bar{y}_{N,0} - \bar{y}_{E,1} - \bar{y}_{E,0}$$

- Not randomized → Difference-in-Difference alike

Change in Life Satisfaction	Model 1	Model 2	Model 3	Model 4
	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)
Labour market status (Ref. employed)				
Unemployed	0.43** (0.14)		0.43** (0.14)	0.43** (0.14)
Unemployed involuntary		0.31** (0.12)		
Unemployed voluntary		0.59* (0.28)		
Permanently disabled/sick	0.26 (0.21)	0.26 (0.20)		0.26 (0.21)
Disability/sickness: due to work			0.19 (0.16)	
Disability/sickness: other			0.45 (0.37)	
Homemaker	0.25* (0.14)	0.26* (0.13)	0.25* (0.13)	
Homemaker: Voluntary				-0.13 (0.24)
Homemaker: Other				0.31* (0.14)
ΔChronic condition	-0.02 (0.04)	-0.02 (0.04)	-0.02 (0.04)	-0.03 (0.04)
ΔLog (HH wealth)	0.02 (0.03)	0.02 (0.03)	0.02 (0.03)	0.02 (0.03)
ΔLiving with partner	-0.47*** (0.15)	-0.46*** (0.15)	-0.47** (0.15)	-0.46*** (0.15)
Male	0.09* (0.04)	0.08* (0.04)	0.08* (0.04)	0.08* (0.04)
Pension (Ref. public pension)				
Occupational pension	0.14 (0.13)	0.17 (0.13)	0.14 (0.13)	0.14 (0.13)
Private pension	-0.42*** (0.12)	-0.41*** (0.12)	-0.42*** (0.12)	-0.42*** (0.12)
Education (Ref. lower education)				
Medium education	-0.25* (0.11)	-0.24** (0.11)	-0.25** (0.11)	-0.25** (0.11)
Higher education	-0.15 (0.10)	-0.14 (0.10)	-0.15 (0.10)	-0.15 (0.10)
Constant	0.24*** (0.07)	0.22*** (0.07)	0.24*** (0.07)	0.24*** (0.07)
N (R ²)	2154 (0.04)	2128 (0.04)	2154 (0.04)	2154 (0.04)

Note. ***p<0.01; **p<0.05; *p<0.10, robust standard errors clustered by country

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Note. ***p<0.01; **p<0.05; *p<0.10, robust standard errors clustered by country

- Accounting for selection with propensity score matching
- Matched on employment history until age 50 (from SHARELIFE years of unemployment, inactivity, employment), health in childhood, left job due to disability, gender, education, country, marital status

	Δ Life Satisfaction		
	ATT	S.E.	N_t/N_c
Unemployed	0.34	0.18	191/ 1276
Disability/ sickness	0.21	0.23	220/ 1276
Homemaker	0.44	0.15	312/ 1317

Notes. Bootstrapped standard errors with 100 repetitions. N_t is the number of treated and N_c the number of comparison group.

- Accounting for country variation with multilevel-like models
 - Country N too small and non-random → fixed effects regressions (Möhring 2012, 2015)
 - Intra-class correlation in zero model is 0.02 which explains half of the variation in change of life satisfaction after retirement
 - Random slope: Size of unemployment effect varies significantly by country, but same direction (except Sweden: -0.20)
 - largest: 1.02 in ES; smallest: 0.05 in BE & PL
 - No significant results for labour market inactivity
- Addressing selection into retirement (on the surface)
 - Cross-level interactions: no significant results with the inclusion of unemployment rate (age 50-64), regular retirement age and early retirement age as moderators of entering retirement

- Good news: Retirement leads to an increase in life satisfaction for formerly employed and even stronger for unemployed and homemakers
- Bad news: It might be merely a catching up effect
- Stability of increase to be verified
- Social policy implication: retirement of unemployed not the first solution
 - High could be followed by a low (Pinquart & Schindler 2007)
 - Disadvantages in income, wealth and health remain in retirement

Thank you!

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Country interactions with unemployment and labour market inactivity

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	Model I	Model II	Model III
	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)
Labour market status (Ref. employed)			
Unemployed	4.23*** (0.36)		
Permanently disabled/sick		1.38 (1.34)	
Homemaker			0.53 (0.51)
*Austria (Ref)			
*Germany	-3.38*** (0.59)	-0.84 (1.44)	-0.30 (0.55)
*Sweden	-4.43*** (0.50)	-1.20 (1.40)	-0.89 (0.73)
*Netherlands	-4.01*** (0.52)	-1.61 (1.36)	-0.65 (0.53)
*Spain	-3.20*** (1.09)	-0.55 (1.49)	-0.55 (0.68)
*Italy	-3.66*** (0.55)	-1.14 (1.49)	-0.03 (0.61)
*France	-3.95*** (0.59)	-1.29 (1.45)	-0.03 (0.63)
*Denmark	-3.66*** (0.54)	-1.54 (1.37)	-0.82 (0.60)
Switzerland	-3.59*** (0.60)	-1.48 (1.42)	-0.74 (0.59)
*Belgium	-4.18*** (0.48)	-1.21 (1.42)	0.16 (0.55)
*Czech Republic	-3.63*** (0.74)	-1.97 (1.42)	
*Poland	-4.18 (0.72)	-0.10 (1.38)	0.60 (0.91)
Country fixed effects	yes	yes	yes
Constant	0.38* (0.20)	0.34* (0.20)	0.35* (0.20)
N (R²)	1576 (0.06)	1611 (0.06)	1739 (0.04)

Note. ***p<0.01; **p<0.05; *p<0.10, robust standard errors clustered by country, includes all controls as Model 1

Macro factors interactions with unemployment



	Model IV	Model V	Model VI
	Coefficient (SE)	Coefficient (SE)	Coefficient (SE)
Unemployed (Ref. employed)	0.37 (0.36)	0.73 (4.63)	-0.29 (3.60)
Unemployment rate 50-64	-0.03 (0.04)		
Unemployed* Unemployment rate 50-64	0.01 (0.06)		
Normal retirement age		0.00 (0.05)	
Unemployed* Normal retirement age		-0.00 (0.07)	
Early retirement age			0.02 (0.05)
Unemployed* Early retirement age			0.01 (0.06)
Constant	0.65* (0.34)	0.27 (2.84)	-0.49 (3.00)
N	1576	1576	1576
R ²	0.04	0.04	0.04

Note. ***p<0.01; **p<0.05; *p<0.10, robust standard errors clustered by country, includes all control variables Model 1.