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SCHOOL OF BUSINESS, ECONOMICS AND LAW

# Spending time together?

Effects on the retirement decision from partners labour  
market status

Anders Boman  
Senior lecturer  
Department of Economics





## Background/justification

- Reports on increasing dependency ratio increasing
- People get older but also tend to retire earlier, not later, in spite of better health
- Large literature on retirement and what affects the decision
  - Health factors
  - Economic factors
  - Social/Partner factors



## Data

- We use the 4 main waves of SHARE (Waves 1, 2, 4, and 5)
  - Covers a time span from 2004-2013



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<b>Country</b>	<b>Wave 1</b>	<b>Wave 2</b>	<b>Wave 4</b>	<b>Wave 5</b>
<b>Year</b>	<b>2004/05</b>	<b>2006/07</b>	<b>2010/11</b>	<b>2013</b>
Austria	1.594	1.192	5.286	4.252
Germany	3.008	2.568	1.572	5.690
Sweden	3.053	2.745	1.951	4.531
Netherlands	2.979	2.661	2.762	4.129
Spain	2.396	2.228	3.570	6.450
Italy	2.559	2.983	3.583	4.703
France	3.193	2.968	5.857	4.445
Denmark	1.707	2.616	2.276	4.136
Greece	2.898	3.243	-	-
Switzerland	1.004	1.462	3.750	3.008
Belgium	3.827	3.169	5.300	5.614
Israel	2.598	2.464	-	2.332
Czechia	-	2.830	6.118	5.698
Poland	-	2.467	1.724	-
Ireland	-	1.134	-	-
Hungary	-	-	3.076	-
Portugal	-	-	2.080	-
Slovenia	-	-	2.756	2.948
Estonia	-	-	6.828	5,735
Luxembourg	-	-	-	1.610





## Data

- Using the 4 main waves of SHARE (Waves 1, 2, 4, and 5)
  - Covers a time span from 2004-2013
- Only analysing individuals with at least two consecutive observations.
  - Dropping Ireland, Hungary, Portugal and Luxembourg
  - Also not using Wave 5 from Israel
- Data restricted to those not already retired



## Data - definitions

- Retire = transition from *work* to *retirement*
- In survey:
  1. Retired
  2. Employed or self-employed
  3. Unemployed
  4. Permanently sick or disabled
  5. Homemaker
  97. Other (specify)



## Data - definitions

- Retire = transition from *work* to *retirement*
- In survey: going from  
    "    2. Employed or self-employed" to "1. Retired"
- This means we only look at those actually working at the time they are first observed.



## Data - definitions

- There are other possible definitions of retirement but our definition reflects the personal assessment of the situation.
- Closer to the individual decision.
- We also look at alternative definitions
  - Transition from *non-retirement* to *retirement*
  - Transition from *work* to *non-work*





## Results

- In a first specification we include
  - Demographic variables (age, gender, family information)
  - Education
  - Range of health variables (diagnoses, smoking, BMI, etc)
  - Country and wave
  - Hours worked
  - Marital status



## Results

- We find (among other things):
  - Demography matters
  - Education almost matters
  - Self-rated health matters, but objective measures of health do not.
  - Spouse labour market attachment matters



VARIABLES	Full sample
Age	0.2118*** (0.013)
Age squared	-0.0015*** (0.000)
Male	-0.0159** (0.007)
Foreign born	-0.0359*** (0.012)
Number of children	-0.0128*** (0.003)
Number of grandchildren	0.0040** (0.002)
Mother alive	-0.0049 (0.006)
Father alive	-0.0010 (0.009)



Low education	-0.0014
	(0.008)
Higher education	-0.0138*
	(0.007)
Self-rated Health = 1	-0.0244**
	(0.010)
Self-rated Health = 2	-0.0164**
	(0.007)
Self-rated Health = 4	0.0307***
	(0.010)
Self-rated Health = 5	0.0185
	(0.023)



Married - Partner is Working	0.0389**
	(0.017)
Married - Partner is Retired	0.0675***
	(0.018)
Married - Partner is Unemployed	0.0363
	(0.024)
Married - Partner is Sick or Disabled	0.0492**
	(0.024)
Married - Partner is Homemaker	0.0578***
	(0.020)
Divorced	0.0148
	(0.019)
Widowed	0.0470**
	(0.020)



## Results

- In a second specification we add
  - Economic variables (income decile, expected replacement rate)
  - Distance to retirement age
  - Type of job



## Results

- In a second specification we add
  - Economic variables (income decile, expected replacement rate)
  - Distance to retirement age
  - Type of job
- Some additional effects found
  - Income decile not important to decision to retire
  - Expected replacement rate matters
  - Type of job sometimes matters (physically demanding)
- No major changes in partner effects



	<u>First</u>	<u>Second</u>
Married - Partner is Working	0.0389**	0.0339*
	(0.017)	(0.017)
Married - Partner is Retired	0.0675***	0.0674***
	(0.018)	(0.018)
Married - Partner is Unemployed	0.0363	0.0349
	(0.024)	(0.026)
Married - Partner is Sick or Disabled	0.0492**	0.0594**
	(0.024)	(0.024)
Married - Partner is Homemaker	0.0578***	0.0565***
	(0.020)	(0.021)
Divorced	0.0148	0.0184
	(0.019)	(0.018)
Widowed	0.0470**	0.0509**
	(0.020)	(0.020)





## Results

- However, men and women might well differ
  - In labour market situation
  - In labour market expectations
  - In traditions
- We split the data by gender and reestimate the last model
- Some differences emerge



## Results

- The effect of age is not statistically significant for men
- Men and women differ in the effects of distance to retirement age, women appear more sensitive
- Men and women differ in the effects of expected replacement rate, women appear more sensitive



	<u>All</u>	<u>Men</u>	<u>Women</u>
Married - Partner is Working	0.0339*	0.0365	0.0246
	(0.017)	(0.030)	(0.020)
Married - Partner is Retired	0.0674***	0.0760**	0.0585***
	(0.018)	(0.032)	(0.020)
Married - Partner is Unemployed	0.0349	0.0227	0.0260
	(0.026)	(0.041)	(0.033)
Married - Partner is Sick or Disabled	0.0594**	0.0578	0.0431
	(0.024)	(0.039)	(0.031)
Married - Partner is Homemaker	0.0565***	0.0405	0.0890
	(0.021)	(0.032)	(0.103)
Divorced	0.0184	0.0017	0.0168
	(0.018)	(0.033)	(0.020)
Widowed	0.0509**	0.0971**	0.0197
	(0.020)	(0.038)	(0.023)



## Results

- Now only having a retired partner remains statistically significant for both men and women
- Being a widower appears to be (positively) correlated with the probability of retirement, but this is not true for women.



## Conclusions

- Who you are (personal characteristics) matters also for the transition from work into retirement, not just for the state variable of being retired.
- Also, what your partner does matters
  - It is important to separate partners labour market status beyond "working" and "not working"
- Many of these partner effects change when we distinguish between men and women
  - It is important to analyse men and women separately as differences in characteristics seem to mask actual behaviour



## Conclusion

- Having a retired partner is clearly correlated with an increased probability of retirement for both men and women, whereas just having "someone at home" does not have the same effect.



## Robustness checks

- Alternative definition of retirement: from work to non-work

	<u>All</u>	<u>Men</u>	<u>Women</u>
Married - Partner is Working	0.0337*	0.0385	0.0232
	(0.017)	(0.030)	(0.020)
Married - Partner is Retired	0.0599***	0.0807**	0.0456**
	(0.018)	(0.032)	(0.020)
Married - Partner is Unemployed	0.0244	0.0197	0.0082
	(0.026)	(0.041)	(0.033)
Married - Partner is Sick or Disabled	0.0562**	0.0618	0.0334
	(0.024)	(0.038)	(0.031)
Married - Partner is Homemaker	0.0670***	0.0457	0.0895
	(0.021)	(0.032)	(0.099)
Divorced	0.0186	0.0013	0.0144
	(0.018)	(0.033)	(0.020)
Widowed	0.0621***	0.1016***	0.0364*
	(0.019)	(0.037)	(0.021)



## Robustness checks

- Alternative definition of retirement: from non-retirement to retirement

	<u>All</u>	<u>Men</u>	<u>Women</u>
Married - Partner is Working	0.0133 (0.022)	-0.0097 (0.032)	0.0273 (0.028)
Married - Partner is Retired	0.0533** (0.023)	0.0443 (0.036)	0.0610** (0.029)
Married - Partner is Unemployed	0.0358 (0.031)	0.0070 (0.045)	0.0487 (0.043)
Married - Partner is Sick or Disabled	0.0531* (0.030)	0.0297 (0.045)	0.0629 (0.041)
Married - Partner is Homemaker	0.0729*** (0.026)	0.0559 (0.035)	0.2671*** (0.091)
Divorced	-0.0014 (0.023)	-0.0239 (0.036)	0.0091 (0.029)
Widowed	0.0213 (0.026)	0.0532 (0.043)	0.0052 (0.032)