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Retirement decisions, job loss and mortality

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Chapter 6

Conclusions/Summary

In this dissertation, we study various topics related to job loss, retirement and mortality. Chapter 2 studies gradual retirement. Gradual retirement by which individuals leave their career jobs and withdraw incrementally from the labor force, is an important empirical phenomenon in the United States. We analyze the current state of gradual retirement in the Netherlands using administrative data that allow much more precise tracking of labor market transitions than most survey panel data. We estimate multinomial transition models taking into account competing pathways out of career employment at older ages, and discuss institutional aspects that limit the scope of gradual retirement, such as financial incentives to retire early.

In Chapter 3, we estimate and explain the impact of incentive-induced early retirement of husbands on their wives' probability to retire within one year, using administrative data from the Netherlands. We employ an instrumental variable approach in which the retirement choice of husbands is instrumented with eligibility rules for generous early retirement benefits that were temporarily and unexpectedly available to them. We find that induced early retirement of husbands increased their wives' probability to retire by 19.7 percentage points. This is a strong, and robust effect. Partly, wives respond to husbands' choices at ages when they may have been eligible for early retirement programs themselves.

Chapter 4 identifies and estimates the impact of early retirement on the probability to die within five years, using Dutch administrative micro panel data. An unexpected temporary decrease in the eligibility age for retirement benefits for civil servants is used to instrument the retirement choice in a model that explains the probability to die within five years. We find for men that induced early retirement decreased the probability to die within five years

by 2.6 percentage points. This translates into an increase in life expectancy by two months. We find that our result is robust to specification changes and changes in data selection criteria.

In Chapter 5, we estimate the effect of job loss on mortality for older male workers with strong labor force attachment. Using Dutch administrative data, we find that job loss due to sudden firm closure increased the probability to die within five years by a sizable 0.60 percentage points. Importantly, this effect is estimated using a model that controls for firm-level worker characteristics, such as firm-level average lagged mortality rates. On the mechanism driving the effect of job loss on mortality, we provide evidence for an effect running through stress and changes in life style.