



**SHARE**

\* Survey of Health, Ageing  
and Retirement in Europe

**50+ in Europe**

# How Can SHARE Help Ageing Research in Europe?

**Guglielmo Weber**

# Ageing in Europe

Population ageing poses important challenges to European policy makers, and offers great opportunities for academic research.

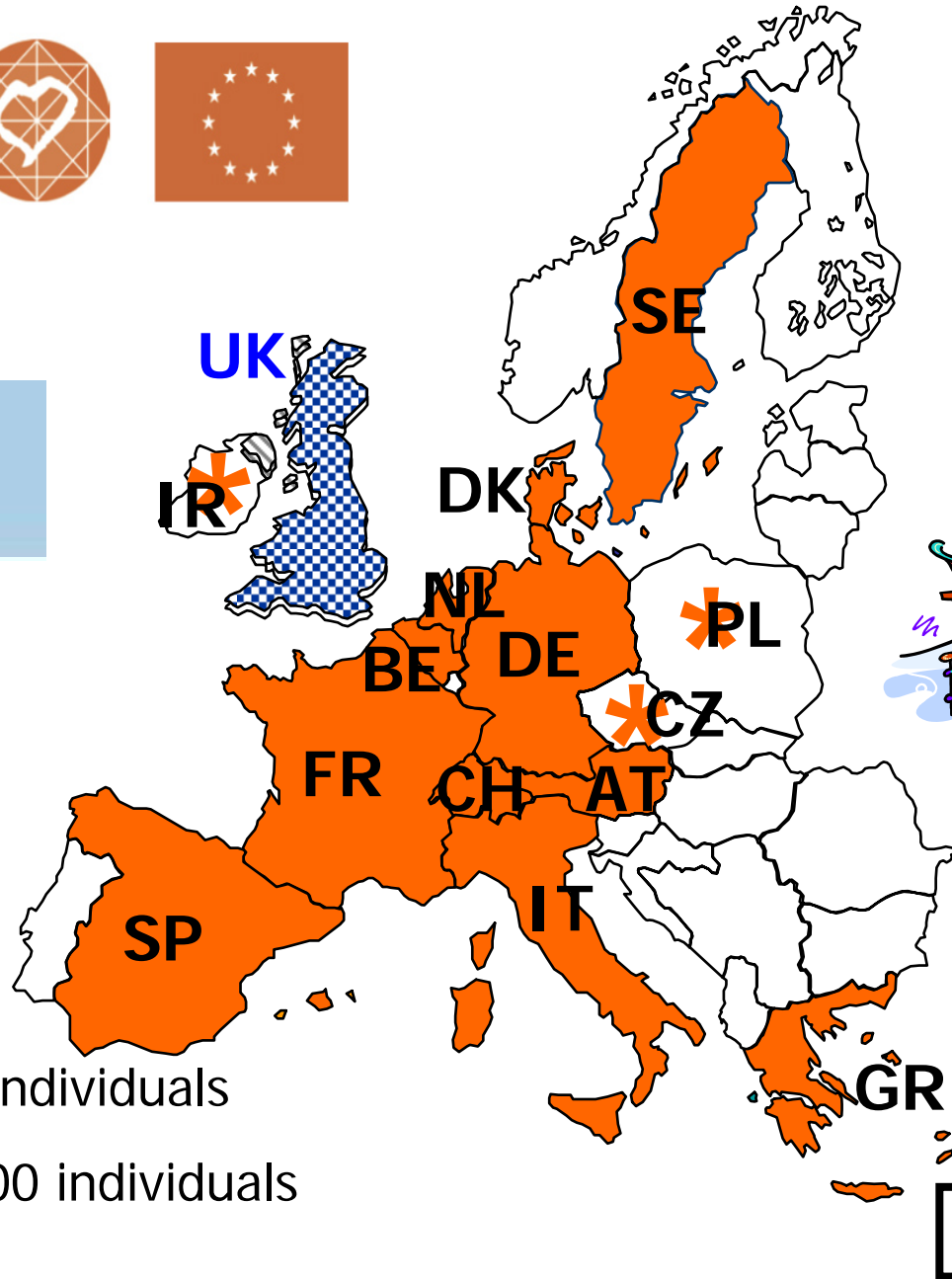
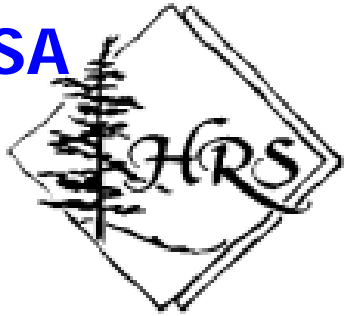
- People retire from work for a variety of reasons: taste for leisure, poor health, low work quality, financial incentives, necessity to look after parents or grandchildren
- The way different people age can vary a lot, depending on their health, economic resources, social networks etc



- SHARE is an interdisciplinary survey on ageing that is run every two years on representative samples of the individuals aged 50 or over and their spouses.
- It collects information on family composition, income, wealth, accommodation, health, health care, social relations, financial help given and received, informal care given and received etc



USA



China  
Japan



Israel

First wave 2004-5: 28.500 individuals

Second wave 2006-7: 34.700 individuals

# Topics I shall talk about

- a. Unused capacity – and the “early retirement trap”.
- b. Financial hardship in old age
- c. Caring for grandchildren and parents
- d. SHARELIFE and context variables

# Unused capacity

- a. In several European countries, large fractions of healthy individuals retire at ages well below 65 (Lisbon target).
- b. Many people close to and past retirement make little or incorrect use of financial markets and debt instruments.
- c. Large fractions of people close to and past retirement report financial hardship

See Angelini, Brugiavini and Weber, 2009 “Ageing and unused capacity in Europe: is there an early retirement trap?” *Economic Policy*. (ABW)

# The early retirement trap

ABW

- claim that the interaction of financial incentives to retire at young ages and incomplete markets may have a perverse effect on utility ex post
- call this effect “the early retirement trap”.

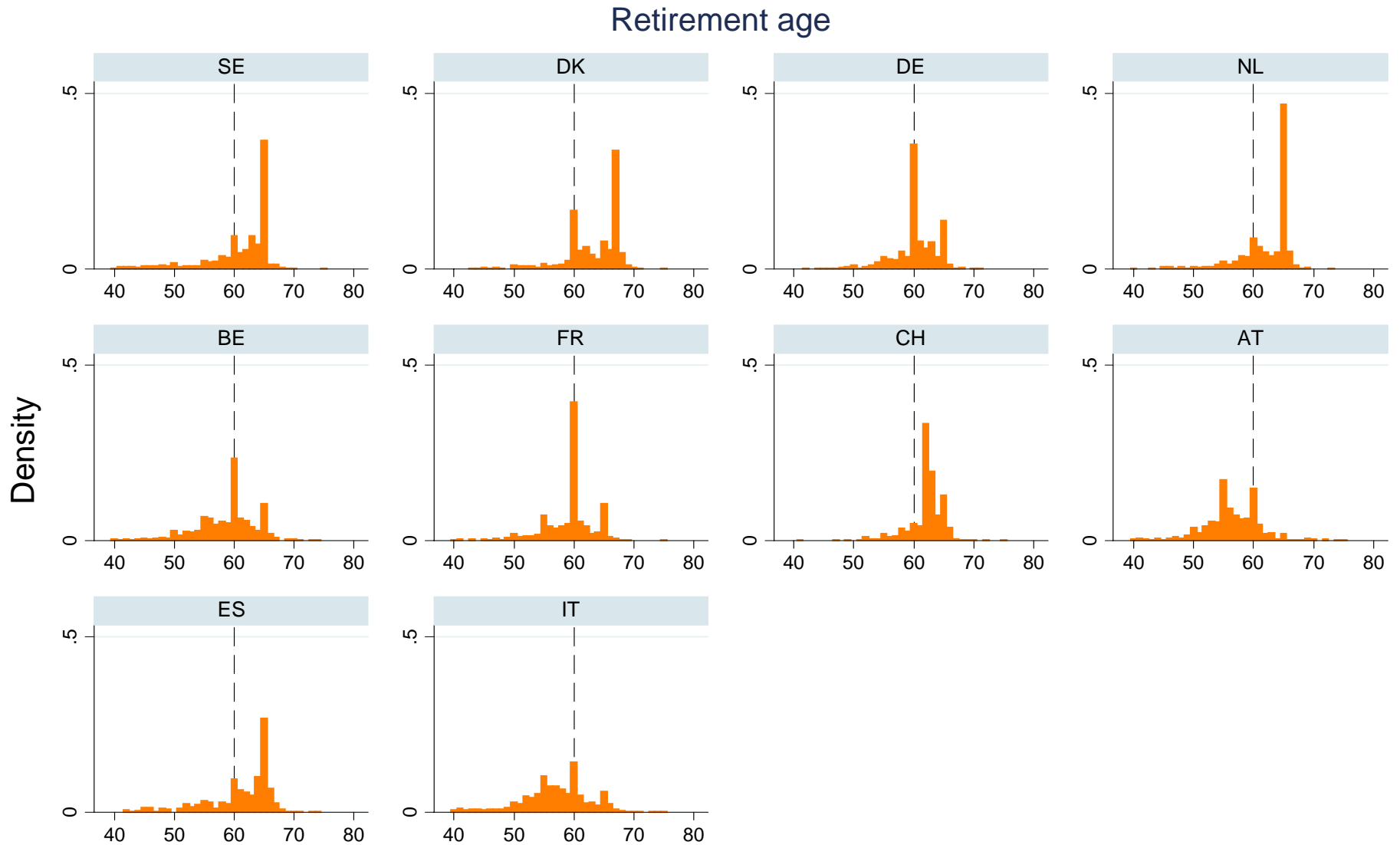
# Unused labour capacity

Economic activity - age 50-64





# Actual retirement age by country



# Do institutions matter?

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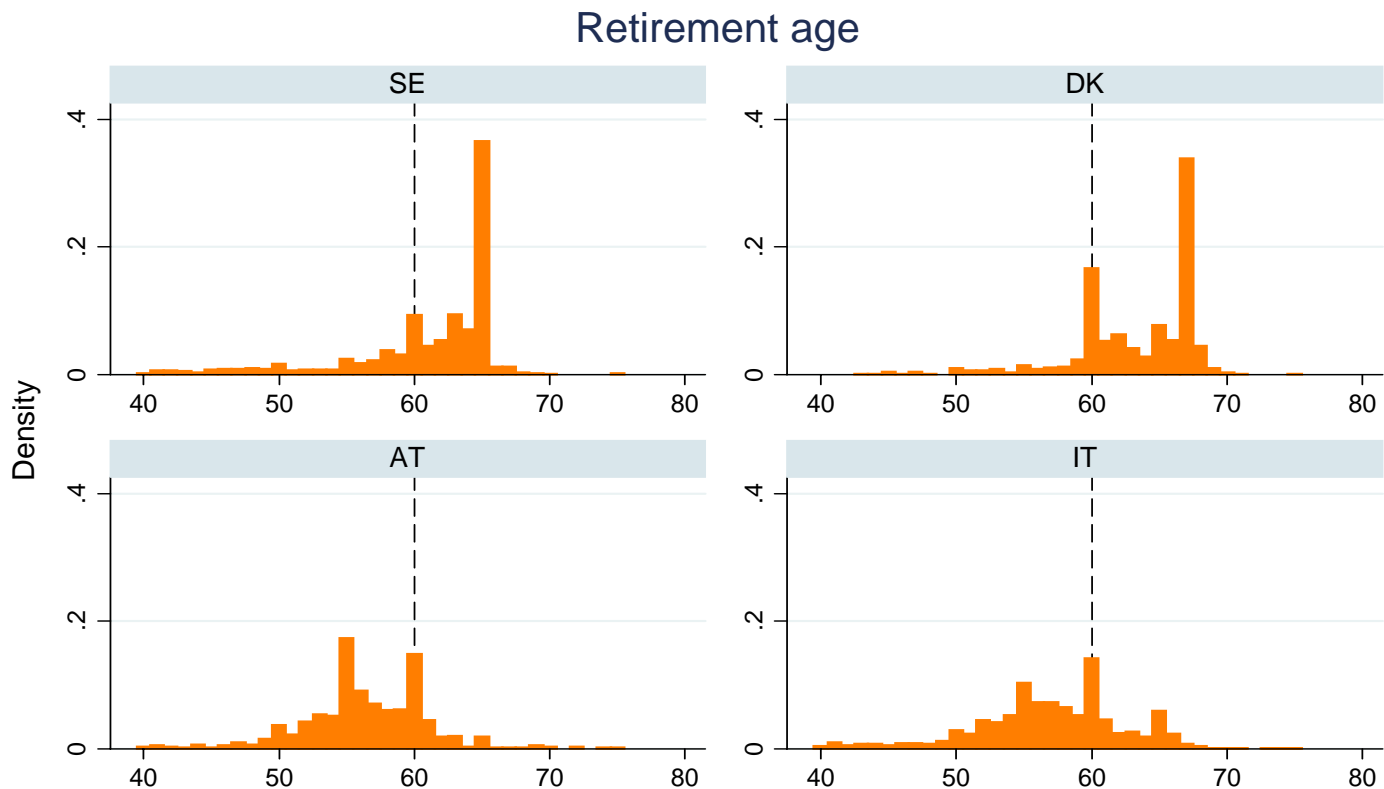
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	Mean of eligibility age	Standard deviation of eligibility age
Sweden	60.669	0.5006
Denmark	60.247	1.1878
Germany	61.487	1.9768
Netherlands	62.143	1.5313
Belgium	60.074	2.2552
France	59.287	1.8012
Switzerland	61.442	1.4431
Austria	57.447	2.9227
Spain	61.171	1.1207
Italy	49.135	5.5486

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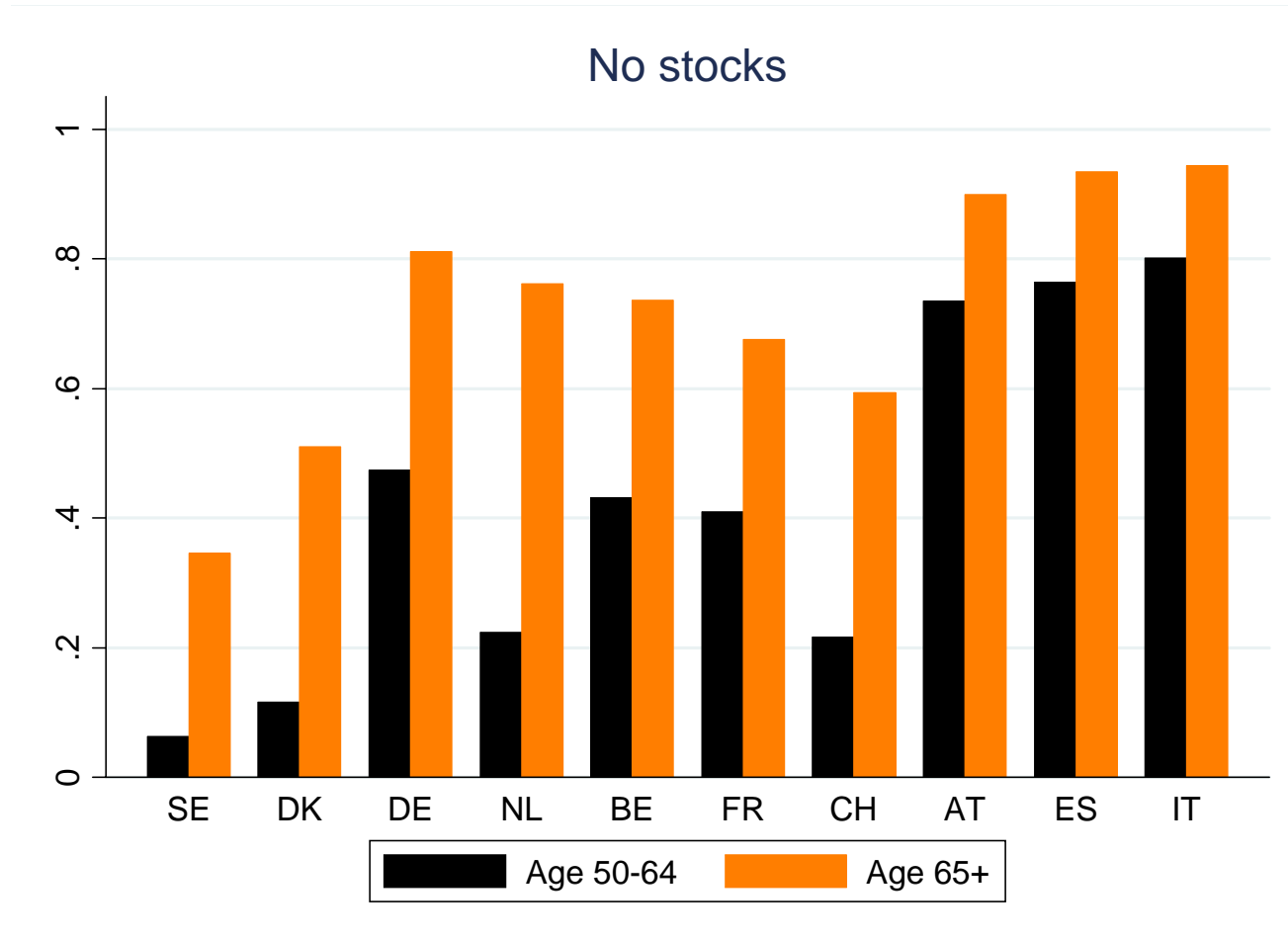
# Retirement age: DK, SE, AT and IT



Mean (and standard deviation) of eligibility age

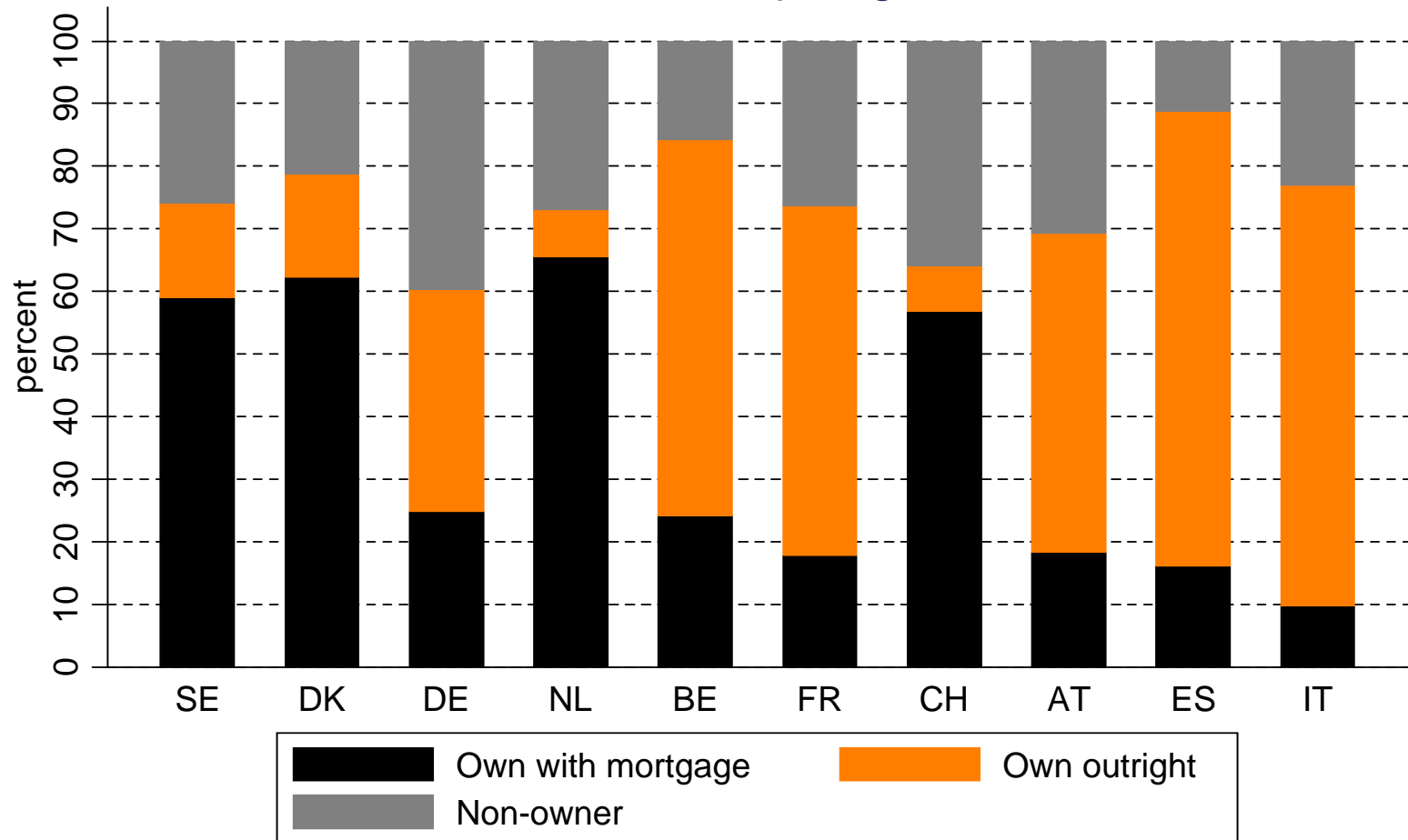
Sweden	60.7 (0.50)	Denmark	60.2 (2.92)
Austria	57.4 (1.19)	Italy	49.1 (5.55)

# Unused financial capacity



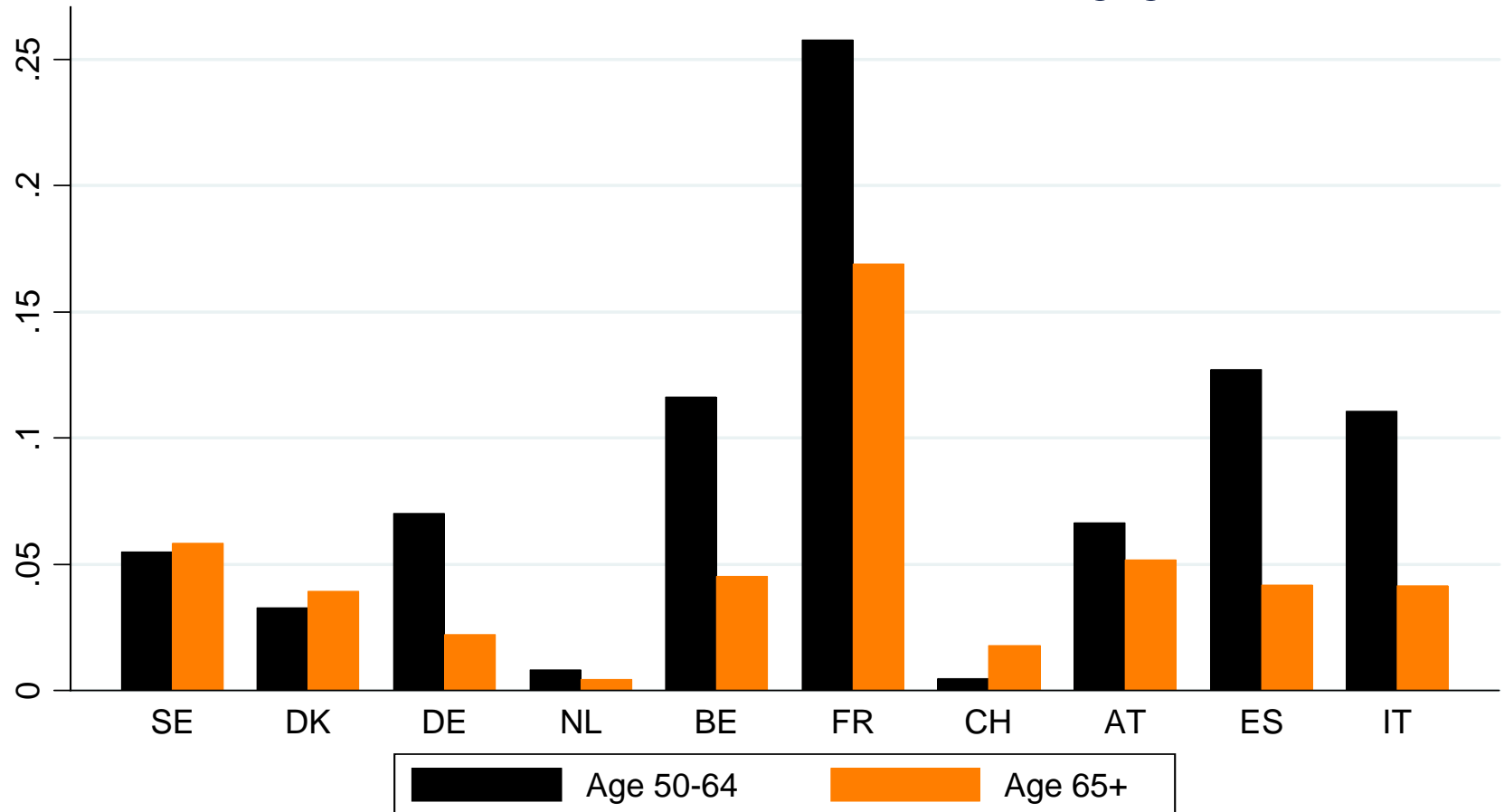
# Housing tenure

Homeownership - age 50-64



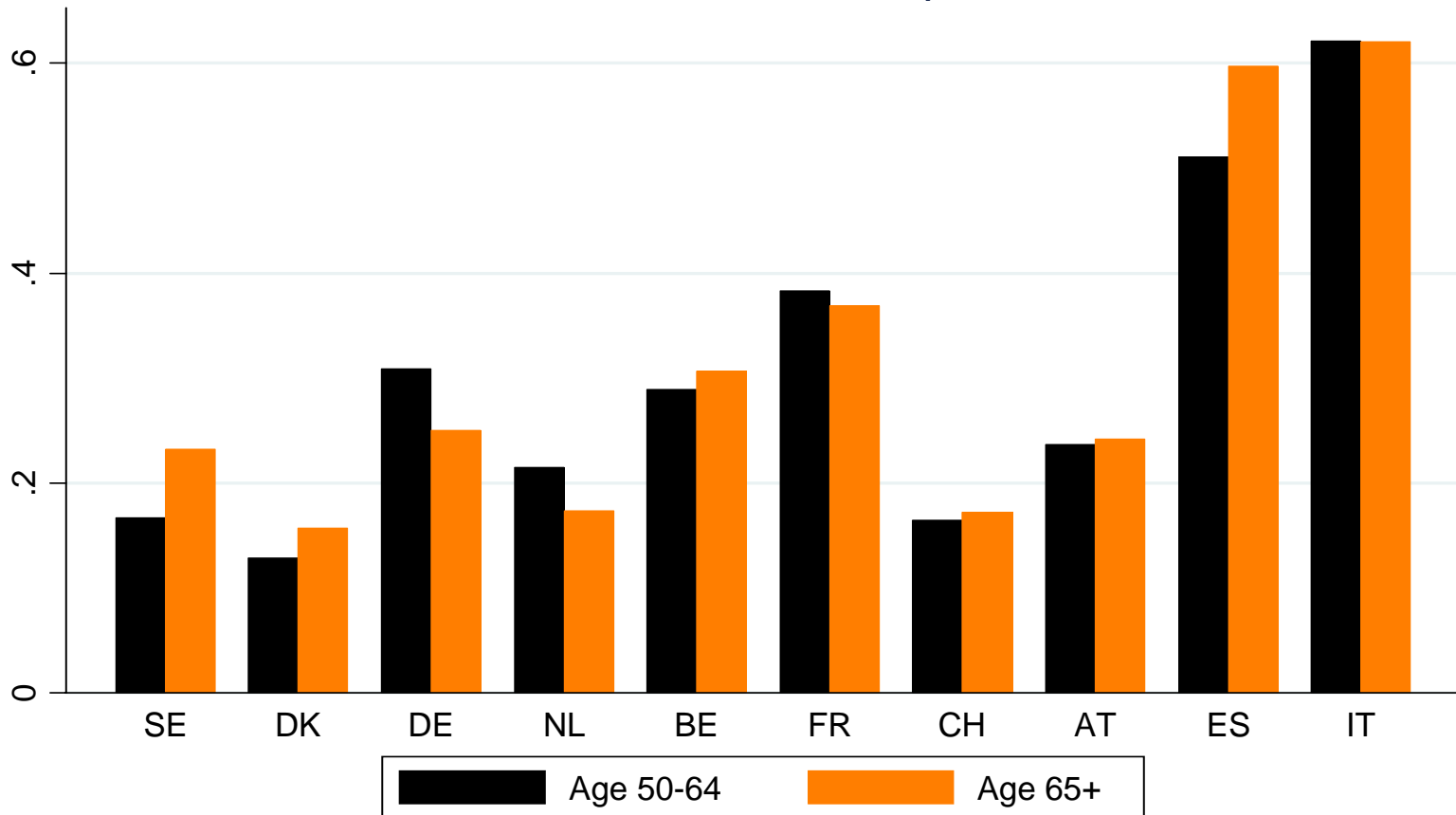
# Unused financial capacity: Debts but no mortgage

Homeowners with debt but no mortgage

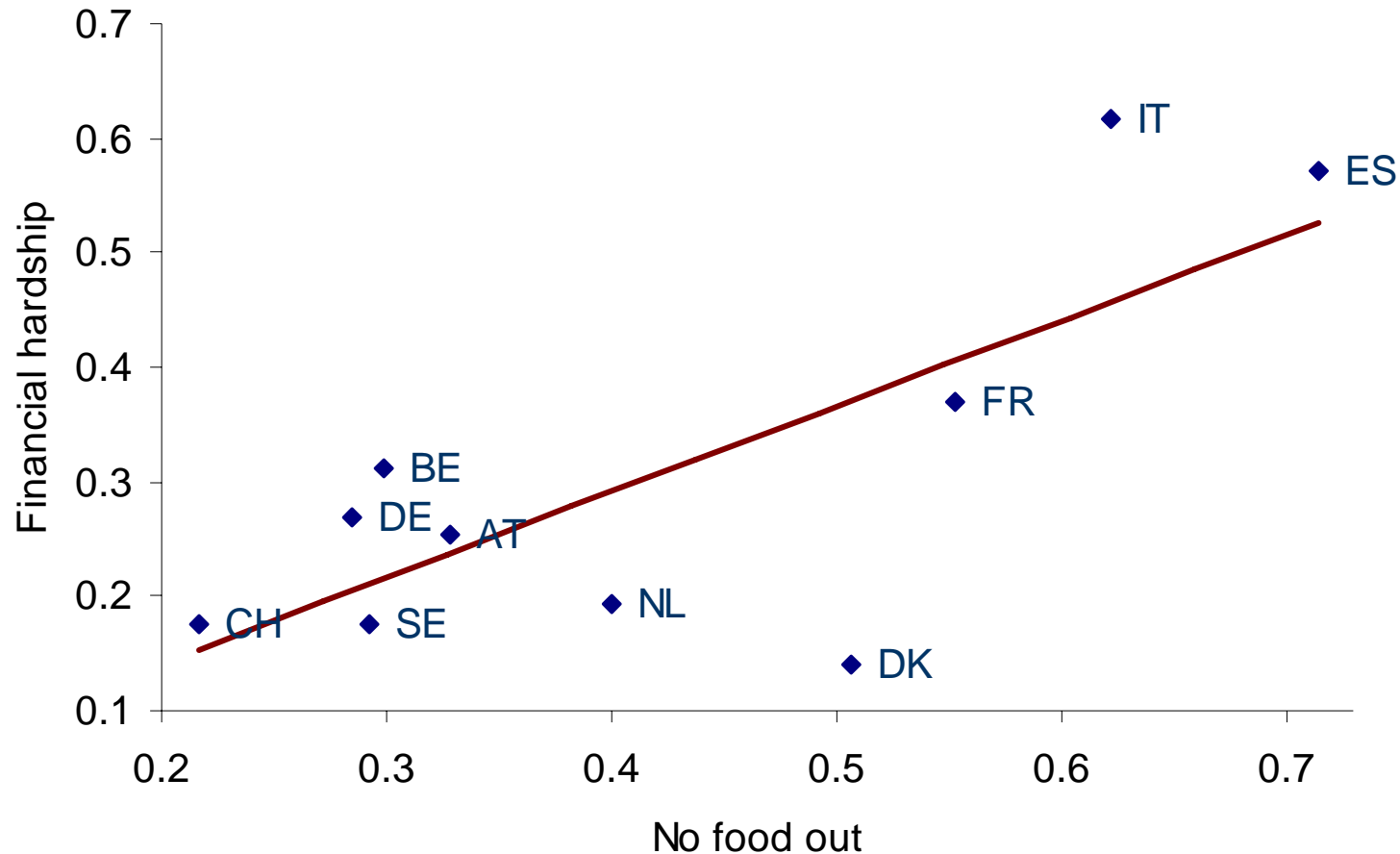


# Financial hardship: Difficulties making ends meet

Financial hardship

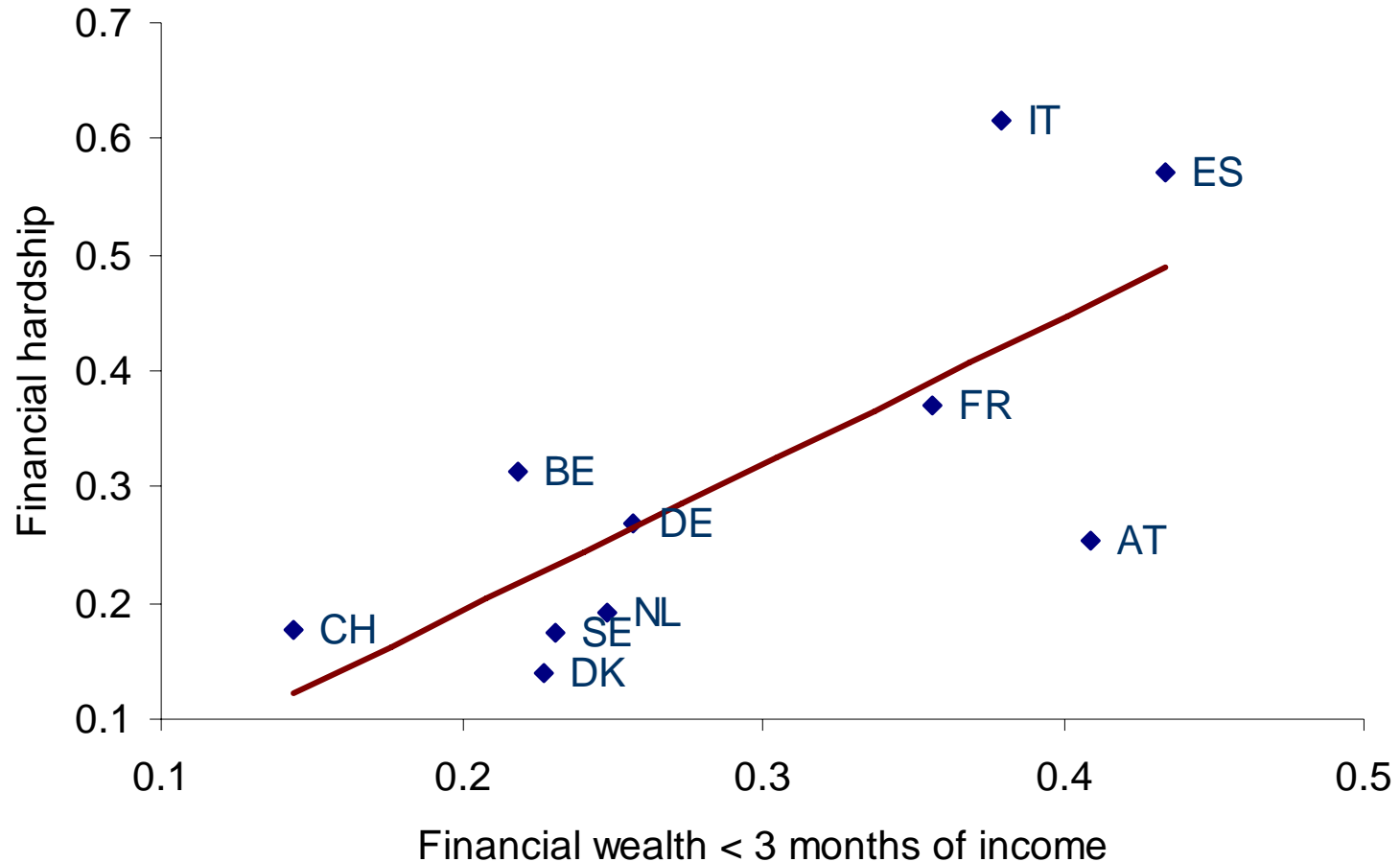


# Difficulties making ends meet – validation (meals out)

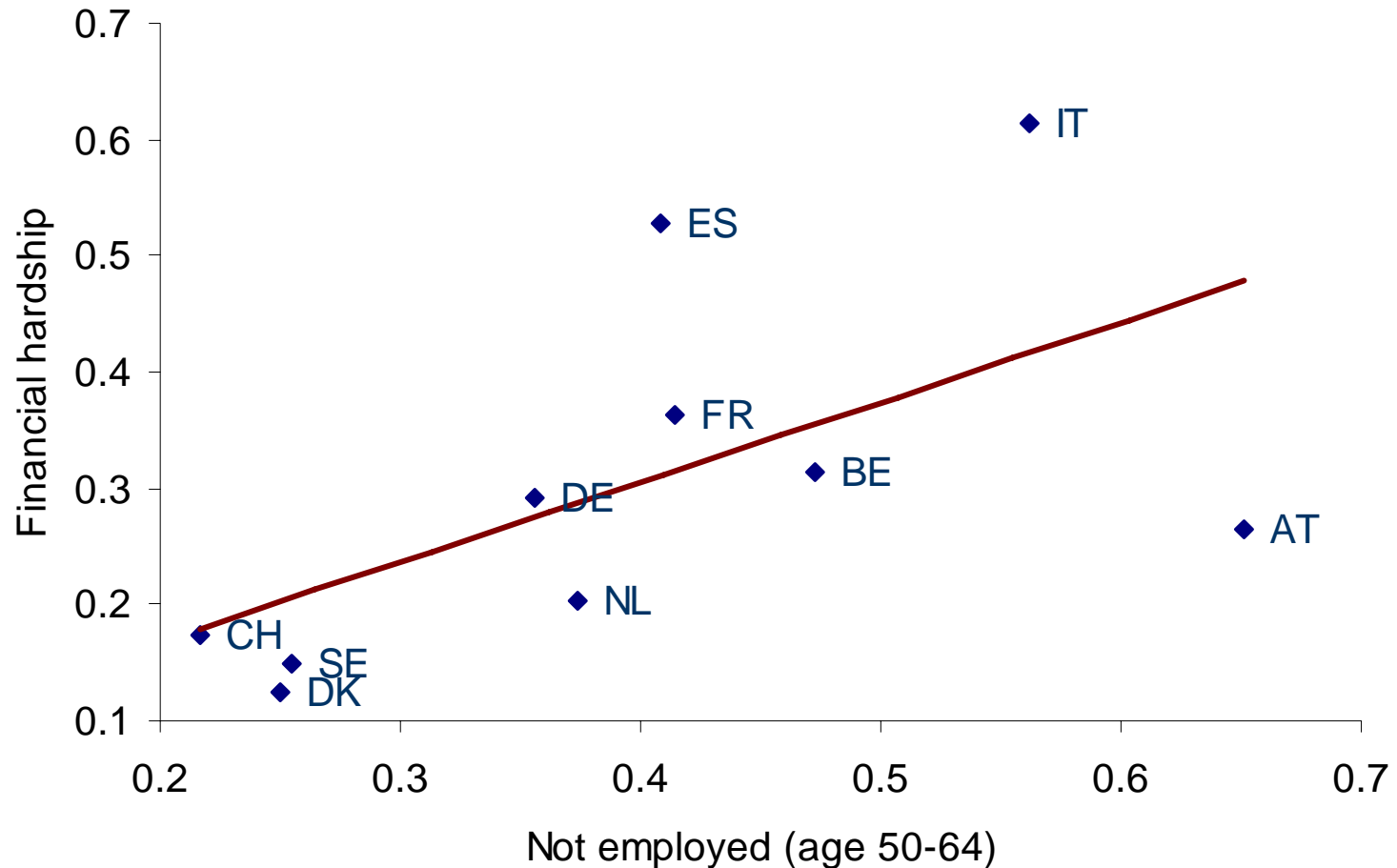




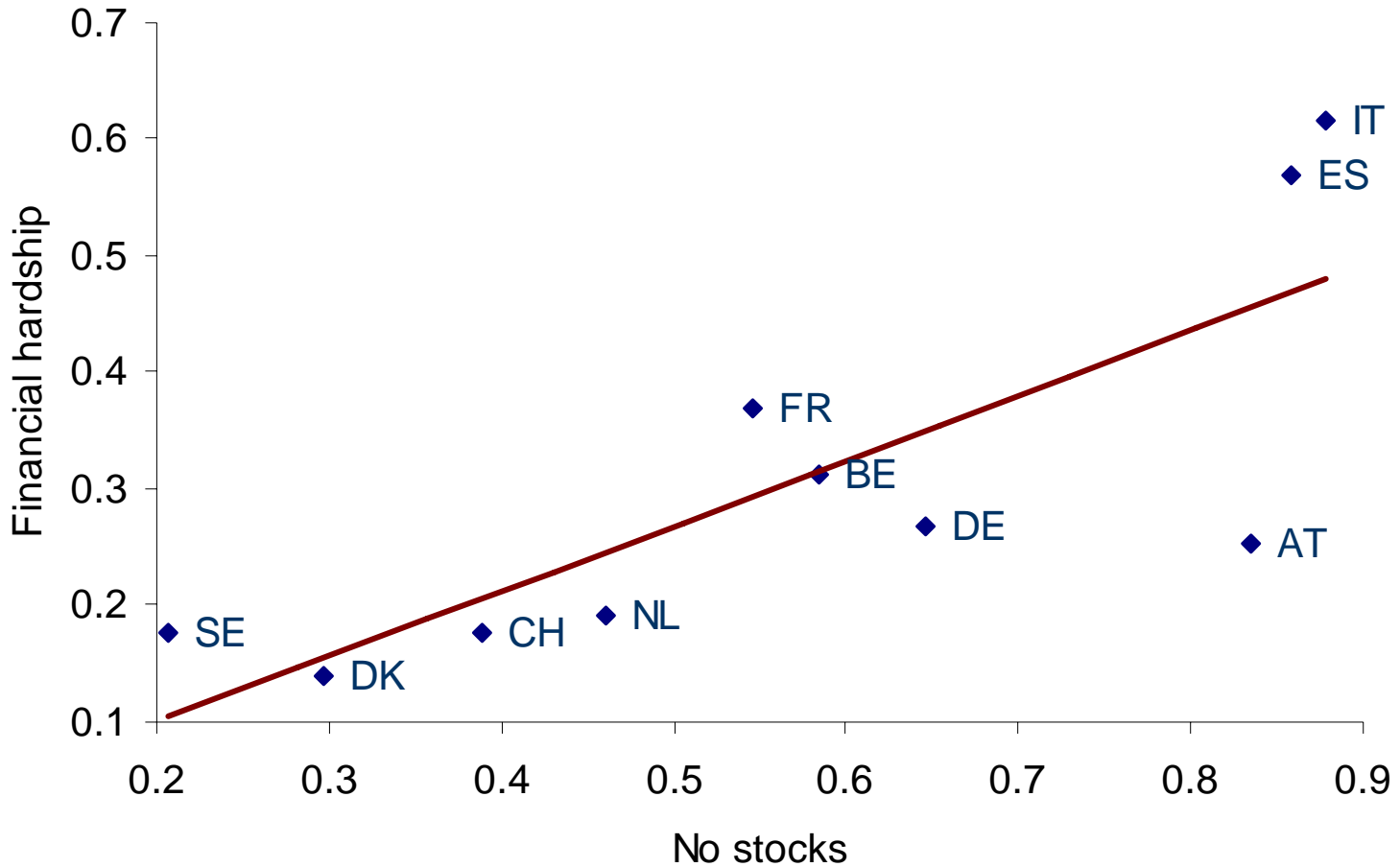
# Difficulties making ends meet – validation (financial wealth)



# Financial hardship and unused labour capacity



# Financial hardship and unused financial capacity



# The early retirement trap

ABW present a model predicting that:

- When early retirement is financially advantageous, more impatient/leisure liking individuals retire early.
- Where early retirement is made attractive and financial markets do not work well, individuals who retire early are better off in the short run and worse off in the long run (e.g. Italy and Austria).

# The early retirement trap

- c. Where early retirement is not made attractive and financial markets work well, when people retire does not matter (e.g. Denmark and Sweden).
- d. Failure to use financial markets increases the risk of financial hardship.

# Identification strategy

ABW estimate an equation relating financial distress to unused labour and financial capacity.

Unused labour is a combination of current age and years from retirement.

- *Years from/to retirement* are instrumented with *years from/to eligibility*.

Years from/to eligibility: for each country and year compare current age with the earliest age at which the individual became/will become eligible for a job-pension.

Unused financial capacity is instrumented with financial literacy indicators.

# The evidence on the early retirement trap

ABW find that in countries with generous early retirement incentives and poor financial markets the longer people have been retired the higher their probability of financial hardship.

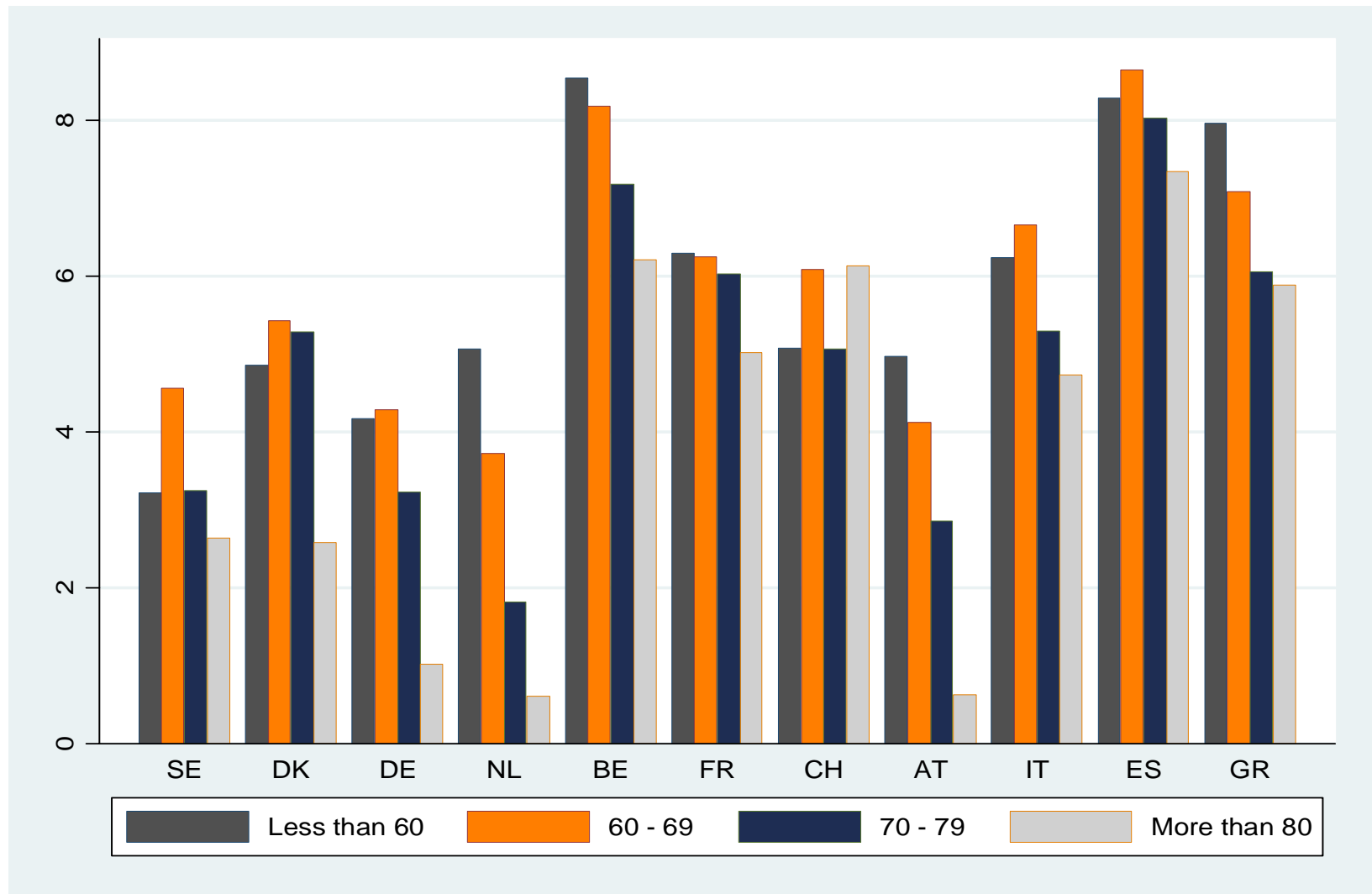
# Wealth holdings and financial fragility

- After retirement, individuals should be able to rely not only on income, but also on assets, to support consumption
- Wealth levels vary a lot across countries
- Much wealth is locked into housing
- Inability to use wealth in old age  
=> financial fragility

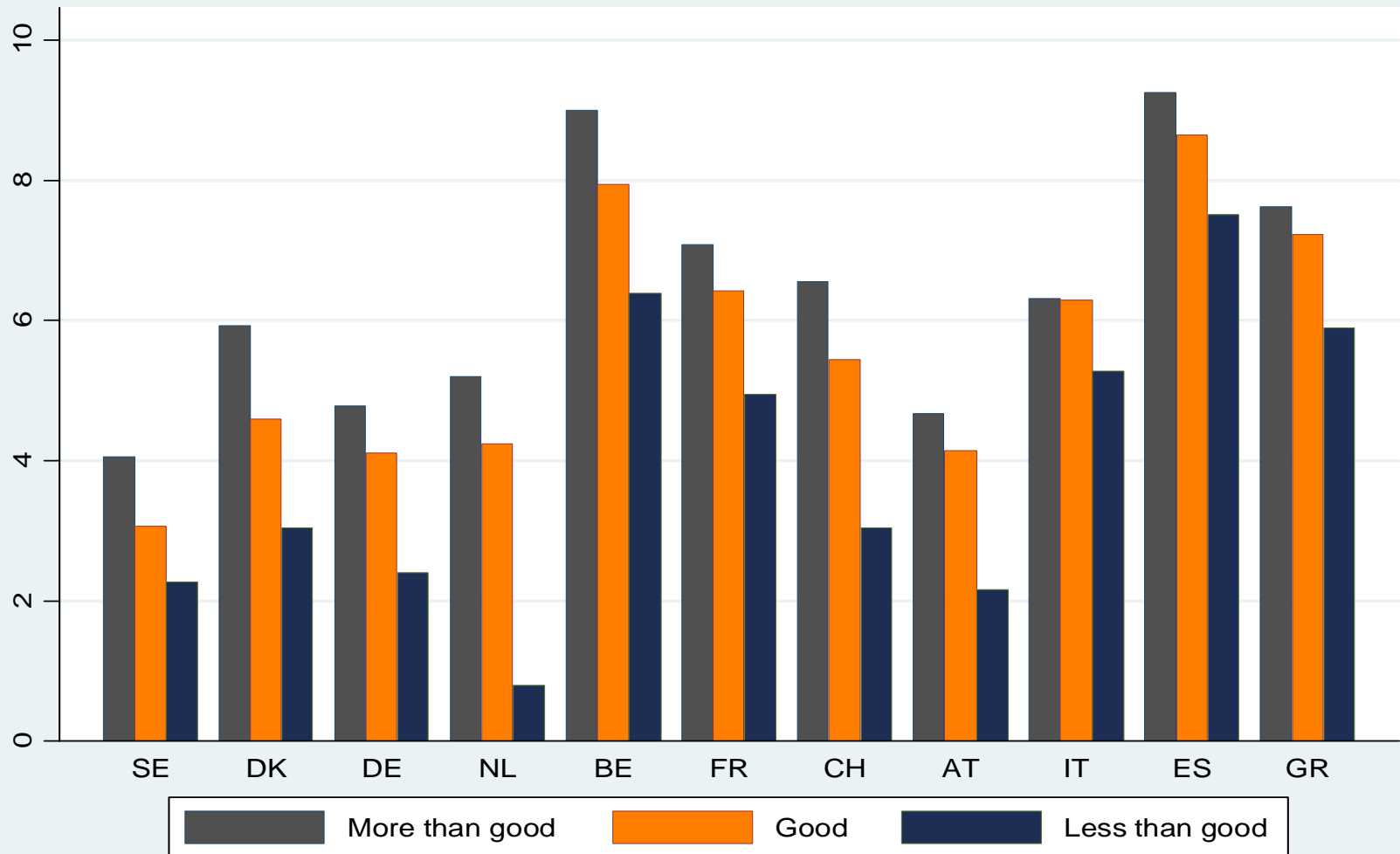
See Christelis, Jappelli, Paccagnella and Weber “Income, Wealth and Financial Fragility in Europe”, JESP



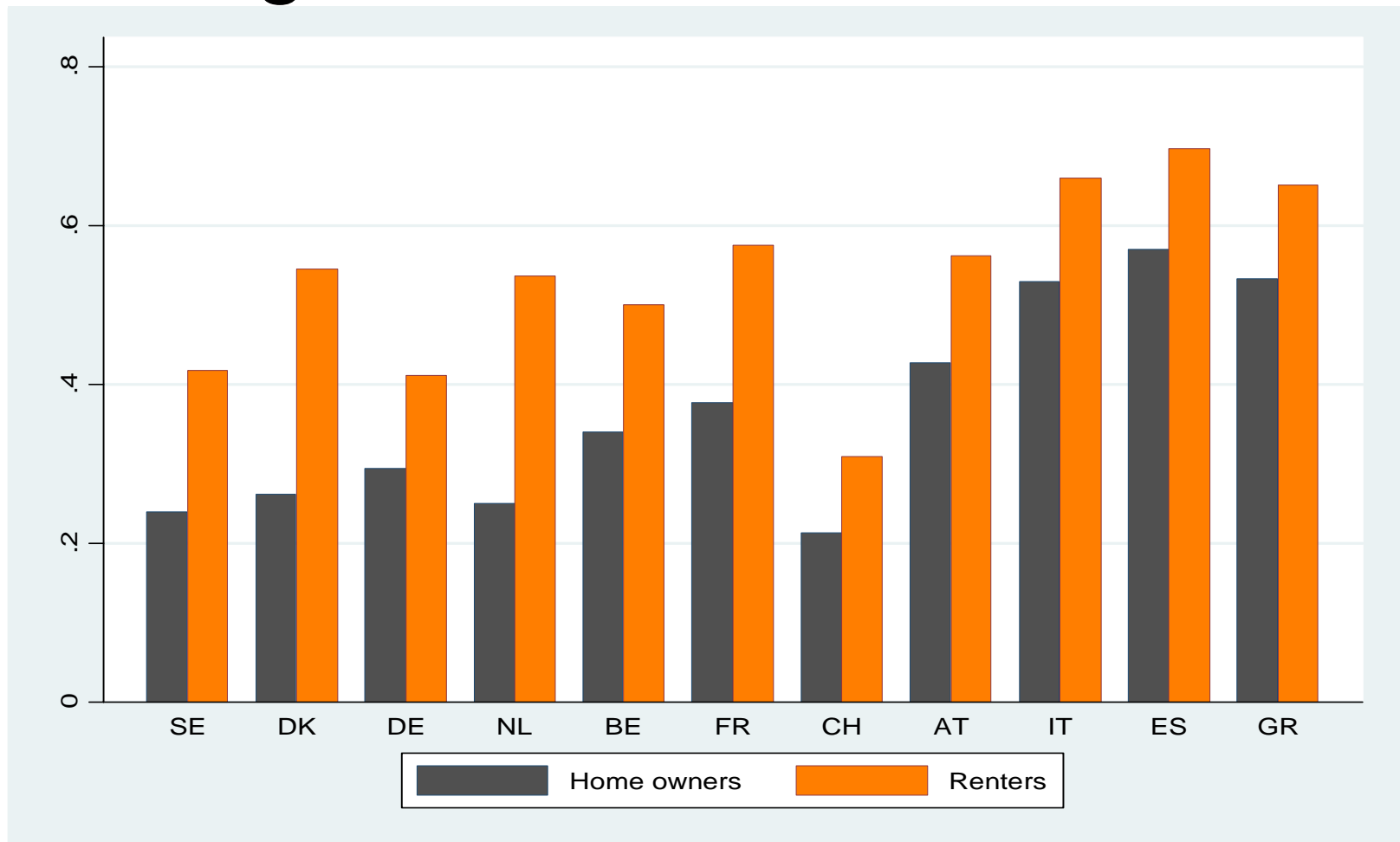
# Wealth-income ratio, by age



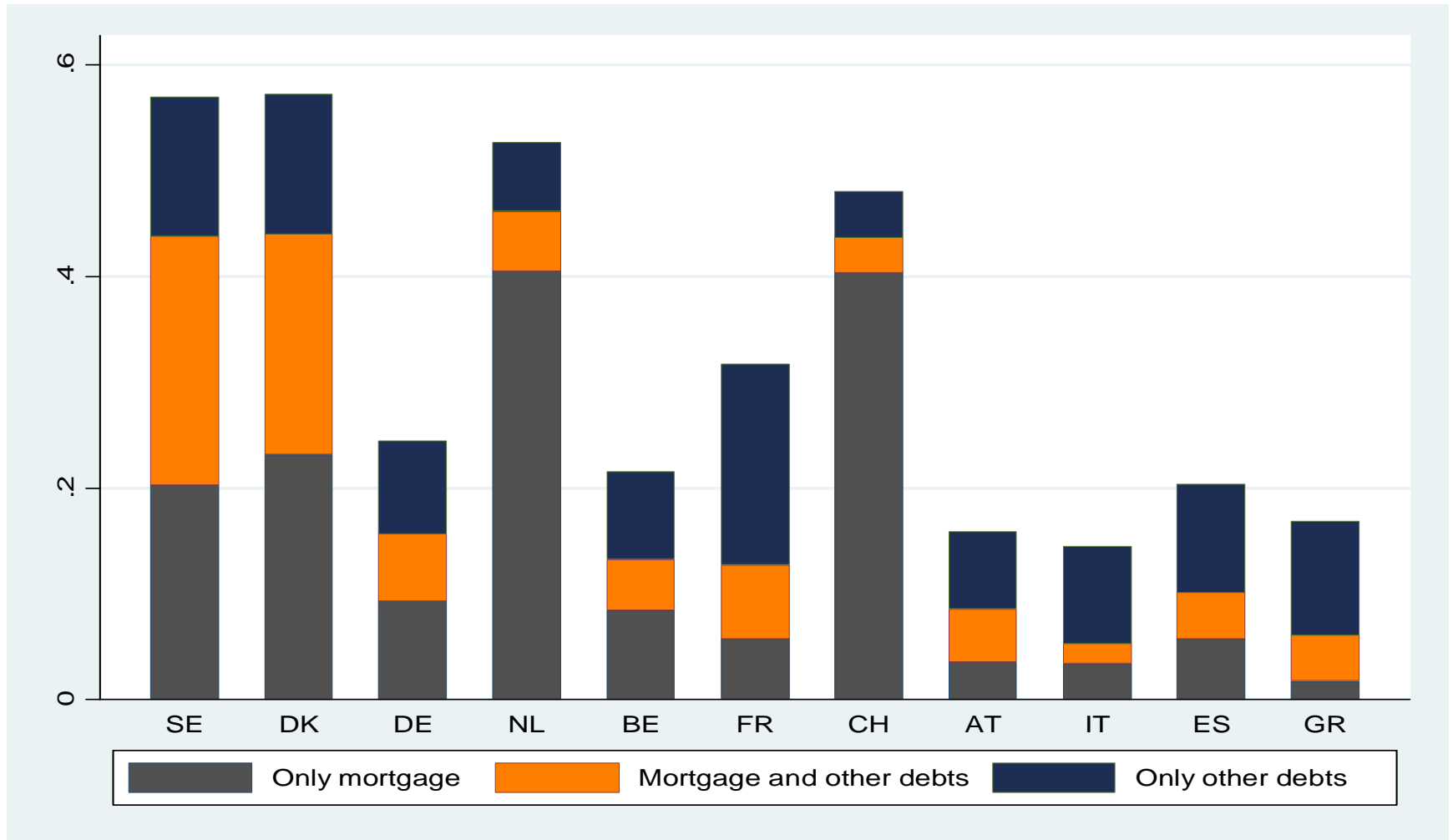
# Wealth-income ratio, by self-reported health status



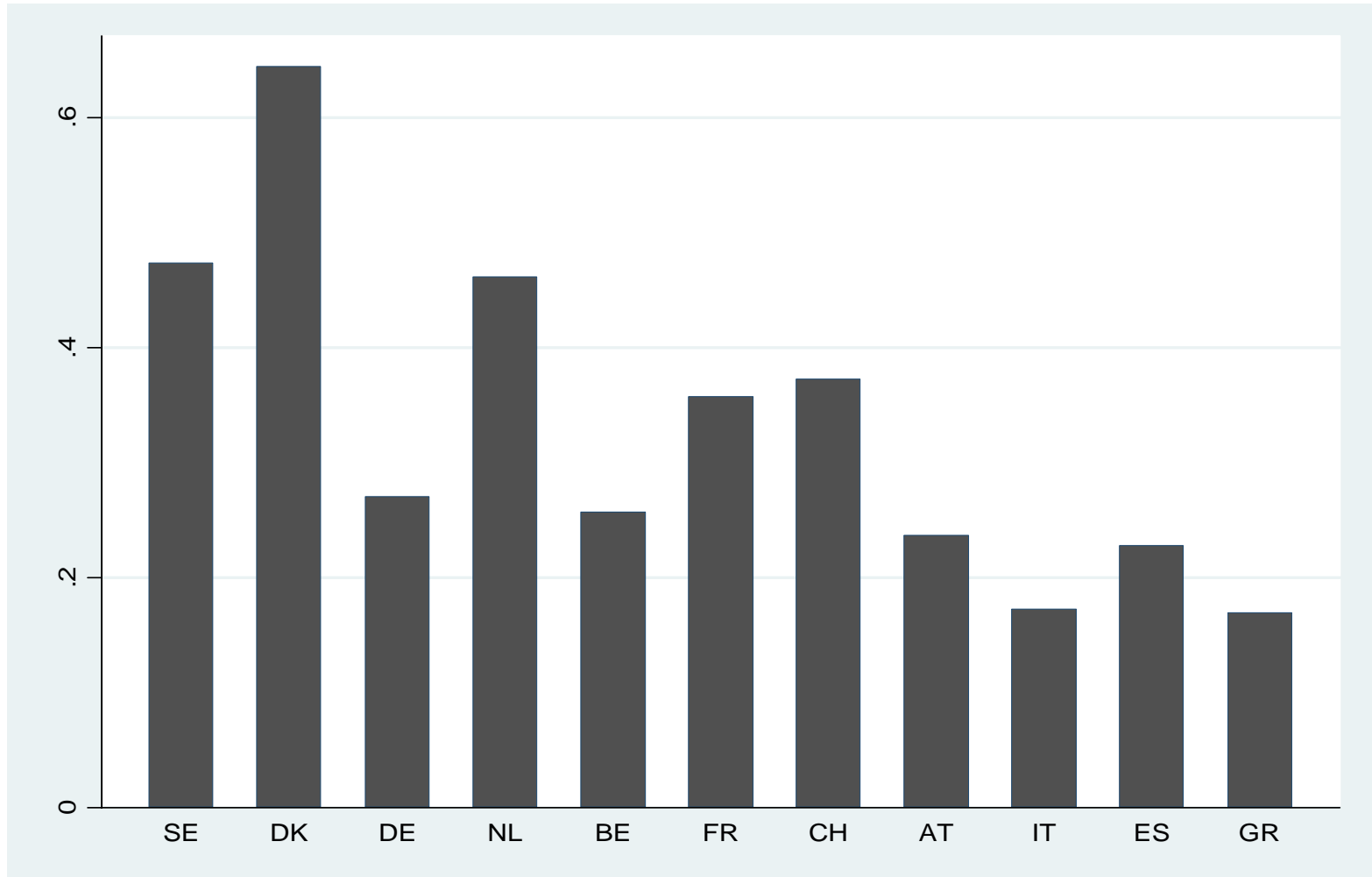
# Proportions of households with financial wealth less than 3 months of gross household income



# Proportion of households with at least one type of debt



# Proportion of households with any debt among those unable to make ends meet



# Data on informal care

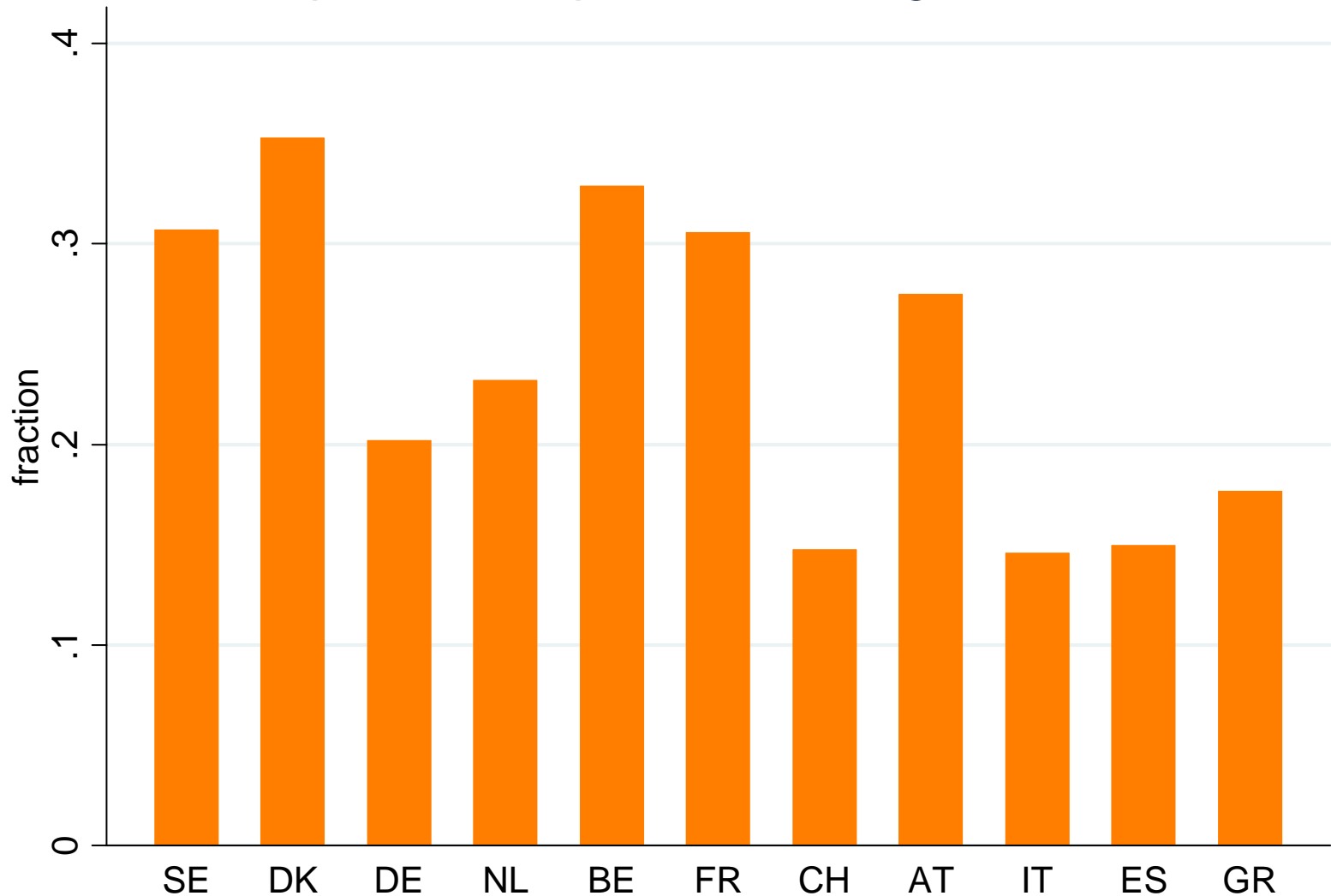
The balance between formal and informal care varies greatly across European countries. Some claim early retirement is induced (or at least justified) by the need to provide care to old parents or young grandchildren

We can use SHARE to check whether retirement has an impact on the amount of care that can be provided.

Some of the following graphs are taken from:  
Alessie, Angelini and Pasini “Is it true love? Altruism versus exchange-motivated inter-vivos transfers”

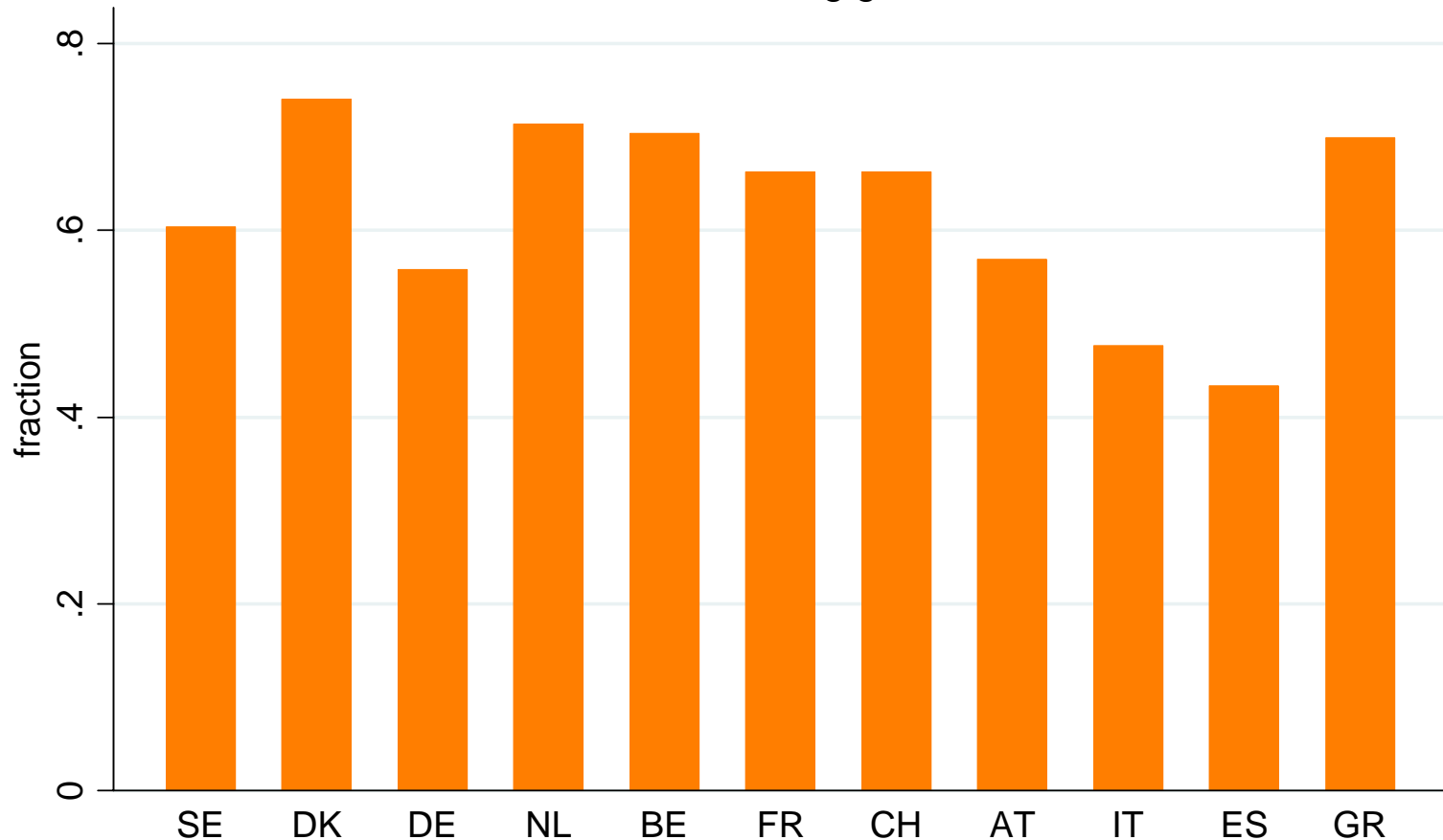
# Caring for grandchildren

Prop of fam resp who care for grandchildren



# Caring for grandchildren (not everybody has grandchildren!)

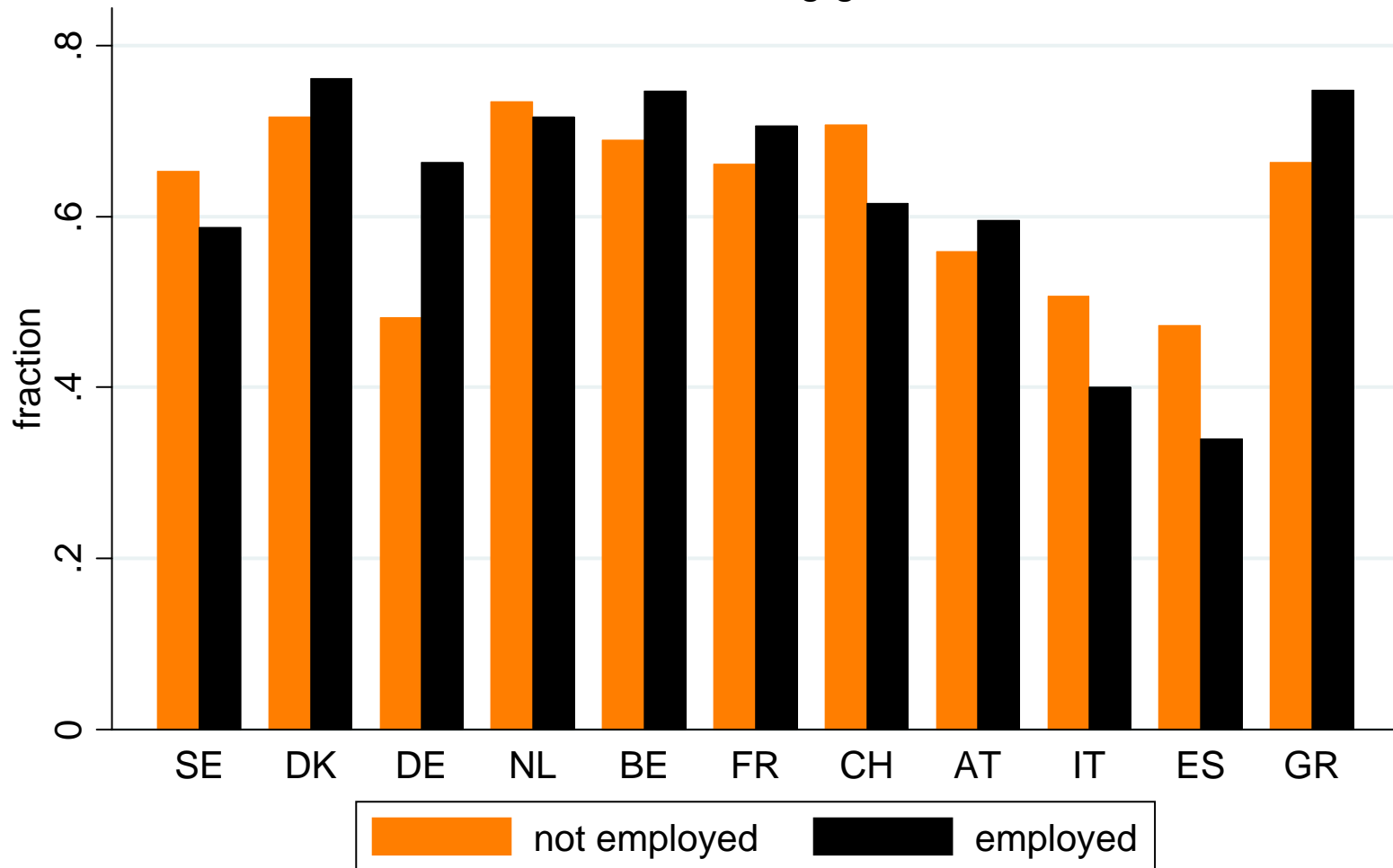
Prop of fam resp who care for grandchildren  
Conditional on having grandchildren





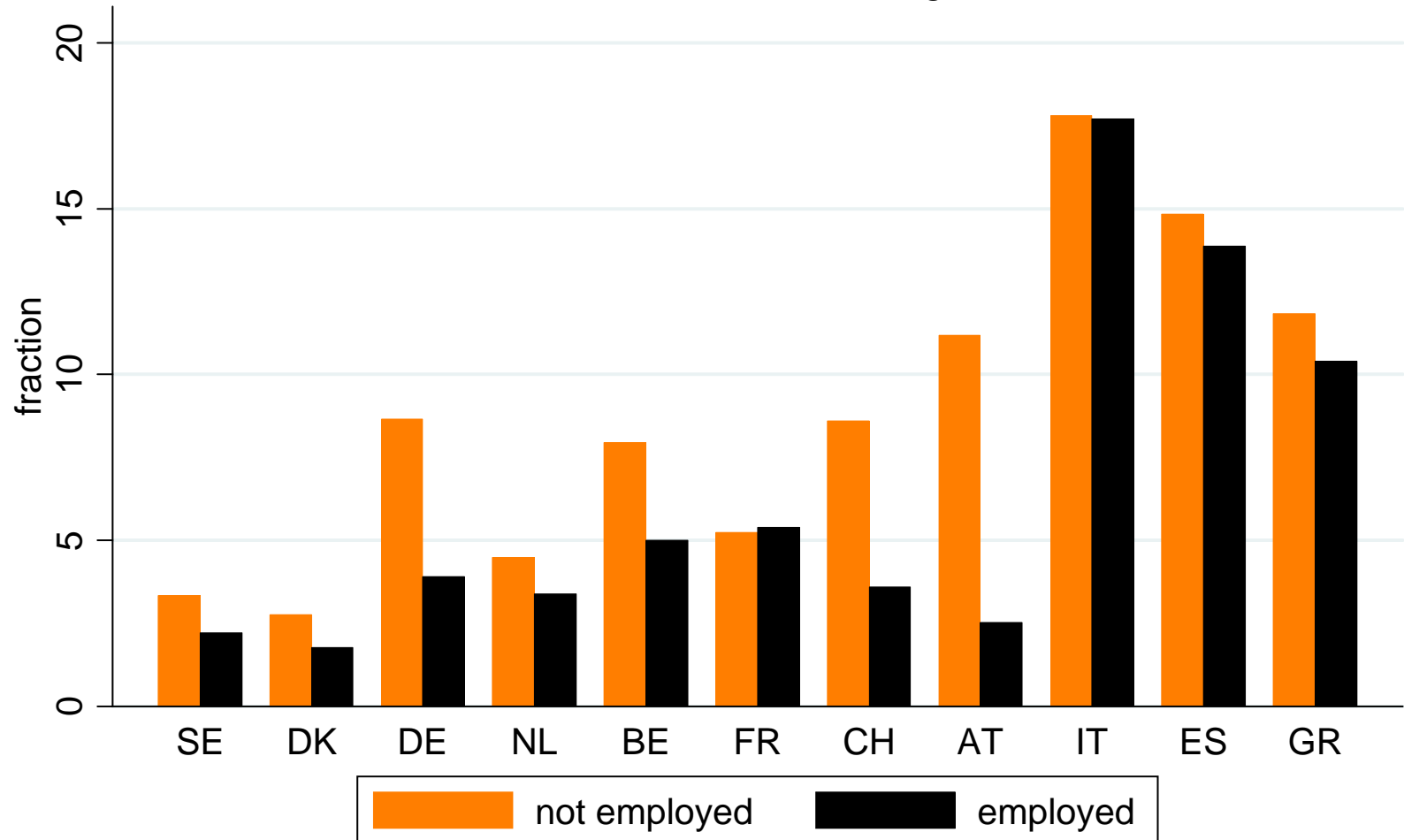
# Caring for grandchildren by the young old (50-70)

Prop of fam resp who care for grandchildren  
Conditional on having grandchildren



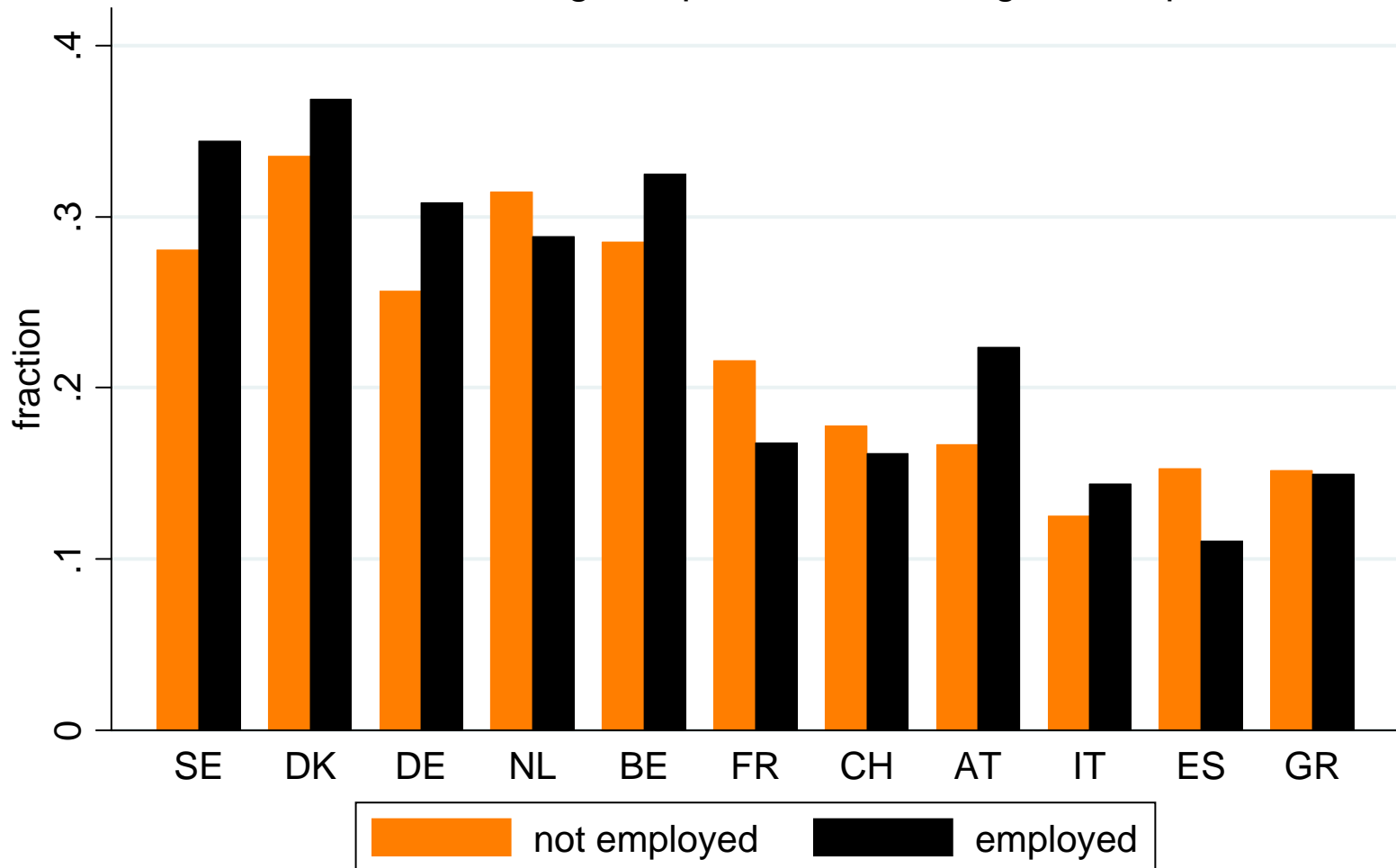
# Caring for grandchildren by the young old

Days per month in care for grandchildren  
Conditional on caring



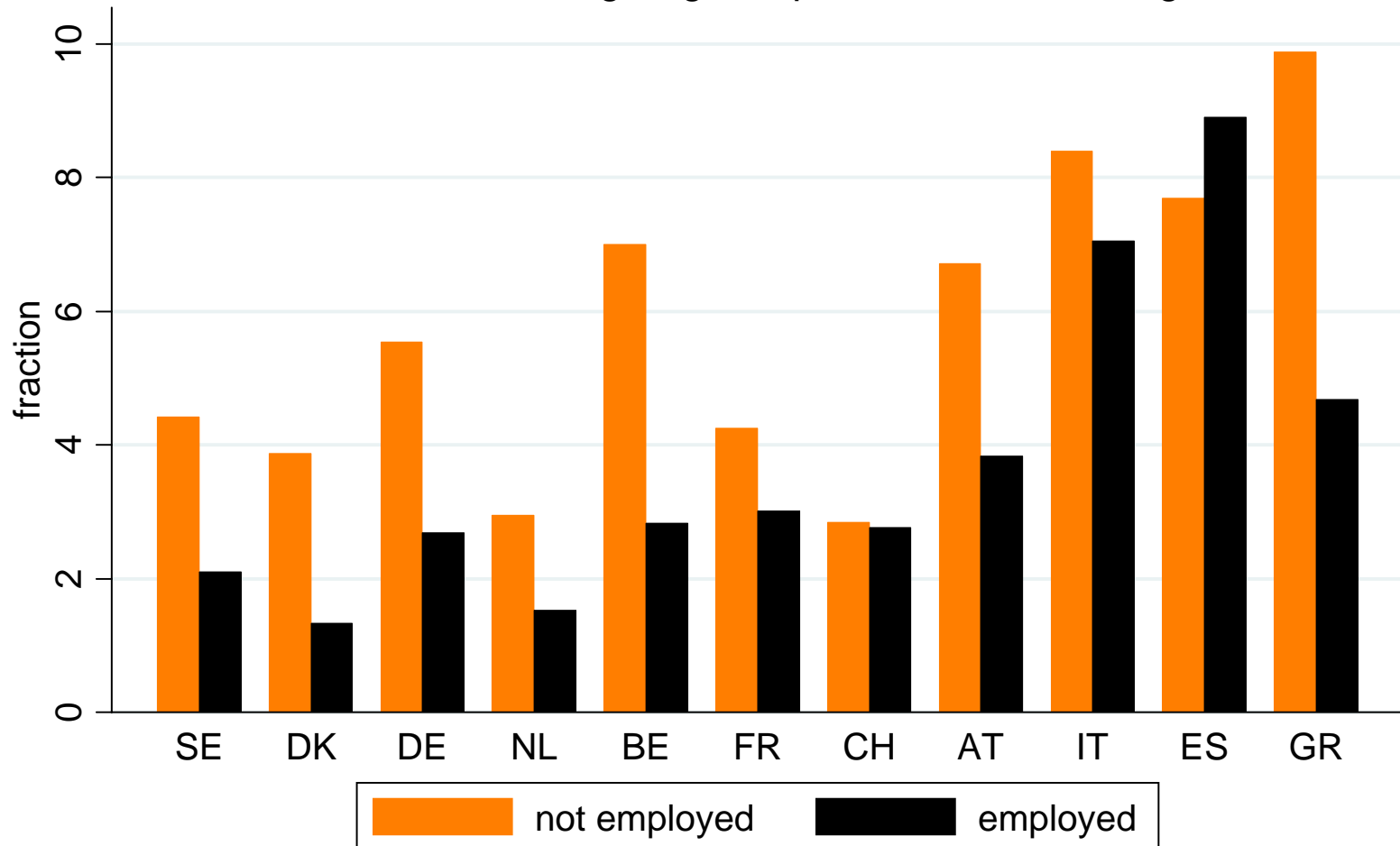
# Caring for parents by the young old: homecare

Prop of fam resp who give help in home care  
Conditional on having one parent alive, being fam respondent



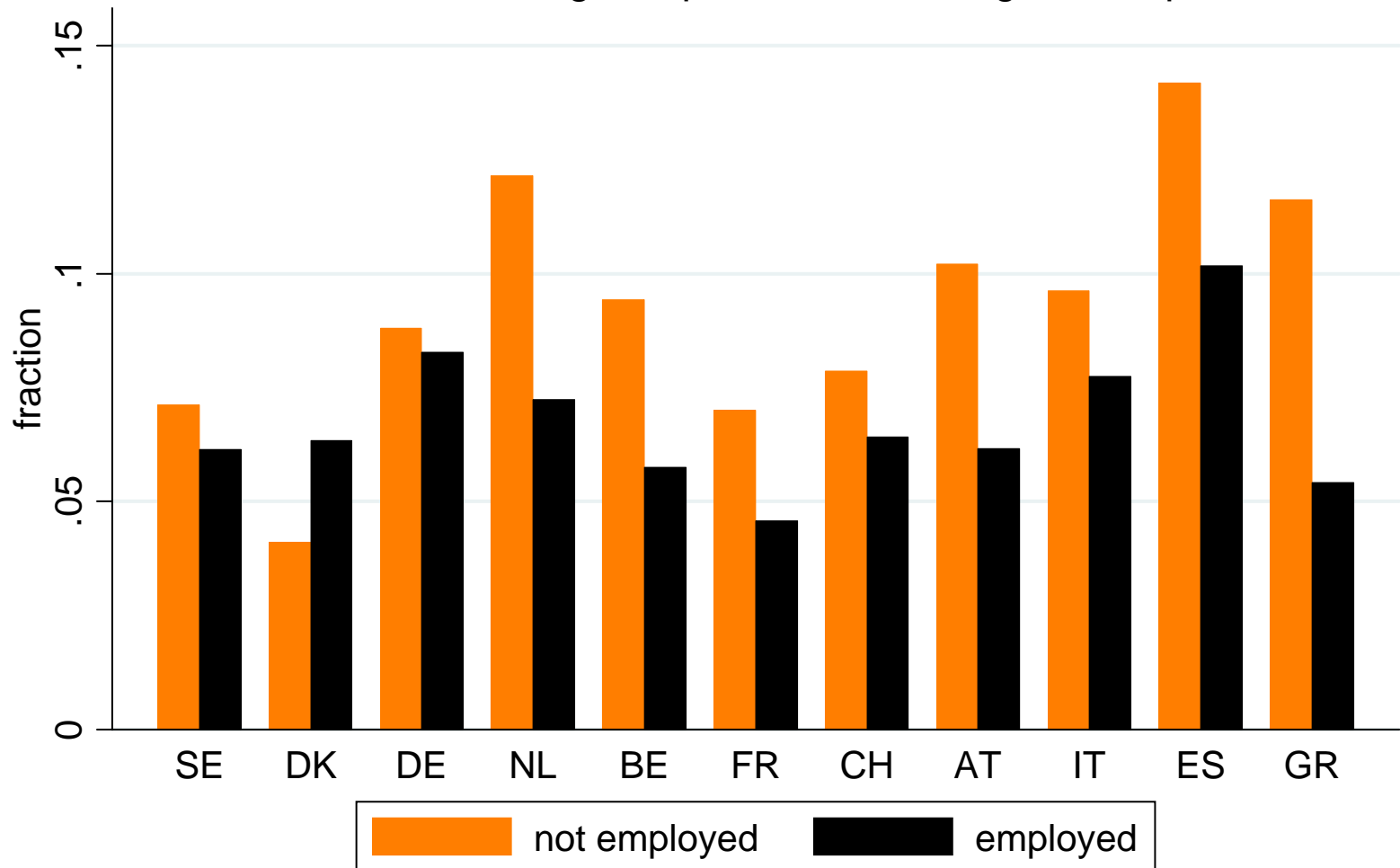
# Caring for parents by the young old: days of homecare

Days per month in homecare  
Conditional on giving and parent not co-residing



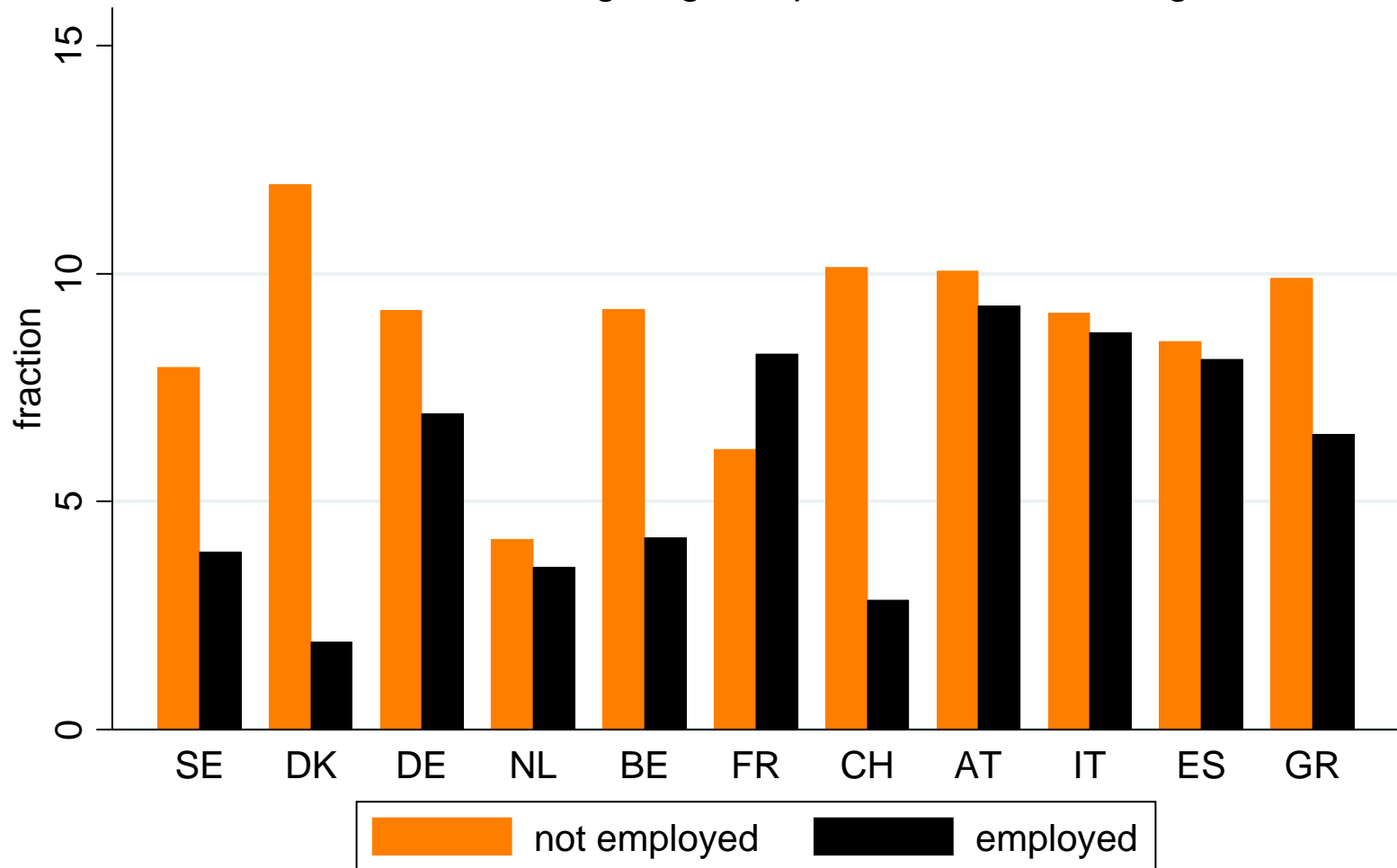
# Caring for parents by the young old: personal care

Prop of fam resp who give help in personal care  
Conditional on having one parent alive, being fam respondent



# Caring for parents by the young old: personal care

Days per month in personal care  
Conditional on giving and parent not co-residing



# Life History Information

- a. In the third wave of SHARE (2008-9) respondents were asked questions on their life histories
- b. They told interviewers about their childhood, plus a full history of their relationships, their work, accommodation, health and health care and other important events.
- c. The elicitation technique is based on the time line – where different rows represent different domains





# Context variables

- Using the data requires knowledge of the institutional context in which people lived
- For this reason, SHARE researchers assembled and will make available country-level information on pension systems, education reforms, housing market regulations, preventive health care policies, etc., going as far back as possible

# Data release

- Wave 1 and wave 2 data are already available – see [www.share-project.org](http://www.share-project.org)
- A new release, with a full set of imputations and user-friendly variables, is due in the next few weeks
- Wave 3 (SHARELIFE) data collection is now complete, and assembling of context variables is also close to completion.



**50+ in Europe**

**The data is there –  
please register and use it!**