



# Retirement, pension eligibility and home production<sup>☆</sup>



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## HIGHLIGHTS

- I study the effect of retirement on housework.
- I estimate it using a RDD strategy on Italian data.
- Women increase their housework by more than 400 min per week.
- The increase is similar for single men, while it is almost zero for those who are married.
- Retirement does not seem to bring about a rebalance of housework between genders.

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## ABSTRACT

I estimate the effect of retirement on housework by exploiting the discontinuity in pension eligibility generated by the Italian Social Security rules. Using microdata from the 2007 wave of the Survey on Income and Living Conditions (SILC), I show that women increase their time spent on home production by more than 400 min per week. For men, there is on average no evidence of a significant change, which differs from the results of studies in other countries. However, estimates are heterogeneous by marital status, suggesting that married men do not increase their effort on household production because they can rely on their spouses. I also discuss other possible explanations, in particular men dedicating their time to “semi-leisure chores” that do not fall under the definition of housework used in SILC. Overall, results suggest that retirement does not lead to a more equal distribution of “core” household chores between genders.

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## 1. Introduction

The study of the change in time allocation around retirement plays an important role in the analysis of home production. The abrupt decrease in market work can be exploited to study the reallocation of total time between housework and leisure. This is important for understanding the limits of the standard model of home production, the

importance of social norms, and the strength of gender differences (Burda et al., 2006).

In this paper I provide new evidence regarding the change in time spent on producing household goods at retirement, using data from the 2007 cross-section of the Italian Survey on Income and Living Conditions (SILC). The focus is on the different behaviour of men and women, for which Italy is an interesting case study, given the strong gender differences in the engagement in housework over the entire life-cycle. The main problem of the empirical analysis is that the cross-sectional comparison between employed and retired individuals at any given age can provide a biased estimate for the quantity of interest. This is because retirees may have different preferences for leisure and housework (Rogerson and Wallenius, 2012). To manage this problem, I use the fuzzy Regression Discontinuity Design (RDD) outlined in Battistin et al. (2009), which exploits the discontinuities in pension eligibility induced by the Social Security rules. While they employed it to estimate the drop in consumption at retirement, I focus on time spent on housework, for which no information was available in their dataset.

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To the best of my knowledge, only [Stancanelli and van Soest \(2012\)](#) used (fuzzy) RDD to address this question. They exploited the discontinuity in retirement at age 60 induced by the French system to estimate the causal effect of either partners' retirement on housework in couples. An advantage in studying the Italian setting is that eligibility depends on both age and years of contributions, generating discontinuities in retirement even when keeping one or the other fixed. Furthermore, the system has been subject to several reforms in the last two decades, hence different rules apply to individuals who retired in different years. At the same time, the Italian case is interesting in itself, because comparative international evidence shows that gender differences are stronger than in other countries, with Italian men spending much less time on household production ([Burda et al., 2006](#)).

The main results from my RDD estimates show that women increase home production by more than 400 min per week on average. In contrast, for men there is no evidence of a significant increase. This gender difference has no parallel in studies from Germany ([Schwerdt, 2005](#); [Luhmann, 2010](#); [Bonsang and van Soest, 2015](#)), France ([Stancanelli and van Soest, 2012](#)), Spain ([Luengo-Prado and Sevilla, 2013](#)) or the US ([Aguar and Hurst, 2005](#); [Szinovacz and Harpster, 1994](#); [Szinovacz, 2000](#); [Hurd and Rohwedder, 2005, 2006](#)). Differently, for Italy the point estimate is very close to zero for married men living with their partner, suggesting that retirement does not lead to a more equal distribution of housework. However, there seems to be an increase for men living without a partner. Another possible reason is that retired men mostly dedicate their increased available time to activities, such as gardening, that are not part of the “core” household chores and are not included in the SILC definition of housework. Other important changes that the literature has found to be associated with retirement, in particular an improvement in health and a decrease in household size, do not explain the result because they do not take place in this case.

The structure of the paper is as follows. [Section 2](#) provides a discussion of the economics of time allocation and retirement, with a focus on the Italian case. [Section 3](#) presents the identification strategy, while [Section 4](#) introduces the dataset. The main results are reported in [Section 5](#), while robustness checks are conducted in [Section 6](#). [Section 7](#) discusses possible explanations for the results. The final section compares them with evidence from other countries and concludes.

## 2. Time allocation, home production and retirement

The standard model of labour supply with home production, proposed by [Gronau \(1977\)](#), predicts that individuals who have a lower market wage and higher marginal productivity in home production are more likely to specialize in the latter. This depends also on the degree of substitutability between home produced goods and market purchased ones ([Burda et al., 2006](#)). Gender differences can therefore arise because of women earning lower wages on average. Differences in housework productivity are also a possible reason, but this is far from clear given that technological advances in home production have strongly facilitated most of the household chores, increasing the average productivity in housework but at the same time reducing the marginal one ([Greenwood et al., 2005](#); [Albanesi and Olivetti, 2007](#); [Burda et al., 2006](#); [Alesina et al., 2011](#)). More importantly, gender differences may arise for those living in a couple due to the stronger bargaining power of men in the division of the full household income (monetary income plus the value of household produced goods, in the spirit of [Apps and Rees \(1997\)](#)). This may be traced back to social and cultural reasons, but also to the fact that men are more likely to be the breadwinner ([Alesina et al., 2011](#)). Despite of the gender differences in bargaining power, evidence collected by [Burda et al. \(2013\)](#) from 27 countries shows that the amount of total work (paid work plus housework) is quite similar across genders in rich countries, both in couples and among singles. This may be due to a social norm which results in the coordination of the amount of leisure.

Interestingly, this stylised fact is weaker in (rich) Catholic countries. Indeed, Italy is quite an outlier with respect to the iso-time norm. Empirical evidence from the time use surveys, discussed by [Burda et al. \(2006\)](#), [Bloemen et al. \(2010\)](#) and [Addabbo et al. \(2012\)](#), among others, shows that women do more total work (housework plus paid employment) than men. Furthermore, the gender gap in housework is much stronger with respect to other countries, although it had declined over time ([Burda et al., 2006](#)). Clearly, the smaller amount of time spent on paid work is likely to be due to fiscal disincentives due to the presence of family allowances ([Alesina et al., 2011](#); [Colonna and Marcassa, 2013](#)) and by the large gender wage gap ([Zizza, 2013](#)). The female activity rate was still limited at 50.6 in 2007 (compared to a EU-27 average of 63.2), although women's labour supply had been growing faster than the one for men. Nevertheless, it is striking that Italian women appear to do more total work than men, irrespective of their employment status. If the gender differences are mostly due to the higher marginal value of men's time, it is interesting to understand whether retirement leads to a re-balance in time spent on housework, if not on total work. This may not happen for those living as a couple. Both sources of men's bargaining power are likely to persist after retirement, given that cultural and social norms are hardly affected by it, and pensions are obviously strongly related to the individual career.

## 3. Identification strategy

### 3.1. Variability in pension eligibility and retirement

In 2007, people could retire following two alternative paths. The first was to meet the requirement for a seniority pension, based on a combination of age and social contributions (35 years of contributions and 57 years of age for employees, or 58 for the self-employed). This path could be taken without age limits if the worker had at least 39 years of contribution (40 if self-employed). The second path led to an old age pension instead, and was based on a National Retirement Age (NRA) of 65 for men and 60 for women, plus a minimum requirement of social contributions.<sup>1</sup> For the purpose of identification, it is important that the two paths combined create a discontinuity at a certain combination of age and social contributions, which is defined by law and does not correspond to any other administrative rule. It seems quite safe to further assume that, if it was not for retirement itself, the year of eligibility would not correspond to any other significant event that could influence the amount of housework. If these conditions hold, the shift in the fraction of retired individuals at eligibility can be used to identify the change in household production, in a RDD design.

Apart from the discontinuity, eligibility rules have been changed almost every couple of years starting with the 1992 reform. Other major reforms took place in 1995, when the combined age-contributions requirement was introduced, and in 1997, when requirements were strengthened again. Further changes were made in 2000, 2004, 2005 and 2007. To clarify the variability, [Table 1](#) shows the rules that applied between 1997–2007. [Manacorda and Moretti \(2006\)](#), [Battistin et al. \(2009\)](#) and [Bottazzi et al. \(2006\)](#) provide evidence that the reforms had the intended effect on retirement behaviour and expectations (although the latter did not fully adjust to the new future entitlement rules). On the one hand, these continuous changes made it quite difficult for the single individual to manipulate his/her eligibility or to predict the timing of retirement exactly. This increases the likelihood that the discontinuity in eligibility can be successfully used to identify the effect of retirement on housework. On the other hand, these changes may have shifted different categories along distance to eligibility. Although these shifts are arguably exogenous, they may have altered the

<sup>1</sup> Among individuals who left employment in 2007, 58% of men retired with a seniority pension, exploiting their social contributions, while almost 80% of women did so with an old age pension (source: National Institute for Social Security - INPS).

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