

Health, Ageing and Retirement Decision

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The prevalence of health problems among the elderly is usually high. By exploiting the cross-country dimension of the data of SHARE it could be interesting to study the prevalence of age-related health problems in Western Europe, and look at differences within the same population and/or between different countries. By exploring the nature and magnitude of health disparities in Europe it would be possible to investigate for the potential consequences of health disparities on health care utilization and labor participation. Previous research on this topic suggests not only a positive relationship between socio-economic status and health, but also that health is a very important determinant of labor force patterns for older men and women. Bound J. (1991)¹, by using data from the Retirement History Survey (RHS), showed how labor supply models are sensitive to the measure of health used. It could be interesting to analyse how far this is true for Western European countries. Self-reports of health limitations, while being direct measures of the capacity to work, suffer from several drawbacks, which lead to different kind of biases. For example, if men rationalize retirement decisions made for other reasons by identifying themselves as incapable of work or in poor health, self-reported measures of health are likely to exaggerate the importance of health in retirement decisions. Hence, even if self-reported health often represents rationalization, the use of self-reports may not necessarily exaggerate the role of health in retirement. Furthermore, these judgements may be not entirely comparable across respondents, due to their subjective nature. On the other hand, for what labor market decision may concern, more objective indicators of health (responses to question about specific health conditions or limitations, doctors' reports or information on mortality) may suffer from errors in variables problems, due to the fact that they not necessary include the aspects of health that affect an individual capacity for work, therefore we use health proxies that are not perfectly correlated with work capacity.

We can think to a statistical model incorporating both self-reported and objective measures of health to show the potential biases involved in using either measure or in using one to instrument the other.

¹ Bound J.(1991), "Self-Reported Versus Objective Measures of Health in Retirement Models", *The Journal of Human Resources*