



## Newsletter 02/2017

### NEWS

- **Awards for MEA Scientists**
- [Axel Börsch-Supan](#) recognized with Bavarian State Medal for Social Services
- [Duarte Nuno Leite](#) awarded with Otto Hahn Medal

In June 2017, two scientists of the Munich Center for the Economics of Aging (MEA) have been awarded for their research. The Bavarian state government honoured the director of MEA, Axel Börsch-Supan, by awarding him the Bavarian State medal for Social Services. Especially his exemplary research into social security systems was lauded. Duarte Nuno Leite was awarded the Otto Hahn Medal by the Max Planck Society for outstanding scientific achievements of young researchers.



## Essay of Axel Börsch-Supan: "One Rule for Pension"

The ongoing debate on reforming the pension system in Germany remains heated as elections for the German Bundestag on 24th of September 2017 are drawing closer. In his essay, Axel Börsch-Supan pleads for a discussion about reforms of the German pension system that is based more on scientific facts than on emotions. In this context, Prof. Börsch-Supan explains the necessity of a 2:1 rule for the retirement age and why the widespread fear of increasing poverty in old age is overblown.

The German pension system is characterized by a pay-as-you-go system (Working people contribute and retired persons benefit. In return, the working people are assured to benefit from the contributions of the working people when they are retired). This system starts lacking as the amount of retired persons is increasing as a result of demographic change. The demographic change is shaped by the age distribution formed by the generation of babyboomers, increasing life expectancy and low birth rates. Since these issues are not expected to change in the medium run, Börsch-Supan suggests to implement measures in order to adapt to them. Whereas part of the demographic transitions will be eased by increasing productivity and economic growth, increasing life expectancy requires a dynamic 2:1 pension schedule. This means that 3 years of increased life expectancy will be split into 2 additional years of working and 1 additional year of receiving pension. Exceptions have to be made for low-income earners, who often suffer from health diseases as a result of physical work. Furthermore, especially self-employed persons with a low income and long-term unemployed persons have to be shown consideration as they often have only little entitlement to pensions. Accordingly, the combination of economic growth and bringing the 2:1 pension schedule into action will guarantee the stability of the German pension system in the future.

[>>Read full article](#) (German)



# MEA Discussion Papers

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Early determinants of work disability in an international perspective

Axel Börsch-Supan, Tabea Bucher-Koenen, Felizia Hanemann

05.2017

MEA DISCUSSION PAPERS



## MEA Discussion Paper 05-2017

### Early determinants of work disability in an international perspective

Börsch-Supan, Axel; Bucher-Koenen, Tabea; Hanemann, Felizia

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(English)

#### Abstract:

Work disability is the (partial) inability to engage in gainful employment due to physical or mental illness, resulting in early retirement and/or uptake of disability insurance benefits. This study juxtaposes health measures of work disability (WD) with the uptake of disability insurance (DI) benefits in the US and Europe. It is based on an internationally harmonized data set assembled from SHARE, ELSA and HRS. Particular attention is given to life-time health using life history data from SHARE and ELSA plus comparable early childhood and life-course data from HRS. The core of the paper relates reported WD status and DI benefit receipt on country-specific DI, pension and labor market policies. We also evaluate the DI systems' efficiency by comparing how well they provide benefits to individuals in need without being misused by individuals who are healthy. We find that while our large set of health measures explains a substantial share of the within-country variation in WD and DI, this is not the case for the variation across countries. Rather, most of the variation between countries is explained by differences in DI policies.



## MEA Discussion Paper 04-2017

# Influence of Social Networks on the Effect of Retirement on Cognition

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Hanemann, Felizia

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(English)

### Abstract:

This paper examines the role of social networks as a potential mechanism in the relationship between retirement and cognitive decline. In a first step, I analyze the effect of retirement on different social network characteristics using novel panel data of 19,999 respondents on social networks from Wave 4 and Wave 6 of the Survey of Health, Ageing and Retirement in Europe (SHARE). In a second step, I estimate the effect of retirement on cognition under consideration of changing social network sizes. Applying instrumental variable fixed effects regressions based on country-specific statutory eligibility ages allows controlling for unobserved individual heterogeneity and endogeneity of the retirement decision. The results suggest that retirement leads to an increase in the number of close family members named as confidants indicating that the social network becomes more kin-oriented after retirement. However, adding close family members to the social network does not have a significant effect on cognition. In turn, adding non-family members like friends or colleagues to the social network has a positive impact on the cognitive performance. Since I do not find that retirement impacts the number of friends or colleagues significantly, I cannot claim social networks to be the explaining underlying mechanism in the relationship between retirement and cognitive decline.



## MEA Discussion Paper 03-2017

# Dangerous Flexibility - Retirement Reforms Reconsidered

Börsch-Supan, Axel; Bucher-Koenen, Tabea; Kutlu Koc, Vesile; Goll, Nicolas

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(English)

### Abstract:

Flexible retirement is supposed to increase labor supply of older workers without touching the third rail of pension politics, the highly unpopular increase of the retirement age. While this may have intuitive appeal, this paper shows that it might be wishful thinking. Economic theory tells us that flexible retirement policies can have a zero or positive effect on labor force participation while the effect on hours worked can be positive or negative depending on the distribution of leisure preferences. Thus, the overall effect is ex ante unclear. Empirical results from nine OECD countries show that the effect on labor force participation is ex post small and positive while the effect on hours worked is negative. Overall, there is no evidence of the desired positive effect on total labor supply, rather, we see evidence of a dangerous decline in total labor supply. We conclude that the flexibility reforms enacted so far have failed to increase old-age labor supply and delineate several alternative options to achieve this aim.



## MEA Discussion Paper 02-2017

# Education differences in smoking: selection versus causation

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Jürges, Hendrik; Meyer, Sophie-Charlotte

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### Abstract:

We investigate sources of educational differences in smoking. Using a large German data set containing retrospective information on the age at smoking onset, we compare age-specific hazard rates of starting smoking between (future) low and high educated individuals. We find that up to 90% of the educational differences in smoking develop before the age of 16, i.e. before compulsory schooling is completed. This education gap persists into adulthood. Further, we examine the role of health-related knowledge (proxied by working in health-related occupations) and find it hardly explains smoking decisions. Our findings suggest that (unobserved) factors determining both the selection into smoking and education are almost exclusively responsible for educational differences in smoking. Only small parts of the education gap seem to be caused by general or health-specific education. The effectiveness of education policy to combat smoking is thus likely limited.

## OTHER PUBLICATIONS



### Long-term health consequences of recessions during working years

*Antonova, Liudmila; Bucher-Koenen, Tabea; Mazzonna, Fabrizio*

[>>more information](#)

(English)



### Semiparametric Count Data Modeling with an Application to Health Service Demand

*Bach, Philipp; Farbmacher, Helmut; Spindler, Martin*

[>>more information](#)

(English)



### Healthy, Happy, and Idle: Estimating the Health Capacity to Work at Older Ages in Germany

*Jürges, Hendrik; Thiel, Lars; Börsch-Supan, Axel*

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(English)



## Individual survival expectations and actual mortality: Evidence from Dutch survey and administrative data

*Kutlu-Koc, Vesile; Kalwij, Adriaan*

[>>more information](#)

(English)



## Consumption Behavior, Annuity Income and Mortality Risk of Retirees

*Kutlu-Koc, Vesile; Alessie, Rob; Kalwij, Adriaan*

[>>more information](#)

(English)



## Was wäre, wenn wir Schweden wären? Ist das schwedische Rentensystem auf Deutschland übertragbar?

*Rausch, Johannes*

[>>more information](#)

(German & English)



## Migrants' Participation in Tertiary and Vocational Education: A Comparison of Germany's Federal States

Schuller, Karin

[>>more information](#)

(German & English)



## hdm: High-dimensional Econometrics

Spindler, Martin; Chernozhukov, Martin; Hansen, Chris

[>>more information](#)

(English)



## L2-Boosting for Economic Applications

Spindler, Martin; Luo, Ye

[>>more information](#)

(English)



## The optimism trap: Migrants' educational choices in stratified education systems

Tjaden, Jasper Dag; Hunkler, Christian

[>>more information](#)

(English)

## PRESS (selected articles)

### German-speaking

- Denkverbote im Renten-Wahlkampf - Kommentar, [FAZ](#) (07/09/17)
- Die Rente mit 67 wird nicht reichen - egal was Merkel sagt, (06/09/17)
- Trotz Merkel-Versprechen: Warum die Rente mit 70 kommt - aber anders heißen wird, [Spiegel Online](#) (05/09/17)
- Länger arbeiten, [Wirtschafts Woche](#) (04/09/17)
- Angst vor Altersarmut: Wie die Rente zukunftssicher wird, [Focus online](#) (07/07/17)
- Eine Regel für die Rente (von Axel Börsch-Supan), [Süddeutsche Zeitung](#) (30/06/17)
- Die unterschätzten Wissensarbeiter - warum es sich lohnt, in die Silver Ager zu investieren, [The Huffington Post](#) (09/06/17)
- Vorteil Alter, [Swiss Life](#) (23/05/17)
- Die 2:1 Renten-Regel, [Business Insider](#) (28/04/17)
- Die 2:1-Medizin, [Süddeutsche Zeitung](#) (26/04/17)
- Video: Wie geht es mit der Rente und dem demografischen Wandel weiter?, [CES ifo Mediathek](#) (24/04/17)
- Ein Balanceakt: Der Reformbedarf ist groß auf der Dauerbaustelle Rente, [Das Parlament](#) (16/04/17)
- Video: Bündnis gegen Altersarmut ++ Umsteuern in der Rentenpolitik?, [SWR Mediathek](#) (08/04/17)
- Riester-Rente: "Das Glas ist halbvoll", [Capital](#) (23/03/17)
- Rentenexperte: "Nahles' Rentenkonzept kostet uns 15 Milliarden Euro - pro Jahr!", [Focus online](#) (12/03/17)
- "Zwei Jahre länger arbeiten, damit wir ein Jahr länger Rente zahlen können", [Focus online](#) (10/03/17)
- Video: Zukunft der Rente, [3sat Mediathek](#) (17/02/17)

## International Press

- Merkel Stamps Out Fuse on Pensions Time Bomb, [Handelsblatt Global](#) (07/09/17)
- European Countries Lead in Quality Aging, [lifeextension.com](#) (28/07/17)
- U.S. ranks highly in new index showing how societies are adapting to aging, [USC News](#) (26/07/17)
- The Rise of the Older Utility Worker: Experienced, Intuitive and Maybe Even Available for 'Gig' Work, [publicpower.org](#) (28/06/17)
- 6 strategies for switching careers, [cetnews.com](#) (27/06/17)
- A Benefit Of Working Longer: Keeping Your Brain Sharp, [FoVideo: rbes](#) (26/06/17)
- Top Tips To Switch Careers From The Founders Of The Muse, [Forbes](#) (15/06/17)
- What Could Americans Help Work More Years, [Forbes](#) (13/06/17)
- Generation Us: Ditch the myth that older workers aren't productive, [The Daily Progress](#) (01/06/17)
- German pensions: A new not-quite revolution, [ipe.com](#) (31/03/17)
- Working longer may benefit your health, [New York Times](#) (03/03/17)

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