Informing Aging Policy: Microeconomic Panel Data on the Older Population

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The Pension Research Council
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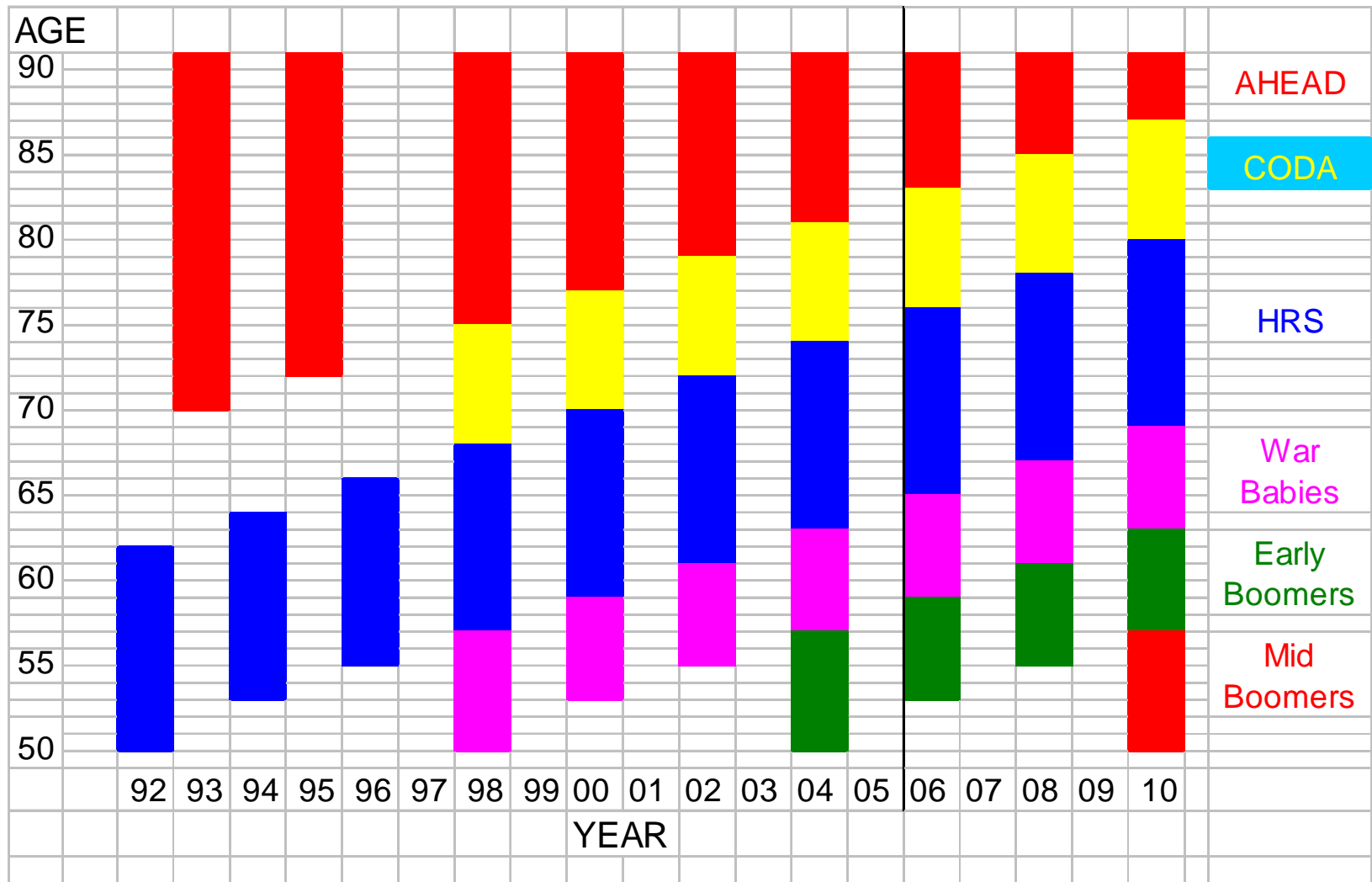
The US Health and Retirement Study
(HRS http://hrsonline.isr.umich.edu/)

- Bi-annual survey of age 50+ from 1992 (to ??)
  - N~22,000
  - 90-minute interview *each* for husband and wife
  - Follow into nursing home, proxy interview if demented or if dead
- High quality data *essential* for policy analysis:
  - Economic/labor market status and history;
  - Health status/history, healthcare utilization, costs;
  - Family transfers (time and money);
  - Psychological/expectations;
 - Links to government benefit programs

→Huge Policy Impact:

- Social Security Commission (www.csss.gov): levels/distribution of financial capital, social capital, health capital

- Medical and old-age systems: analysis of health policy reforms (health and LTC)

- Congress: saving/dissaving, asset allocation, credit behavior

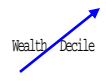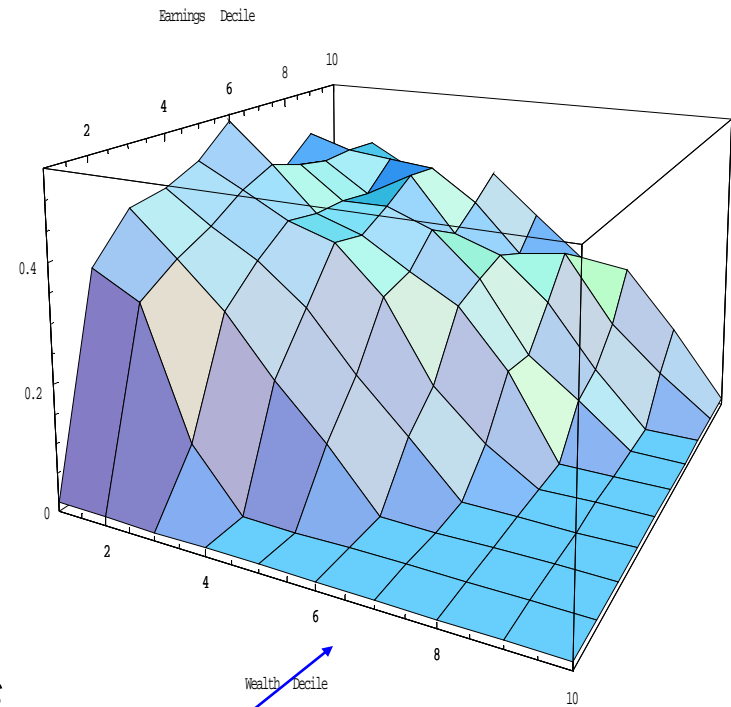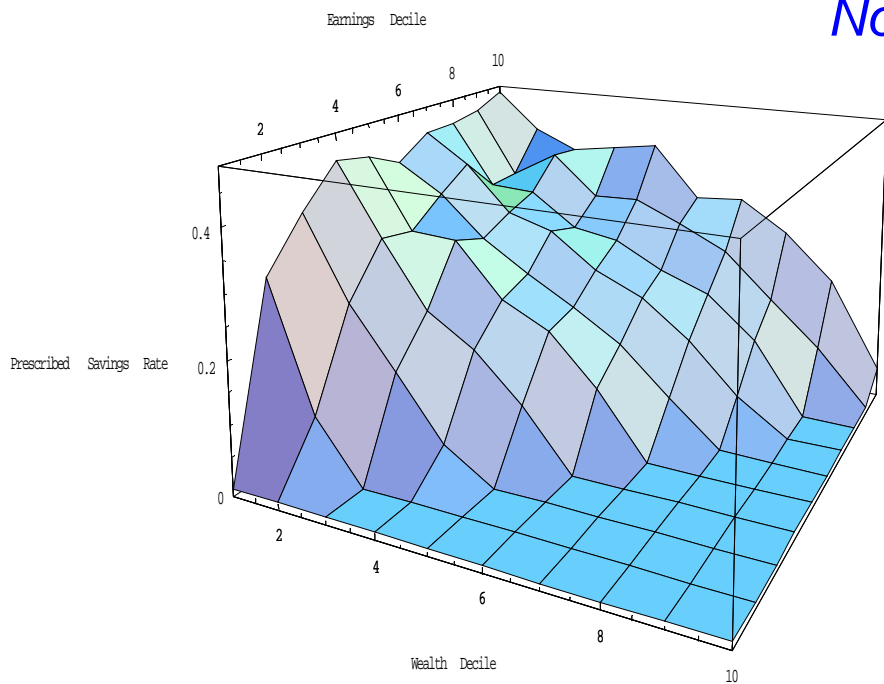- Researchers: life cycle focus (vs cross section)

HRS Longitudinal Sample Design

Pre-retirement wealth varies substantially

Health and Retirement Study (Michigan)

US: Moore/Mitchell 00
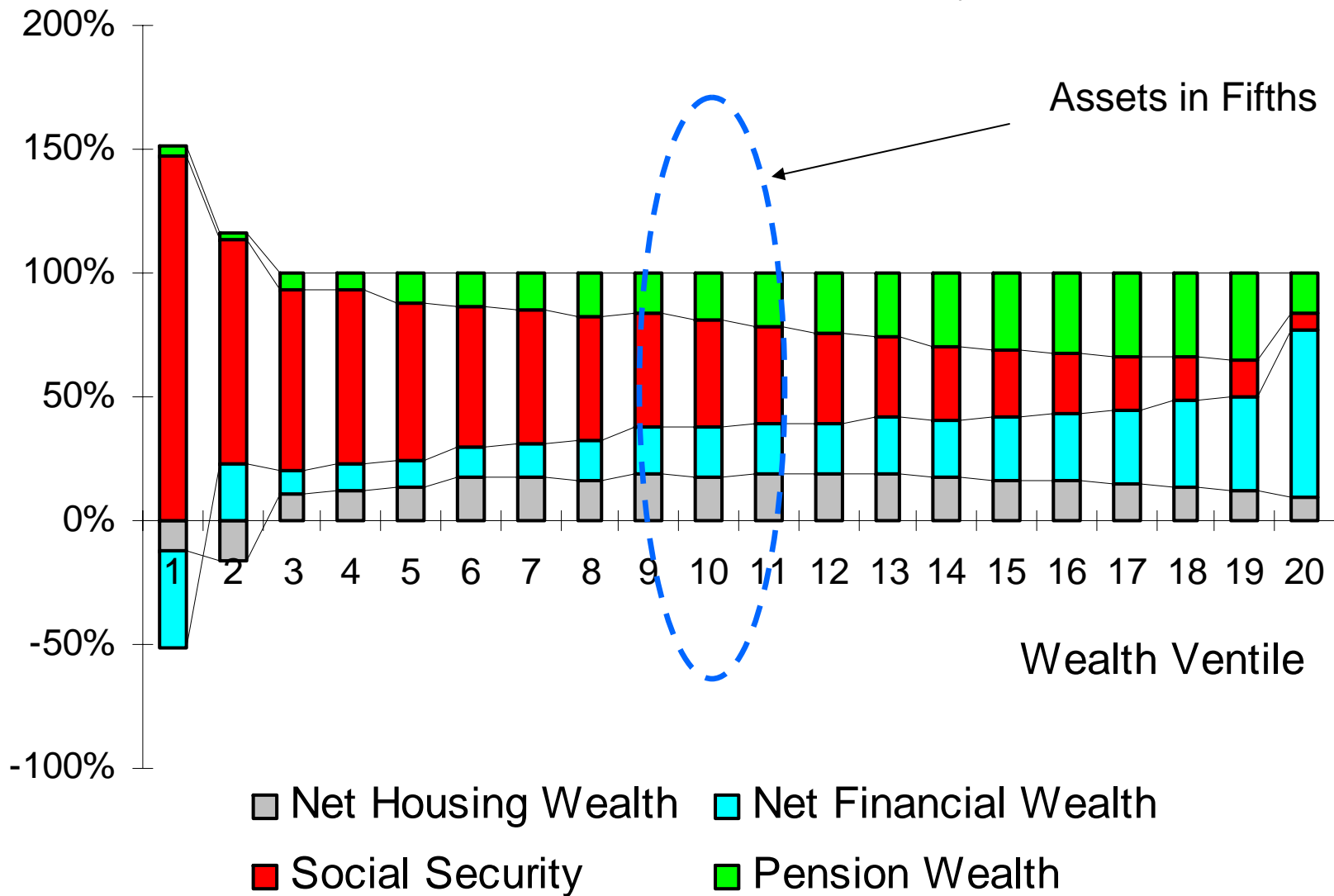
Many face large saving shortfalls:

Nonmarried

Married

To retire at 62 & smooth consumption:
→must save 15-20% more (half at 65)
High earners also have largest shortfalls

Mitchell/Moore

Detailed survey on 50+ population essential for Japan as most-rapidly aging nation

→Existing datasets unsuited:

- Not public
- Not panel
- Small N
- Focus on household head
- Lack coherent financial, health, and social capital picture (including family transfers)
- Lack consumption & saving information
- Must link tax and benefit (e.g. pension, LTC) information

Considerations:

- Survey design:
  - Ask questions similar to HRS, SHARE
  - Don't focus only on household head!
  - Response must be ~80% for international credibiltiy; consider incentives?
- Funding:
  - Need large enough N to draw conclusions
  - Cost rises with sample but so does reliability
- Confidentiality:
  - Data can be masked and made available to researchers
- Timing:
  - Start now, since building a panel takes time

HRS: hypothetical vs actual lifetime pay

Distribution of Average Lifetime Earnings
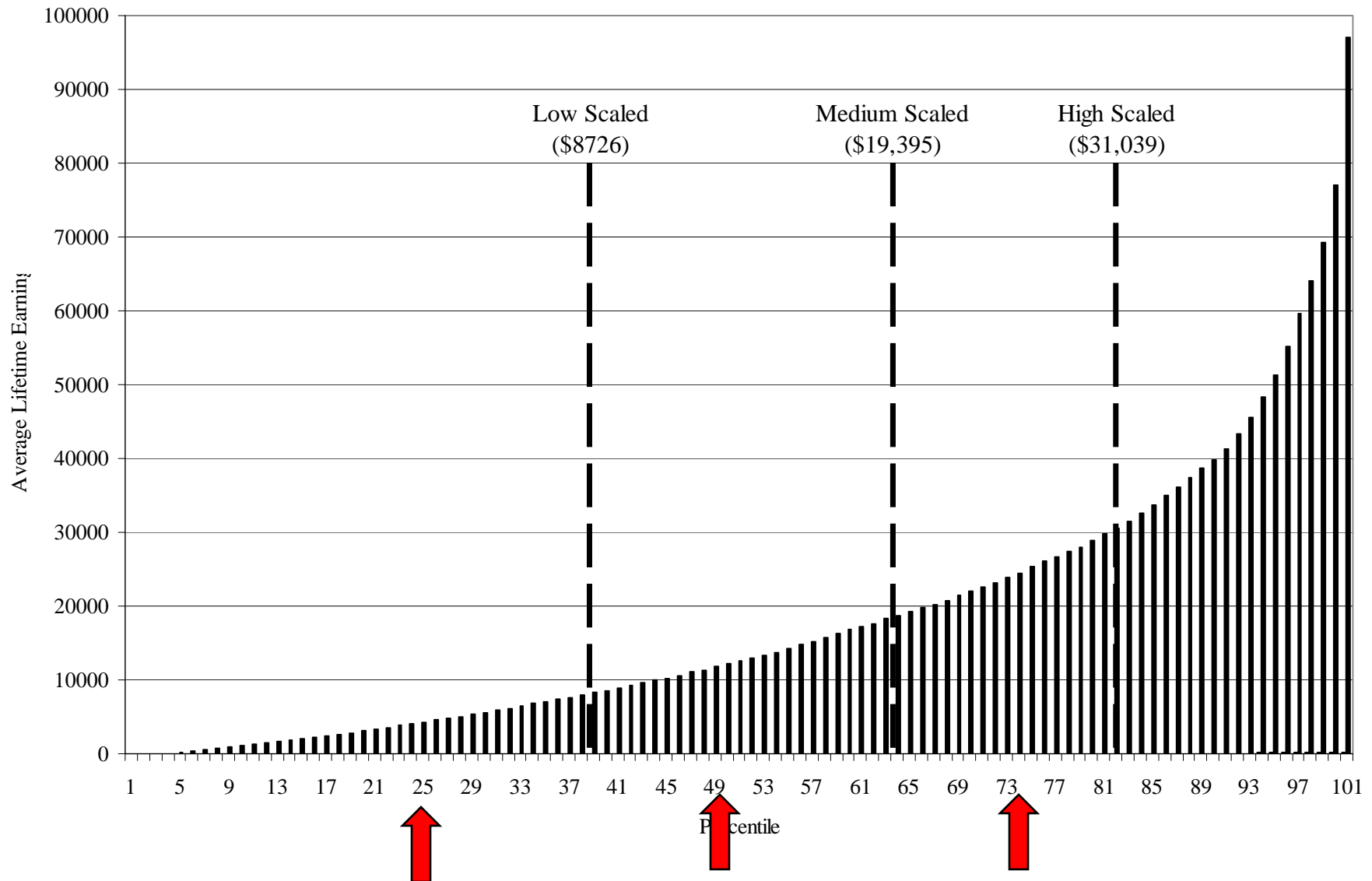
Importance cannot be overestimated:

- Global intellectual impact:
  - 000s of published papers and books
- Similar surveys underway in:
  - Chile, Australia, Korea, Mexico, U.K., rest of Europe,
  - And now…Japan!

Thank you!

For more information:

- ## Wharton's Pension Research Council:

  http://prc.wharton.upenn.edu/prc/prc.html

- ## Books and working papers:

  http://rider.wharton.upenn.edu/~prc/publication.html

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