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Executive Summary

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THE WELL-BEING OF RETIREES: EVIDENCE USING SUBJECTIVE DATA

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Most research on the well-being of retirees focuses on measures such as income or wealth from pensions, Social Security, or other sources. However, following the recent interest in job satisfaction rather than compensation in labor market research, understanding well-being in retirement might be better studied using a broader measure of overall satisfaction. While a few papers do examine measures of retirement satisfaction, they focus on small samples of retirees or very few determinants of well-being. This paper examines a wide set of determinants on a large dataset, the 2000 wave of the Health and Retirement Study.

Two measures of well-being are analyzed. First, I estimate the determinants of overall satisfaction that individuals have with retirement and find that over 60 percent report being very satisfied. Second, I estimate the determinants of whether or not retirement expectations are met. Retirees respond that their retirement is better, about the same, or worse than they thought it would be, with just over 50 percent responding that retirement is better than they thought it would be.

Although the majority of the sample expresses high levels of overall well-being, substantial numbers of retirees have low levels of well-being. An analysis of the determinants shows that traditional measures of economic well-being are important contributors to overall well-being. While income from pensions, Social Security and other household sources (as well as higher levels of net wealth) are all associated with increased well-being, the marginal effect of increasing income and wealth is relatively small.

The most important determinants of well-being are the voluntariness of entering retirement and current health. If retirees were even partially 'forced' to retire, they have substantially lower well-being in retirement. This may follow in part from the fact that they were forced to retire before meeting financial or personal goals. Nonetheless, it emerges after controlling for economic measures of well-being. Unsurprisingly, poor health also contributes to low well-being.

In addition, males tend to have lower levels of well-being, holding all other factors constant, although males are influenced by economic measures of well-being while women are not. The married have higher levels of retirement well-being. Nonetheless, if a retiree's spouse is working it lowers the retiree's well-being, suggesting a complementarity in leisure between retired couples. Older ages are also associated with higher levels of well-being in retirement.

Following the economics literature that finds that pension characteristics are important determinants of job satisfaction, this paper reports that similar effects are found among the retired. Specifically, those with defined contribution pensions only have lower retirement satisfaction compared to those retirees with only defined benefit pensions. I speculate that this follows because defined contribution pensions are more risky.

The analysis finds that compared to those with only government supplied health insurance (e.g. Medicare, Medicaid, etc), retirees with private sector insurance or a mix of private and government health insurance have higher levels of well-being. Further investigation on what characteristics of these plans cause these differences would be an important area of future research.

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