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FATAL ATTRACTION? EXTENDED UNEMPLOYMENT BENEFITS, LABOR FORCE EXITS, AND MORTALITY

ABSTRACT

We estimate the causal effect of a permanent and premature exit from the labor force on mortality. To overcome the problem of negative health selection into retirement, we exploit a policy change in Austria's unemployment insurance system that allows older eligible workers to exit the labor force 3 years earlier relative to comparable non-eligible workers. Using administrative data with precise information on mortality and retirement, we find that the policy change induces eligible men (women) to retire 5.5 (8.5) months earlier. Instrumental variable estimates show that for men retiring one year earlier causes a 5.5% increase in the risk of premature death and a 2.2 months reduction in the age at death but has no significant effect for women. (c) 2019 Elsevier B.V. All rights reserved.

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