

The ability to eat cheaper home-cooked meals more often might explain why people appear to spend less money after retirement.

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A number of studies suggest that those who have retired spend significantly less money than those who are still working. This might imply that many people have insufficient savings for retirement. Using data from Spain, [Maria Jose Luengo-Prado](#) and [Almudena Sevilla-Sanz](#) take issue with this perspective. Noting that much of the reduction in spending is related to food expenditure, they argue that in many cases reduced spending simply reflects the fact that those who are retired have more time to use home-produced goods.



Households appear to reduce expenditure around the age of retirement which researchers first interpreted as evidence of insufficient savings for retirement. A closer look at the literature, however, reveals that much of the documented consumption decline at retirement relates to food expenditure. Because food can be prepared at home, the substitution of market goods for time intensive home-produced goods has been proposed as a rational explanation for the drop in expenditure at retirement. Understanding the cause of the expenditure decline at retirement is important both to researchers who are trying to analyse how individuals make complex decisions when the future is uncertain, and to policy makers who are concerned about the adequacy of savings for retirement.

Using Spanish data, [our study](#) offers new insights as to why retirees spend less money on groceries: retirees are able to save money by cooking more and spending more time shopping for discounted goods, but only after the mid-90s. The Spanish case is particularly interesting because household income does not fall at retirement for a large fraction of households, unlike in the US and the UK. Pension replacement rates are high in Spain and minimum pensions are such that household income even increases at retirement for those in the bottom quartile of the pre-retirement income distribution. Thus, we can rule out the insufficient savings explanation brought forward in the US and UK case, where income does decline with retirement and a similar decline in food expenditure at retirement has been documented. We argue that more egalitarian social norms in the later years may have allowed spouses to freely reallocate time resources upon retirement, resulting in the substitution of market goods for home-produced goods and the observed drop in food expenditure, albeit not necessarily food consumption.

The study uses a rich and unique expenditure survey in Spain for the period 1985-2004, which follows people over time as they retire, and contains information on money spent on a broad selection of goods and services, not just food. In Spain, total expenditure does not decline with retirement and food expenditure declines for households entering retirement after the late 90s only, but substantially by about 13%. Our dataset allows us to construct household-specific price indices and we document that up to 20% of the decline in food spending at retirement is due to retirees paying less for the same goods, while the rest is due to changes in the basket composition (e.g. purchasing less processed products that they cook themselves). Additional time diary information from the 2002 Spanish Time Use Survey reveals that retired men devote more time to shopping and more time to cooking activities: 53 and 27 more minutes a week respectively.

The expenditure patterns upon retirement in Spain can be linked to evolving attitudes toward the roles of men and women in the household and views on who is responsible for doing housework. We use information on attitudes from the International Social Survey Program to reveal that gender norms changed in Spain over the period considered (1985-2004): men and women developed more egalitarian attitudes, and men took over a greater share of domestic tasks over this period. This change in attitudes can explain that whereas food expenditure declined for

people who began retirement in the late 1990s, it did not for those who retired in the 1980s. In the 1980s, women continued to do most household chores even after men retired, so household expenditure and time use patterns did not change upon retirement.

This research highlights the relevance of couples' dynamics for our understanding of economy-wide phenomena. In Spain, as in other developed countries, the sharp increase in female labour force participation over the 1990s brought along changes in gender roles that resulted in men spending more time cooking and shopping after retirement. Policy makers might not need to be alarmed by expenditure declines at retirement and must understand that families can to some extent interchange time and money.

We conclude with a word of caution. Our panel is fairly short and we capture retirees early into their retirement cycle, so we cannot be sure households' savings are adequate to carry them throughout the whole process. Further work is necessary to understand the needs and means of the very old.

For a longer discussion of the topic covered in this article see: [Maria Jose Luengo-Prado and Almudena Sevilla \(2013\) 'Time to cook: Expenditure at Retirement in Spain', *The Economic Journal*, Vol. 123, Issue 569.](#)

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