

# Discussion: Extending Working Life

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## Topic and main findings

- ▶ Is there political support for adjusting PAYG pension systems by postponing retirement?
- ▶ Shows political feasibility of postponing retirement age.  
Voters may prefer to postpone retirement because
  - ▶ the net wealth of the pensions they expect declines due to an ageing society (Income Effect)
  - ▶ net benefits decrease relative to income from work reducing incentives to retire early (Substitution Effect)

# Discussion

- ▶ Carefully executed study aiming for quantitative results by calibrating the model
- ▶ Are general equilibrium effects quantitatively important? Are they relevant at all for small open economies?
- ▶ Politico-economic equilibrium in two-dimensional policy space 'generated' by structure induced equilibria: Is there a convincing motivation?

# Discussion

- ▶ Essentially there is a median voter story behind the results. While this may be a good first approximation, political decision mechanisms may be more intricate resulting in different outcomes given voters' preferences
  - ▶ Influence of interest groups
  - ▶ Institutional arrangements, e.g. voting systems, matter for aggregating individual preferences into political outcomes.
- ▶ Results are robust against various modeling choices. How do results respond to changes in the calibration? Is there a sensitivity analysis?

## Topic and main findings

- ▶ Survey of ageing and pension reforms in Europe
- ▶ Employment rates in age bracket 55-64 increased from 36% to 44% (but are still low.)
- ▶ On a more disaggregate level on finds:
  - ▶ Considerable variance between countries
  - ▶ Employment rates for women more than 15 percentage points lower
  - ▶ High difference in employment rates between low and high skilled – about 25 percentage points
- ▶ Early exit benefits make up a share of appr. 20% of those leaving the work force aged 55-64.

# Topic and main findings

- ▶ Pension reforms group into:
  - ▶ Restricting eligibility conditions
  - ▶ Incentives for employees to work longer
  - ▶ Training measures
  - ▶ Incentives for employers to hire older workers
  - ▶ Improving working conditions

# Discussion

- ▶ Report argues for more systematic evaluation of reform measures. However, there are some things we already have an idea about:
  - ▶ E.g., incentives for employers to hire older workers may result in displacement effects, deadweight losses, stigmatizing older workers...
  - ▶ Results of causal analyses of labor market policies may be informative.

## Topic and main findings

- ▶ Analysis of changes in perceptions of life expectancy and working lives on savings and other macroeconomic variables in small and large open economies.
- ▶ It is argued that
  - ▶ an increasing working life reduces savings.
  - ▶ higher life expectancies increase savings.



# Discussion

- ▶ Evidence on study's motivation, e.g. Benartzi and Thaler (2007)
- ▶ How is the model calibrated? How well does it explaining other stylized facts of the European economies?
- ▶ Schizophrenic agents:
  - ▶ Motivation builds on agents' mis-perception of life expectancy resulting in inadequate savings decisions
  - ▶ Analysis rests on rational expectations model
- ▶ What are policies to align perceptions on life expectancies?

## Summing up

It is not only about what measures work making pension systems sustainable but also what measures are politically feasible.