THE EFFECT OF PENSION SUBSIDIES ON RETIREMENT TIMING OF OLDER WOMEN

Discussion by Leora Friedberg (University of Virginia)

August 2018
1. Estimation, cleanly done

2. Policy implications, insightful
1. Estimation, cleanly done

2. Policy implications, insightful
Figure 2: First Stage: Observed Subsidy Schedule

(a) Bin Plot: total monthly subsidy measured in euro

Slope at the Left: 1.950 (0.150)
Slope at the Right: -3.674 (0.110)
Change in Slopes: -5.624 (0.241)
Figure 2: First Stage: Observed Subsidy Schedule

Figure 6: Scatter Plots of Age of Claiming Pension around the Kink

(a) Bin plots: total monthly subsidy measured in euro

(b) Bin plots: hazard to claim pension at age 60
1. Estimation, cleanly done

2. Policy implications, insightful
1. Estimation, cleanly done

2. Policy implications, insightful
• Total cost of raising monthly subsidy by €1?
  ○ €240 in extra pension, if no change in behavior
  ○ €70 in extra pension, because behavior changes
    earlier claiming, greater use of UI, reduced tax revenue
    specifically for people with lifetime earnings around ½ of average
How does this compare to other redistribution methods?

- behavioral costs are relatively low
  relative to UI, progressive taxation
  but, it can only target old age pensioners

- is it relevant for other countries?
  in the U.S., no credit for child-rearing
  in other countries, are behavioral responses of low earners comparable
  in other countries, is need of low earners comparable
• How does this compare to other methods of redistribution

  o €240 in extra pension, if no change in behavior

  o €70 in extra pension, because behavior changes earlier claiming, greater use of UI, reduced tax revenue specifically for people with lifetime earnings around ½ of average

  o Behavioral costs are relatively low relative to other ways to redistribute but it can only target old age pensioners