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# MAKER SOM DELAR PÅ KAKAN

– EN ESO RAPPORT OM JÄMSTÄLLDA PENSIONER

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DISCUSSION: MARIEKE BOS

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How should regulators structure policy to achieve their gender equality (in pension savings) goals?

If intervene, menu:

1. **Prevention** (goal: equality through equal income accumulation)
  - Policies aimed at: choices made in and functioning of the educational, labor, (social) insurance, co-habitation market.
2. **Pledge** (goal: equality through pre-commitment to share future income)
  - Policies aimed at: within and between couples future pension sharing
3. **Resolution** (goal: equality through income redistribution across and between generations)
  - Policies aimed at: income of individuals who failed to accumulate enough pension savings

How should regulators structure policy to achieve their gender equality (in pension savings) goals?

If intervene, menu:

- 1. Prevention** (goal: equality through equal income/saving accumulation)
  - Policies aimed at: choices made in and functioning of the educational, labor, (social) insurance, co-habitation market.
- 2. Fix** (goal: equality through (pre)commitment to share pension savings)
  - Policies aimed at: within and between couples future pension sharing
- 3. Resolution** (goal: equality through income redistribution across and between generations)
  - Policies aimed at: income of individuals who failed to accumulate enough pension savings



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**This Report analyze: 2. Fix** (goal: equality through (pre)commitment to share pension savings)

Evaluate two policies currently in place:

1. Possibility to transfer your premium pension savings to your spouse.
2. Possibility to pledge your premium pension savings to your spouse in case you pass away first.

- This approach takes income accumulation differences between spouses as given
- Mitigate the consequences

➤ Note though! That these insurances indirectly sustain the incentives to have income accumulation differences

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The vast majority of couples in Sweden chooses to not to utilize these 2 options.

1. 0.05 percent chooses to transfer their premium pension savings (independent of own income, income difference, or age)
2. 17 percent of women, 35 percent of men chooses to pledge their premium savings in case they die.

## WHY IS THIS?

# Why do couples choose not to share?

1. **Information friction** about options:
  - The couple is unaware they can share
  
2. **Information friction** about consequences of choices on pension savings
  1. Underestimate the consequence of low income on pension savings
  2. Underestimate the need to save for pensions
  3. Underestimate the probability of separation
  4. Underestimate the probability to die first
  
3. **Couple prefers** not to share
  - Men (accurately) estimate the probability that they will share their pension with someone else.
  - The couple calculates and prefers money now rather than later
  
4. **Researcher does not observe**
  - The couple actually does equalize, but we don't observe outside premium pension system.



# 1. Information friction about options:

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Some evidence from:

## 1. the Survey:

- 91% didnt know about possibilities

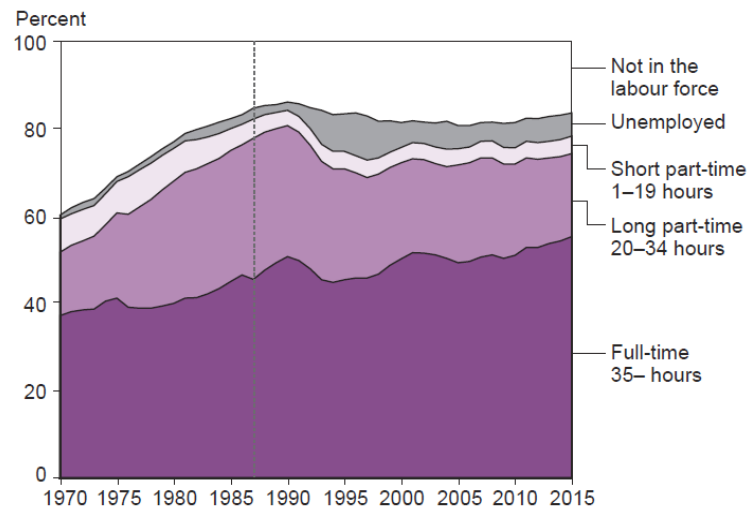
## 2. When choice architecture was changed

- Increased uptake (option to sign up for "survivors protection")

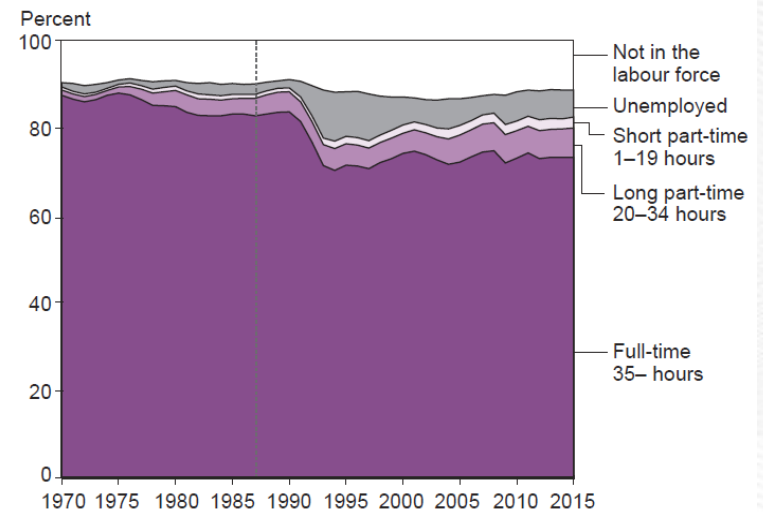
# 2. Information friction consequences? Preference?

Persistent gender difference in income accumulation independent of wage differences

Women aged 20–64 by labour force status and hours normally worked, 1970–2015

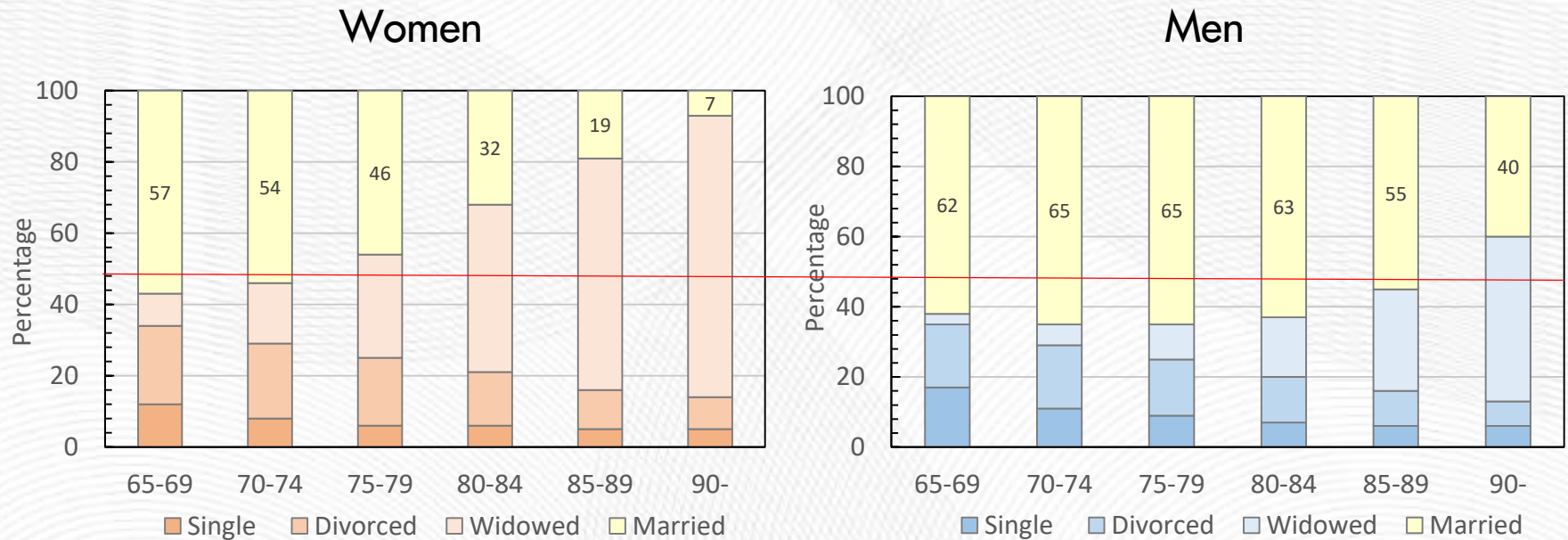


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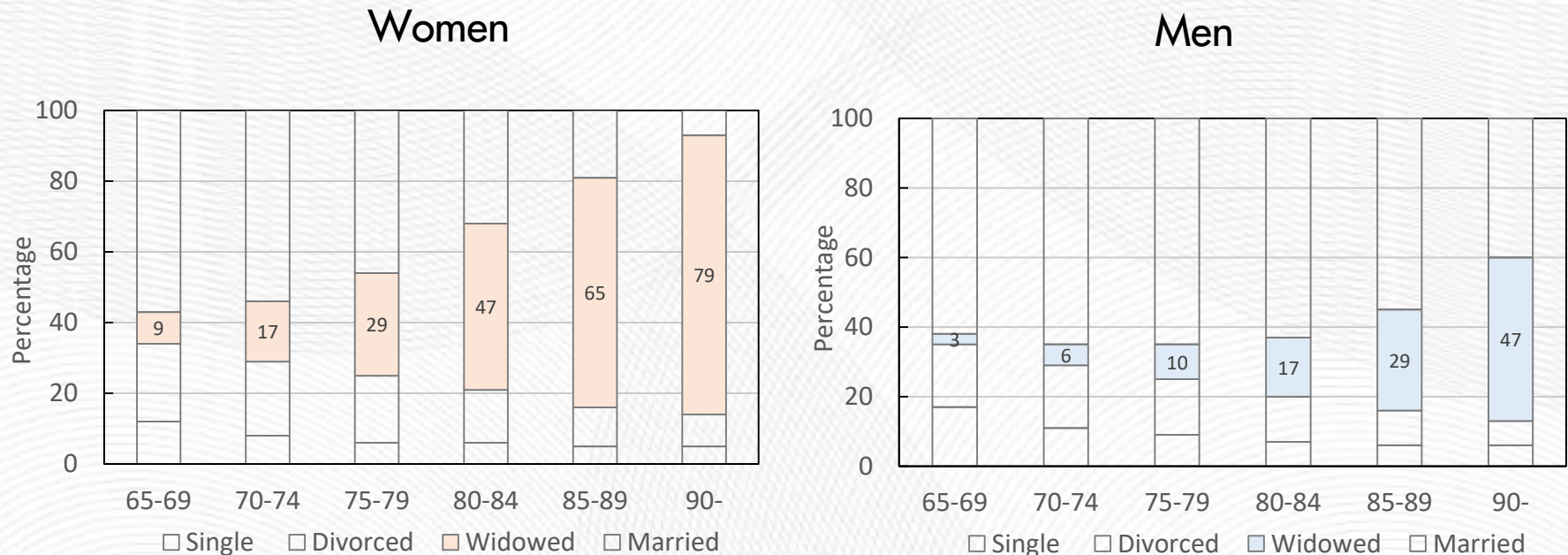
Significant gender difference in the probability to be alone during retirement ages (snapshot in 2015)





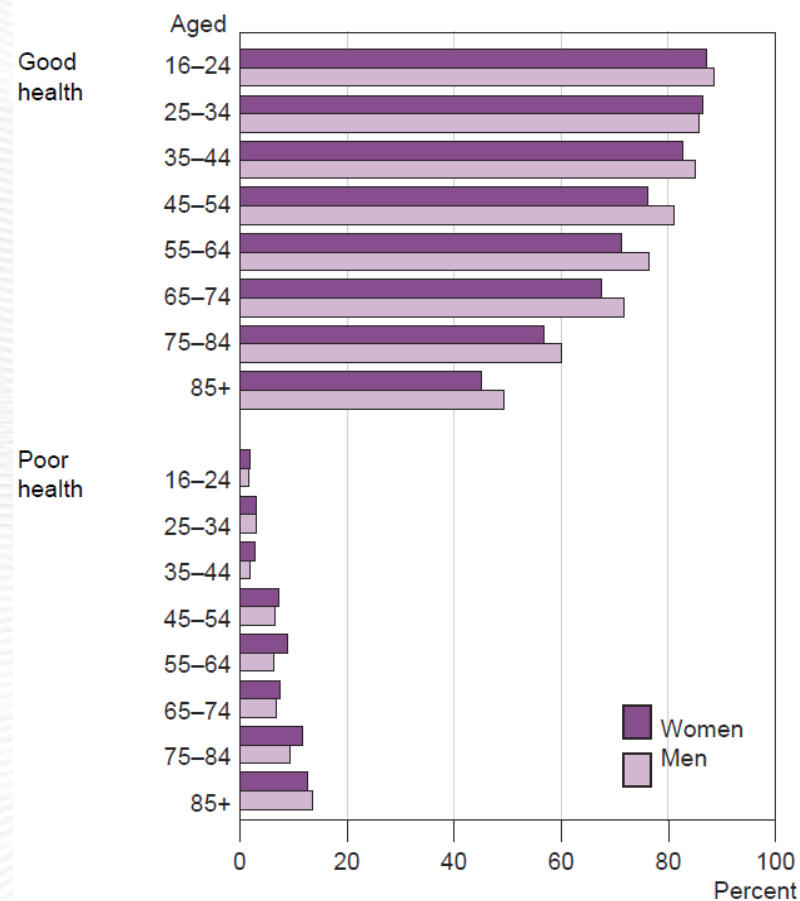
## 2. Information friction consequences? Preferences?

Significant gender difference in the probability to be widowed and retired,  
(snapshot in 2015)



## 2. Information friction need?

*Proportion (%) in each age group who claim to have good or poor health in general*



Source: Survey of Living Conditions, Statistics Sweden

Are men  
overconfident?

Women on average:

- Accumulate significant less income during thier working life
- Life longer
- Re-marry less?
  - Significant more likely to be alone when retired

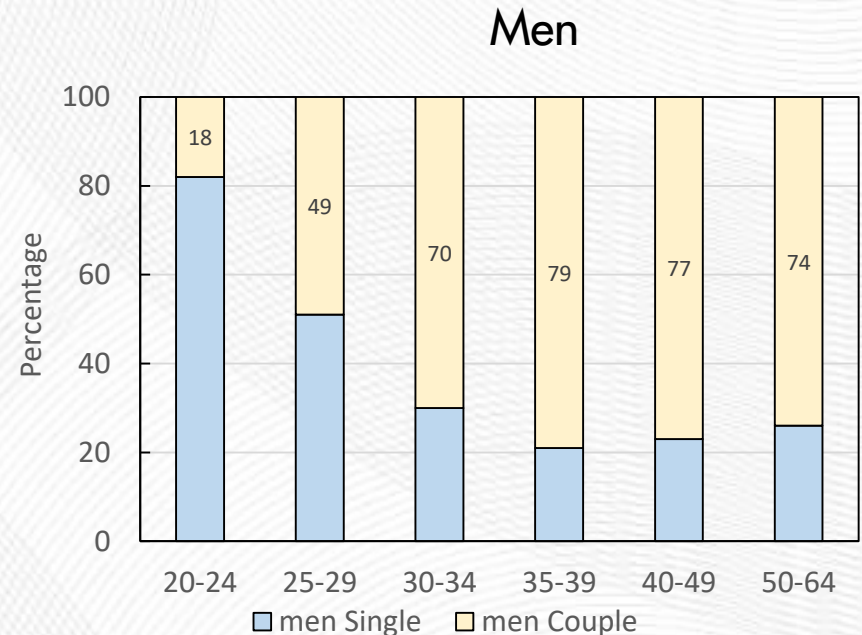
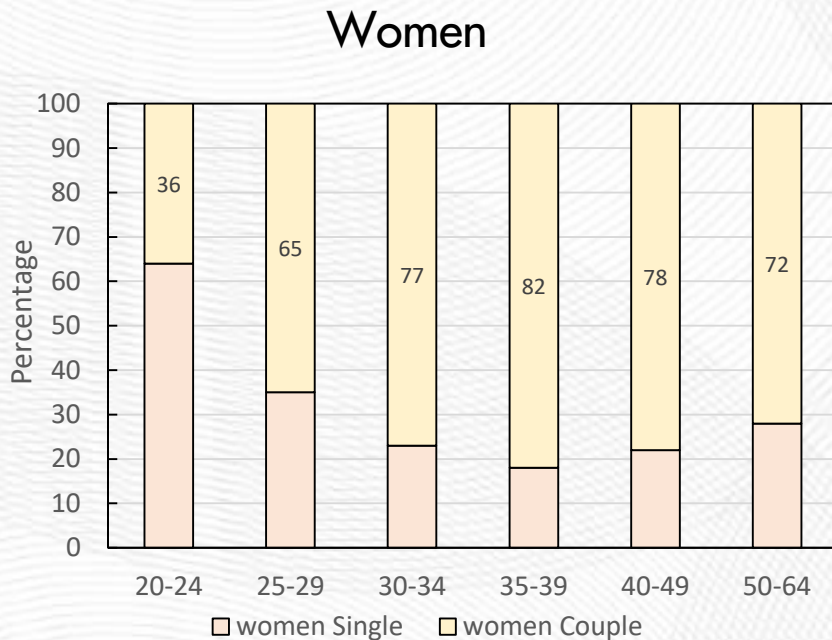
➤ All in all translates into risk lower savings

And during their working life fast majority is part of a couple, no gender difference..



# Gender difference in sharing opportunities?

Fast majority part of couple pre retirement, 2015



Source: SCB "Women and Men in Sweden - Facts and Figures 2016"

# WHY DO WE CARE?

## Are we worried about:

### 1. Women's /Men's ability to be independent when retired?

- Too low a pension in **absolute terms**.
  - Costly for society to guarantee certain living standards of those that saved too little
  - Costly for the individual if (negotiation) power within the couple is not equal.

### 2. Women's /Men's ability to have equal purchasing power when retired?

- Too low a pension in **relative terms**
  - Costly for society if goal is absolute equality (slows norm building)
  - Costly for the individual only iff we assume this was not inline with their preferences, assume information frictions.



# POLICY IMPLICATIONS

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Report argues policies to increase uptake are preferred:  
Since policies do equalize pension savings  
(at least in the short run)

Considers two categories of policies:

1. Change the default choice
  - Actively opt out of default sharing options
2. Increase probability of informed choices
  - Formulate effective information campaign through randomized trials and proper evaluation.

# CHANGE DEFAULT



- Default has been shown to be 'effective' in that: people end up in the default:
  - Inertia
  - Norm building: "...must be a reason why the government thinks this should be the default".

## Potential Cost:

- People end up in default, but do not realize the consequence / cost:
  - Survivors protection:
    - Income from pension reduced by -7% to -40% depending on partners age
  - Transfer pension savings to your partner:
    - Costs -6%

## Especially for those:

- That end up staying together
- Prefer higher consumption now (while together)

## Potential Cost: *More general*

- Increase choice almost always sound like a good idea in a static view
- But if you allow for dynamics (feedback loop) increased choice  $>$  risks to undermine exactly that what you aim to fix! i.e. pension savings inequality



# 1. Change Default

## Potential Cost:

Imagine a couple:

- With significant income differences
- But fully aware of consequences for pension.

Inter-household negotiations suggest that opportunity cost for the women to do unpaid work are lower..

- Iff compensation by the men of the loss is possible, women remains more likely to do more unpaid work

This is fine iff this is what people prefer!

# 1. Change Default

From a *Moral* sense

Imagine a couple:

- Both work full time
- Share unpaid work 50-50
  
- Same profession but (W)oman is older (earns more)
- Same profession but (W)oman is more successful (earns more)
- (W)oman choose a different profession (earns more)

Default sharing:

- Indirectly creates the norm:
  - Being a couple = pay/savings should be equalized

# INCREASE PROBABILITY OF INFORMED CHOICES



## 2. Increase probability of informed choices

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Changing behavior through information has been shown to be difficult.

- Difficult to reach the group that needs it most
- People that tend to underestimate the consequences of their choices also tend to underestimate the relevance or importance of information
- End up increasing the gap between groups. Increase inequality

## 2. Increase probability of informed choices

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### Potential cost:

- Costly campaign with low effectiveness especially for the group that needs it most.

Need for thorough analysis! as the report suggests.

- Randomized trial with follow up creates the opportunity to optimize information campaign.

### Report suggests 'information treatment':

- Inform about the two policies:
  - the possibility to transfer pension and to sign a survivors protection

### Targeted:

- Newly parents
- Group 10 year before retirement

### Potentially include:

- Information on predicted pension of spouse and individual



## 1. Independence:

- Aim information at individuals at risk to accumulate too little savings
- Target: Lower income segment

## 2. Same purchasing power:

- Aim at informing men/women, boys/girls about the consequences of difference in choices in their:
  - Education
  - Profession
  - Ambition
  - Labor participation
  - Timing of child birth(s)
  - Care of child
  - Care of house
  - Sharing of pension
  - .....

## 2. Increase probability of informed choices

In order to get away from potential feedback loop and norm building

Add "Information treatment":

- Inform about the consequences of choices\* on pension savings
- NOT mention transfer options
- Include statistics on typical profiles (Bertrand, Morse, 2014)

Target:

- Newly parents
- Upper, secondary school
- Matching sites
- ..

Check change in behavior

\*labor participation, division of unpaid work, choice of partner

# Thank you!

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<https://www.houseoffinance.se/>