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# Do you have an occupational pension?

On the interplay between demand, supply and information

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# The rationale for occ. pensions

## ➤ Employer's side

- Part a HR concept
- Regulate productivity, tenure, retirement
- Tax incentives

## ➤ Employee's side

- Old age provision with reduced risk
- Tax incentives

## ➤ Both sides interact on the labor market



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# The German pension reform

- Introduced multi-pillar system in 2001
- **Occupational pensions since 2001**
  - Tax incentives
  - Shorter vesting period (5 years)
  - Easier portability
  - workers have the right to demand an occupational pension (salary conversion)



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## Research question

**What are the determinants for participation in an occupational pension scheme?**



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## Two-stage decision model

- 1. Workers decide how much to invest in acquiring/processing pension information**
  - Incentives, ability, access
  - Influenced by worker and firm characteristics
  - Observed outcome: Perceived pension availability
- 2. Workers decide whether to participate**
  - Incentives, preferences
  - Worker characteristics only
  - Observed outcome: Pension coverage



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save

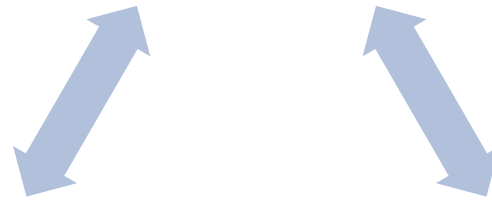
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- Socio-demographic characteristics, asset ownership, saving motives ...
- Does the firm you work for offer an occ. pension?
- Do you have an occ. pension?



..on the individual level

- Employment histories
- wage

Integrated Employment Biographies



Establishment History Panel

..on the firm level

- wage structure
- in/outflows

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## ➤ **SAVE 2011**

- Response rate: 81% (N=1660)
- Consent rate: 57% (N=956)

o./w. 286 respondents have worked in 2010.

## ➤ **Selectivity of consent** (Coppola & Lamla, 2012; Coppola & Lamla, 2013)

- Income and education are correlated with consent

## ➤ **Representativeness**

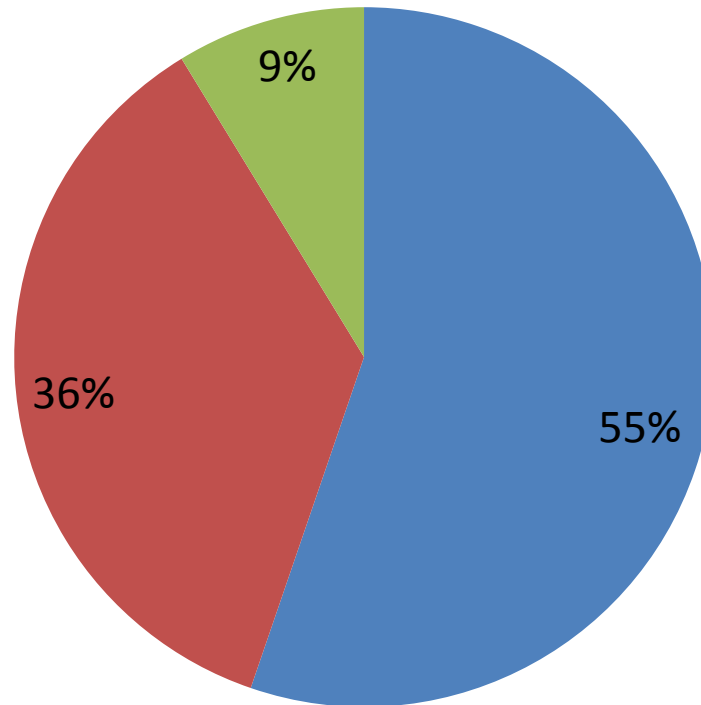
- Firm structure and employment histories are well represented (Coppola & Lamla, mimeo) ➡



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# Perceived availability

■ Yes ■ No ■ DK/No Answer







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## How are worker and firm characteristics related to perceived availability?

Yes, my firm offers an occ. pension (vs. No and DK)			
	Coef.		Std. Err.
<b>Individual characteristics</b>			
female	0.005		0.059
partner	0.041		0.058
East Germany	-0.174***		0.056
Age (years)	0.003		0.003
<b>Secondary education</b>			
Hauptschule	-0.077		0.072
Realschule			
Abitur	-0.051		0.073
<b>Post secondary and tertiary</b>			
No vocational training	-0.058		0.124
Some vocational training			
University	0.103		0.086
<b>Savings and saving behaviour</b>			
motive_oldage is important	0.044		0.061
Own private old-age provision	0.015		0.053
<b>Employer changes</b>			
No change	0.072		0.073
Some changes			
Many changes	0.058		0.082
<b>Tenure at current employer</b>			
less than 3 years	-0.159**		0.063
3 to 10 years			
more than 10 years	-0.032		0.065
Part-time employee	-0.022		0.065
Log( gross daily income)	0.084***		0.029



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## How are worker and firm characteristics related to perceived availability?

Firm Characteristics	Coef.	Std. Err.
<b>Firm Size</b>		
size <50	-0.151 **	0.068
50 - 499		
size 500+	0.073	0.071
<b>Turnover rates</b>		
Low (bottom tercile)	0.021	0.062
Medium (second tercile)		
High (third tercile)	-0.141 **	0.067
<b>Share of high skilled workers</b>		
No high skilled workers	-0.20 **	0.08
Low (bottom tercile)	-0.13 *	0.08
Medium (second tercile)		
High (third tercile)	0.00	0.08
High share of workers 55+ (top tercile)	-0.17 ***	0.06
_cons	0.341	0.231
R-squared	0.3911	
N	286	



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## How are worker and firm characteristics related to pension coverage?

Yes, I participate (conditional on perceived availability)			
	Coef.		Std. Err.
<b>Individual characteristics</b>			
female	-0.166 *		0.086
partner	-0.162 *		0.096
East Germany	-0.103		0.086
Age (years)	0.007		0.005
<b>Secondary education</b>			
Hauptschule	-0.211 *		0.124
Realschule			
Abitur	-0.064		0.107
<b>Post secondary and tertiary</b>			
No vocational training	0.353		0.221
Some vocational training			
University	0.212 *		0.120
<b>Savings and saving behaviour</b>			
motive_oldage is important	0.047		0.094
Own private old-age provision	0.010		0.078
<b>Employer changes</b>			
No change	0.015		0.107
Some changes			
Many changes	-0.055		0.139
<b>Tenure at current employer</b>			
less than 3 years	0.024		0.104
3 to 10 years			
more than 10 years	0.047		0.091
<b>Part-time employee</b>			
	0.103		0.100
<b>Log( gross daily income)</b>			
	0.171 ***		0.056



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## How are worker and firm characteristics related to pension coverage?

Firm Characteristics	Coef.	Std. Err.
Firm Size		
size <50	0.228 **	0.105
50 - 499		
size 500+	0.066	0.093
Turnover rates		
Low (bottom tercile)	0.121	0.086
Medium (second tercile)		
High (third tercile)	0.109	0.113
Share of high skilled workers		
No high skilled workers	0.06	0.13
Low (bottom tercile)	0.08	0.11
Medium (second tercile)		
High (third tercile)	-0.05	0.10
High share of workers 55+ (top tercile)	0.12	0.10
_cons	-0.433	0.391
R-squared	0.2191	
N	158	



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## Caveats

- Data has experimental character
  - Small sample size, selective sample
- Omitted variables
  - Funding vehicle
- Information on supply and demand is based on self-reports
  - Measurement error (type I & II)

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## Conclusion

Despite the caveats...

### **What are the determinants for participation in an occupational pension scheme?**

- Perceived availability varies with firm and worker characteristics
- Work environment determines the incentive and access to information
- Disadvantages in the labor market can translate in disadvantages during retirement!



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**THANK YOU!**



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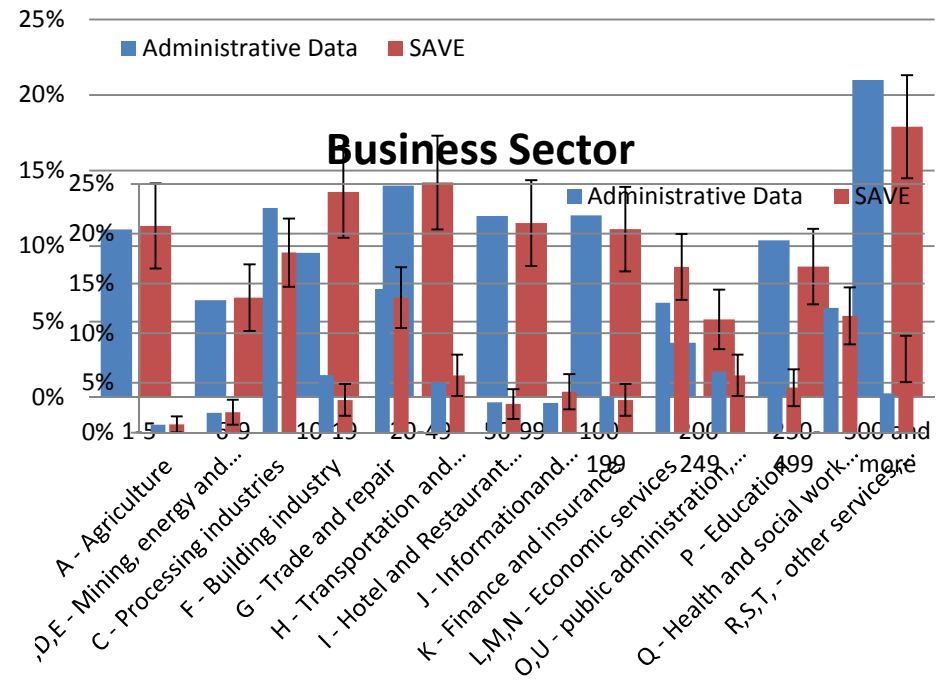
# How do we fare?

## ➤ Establishments

- Firm size ➤
- Business Sector ➤
- Wages

	Administrative data		SAVE	
	Overall	Women	Overall	Women
Germany	2,702 €	2,312 €	2,613 €	2,443€
West	2,835 €	2,379 €	2,831 €	2,606€
East	2,068 €	2,018 €	2,131 €	2,096€

### Firm size





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# How do we fare?

## ➤ Establishments

- Firm size
- Business Sector
- Wages

## ➤ Employees

- Job relations
- Employment histories

**Minijobs in June 2010**

