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THE EFFECT OF PENSION SUBSIDIES ON RETIREMENT TIMING OF OLDER WOMEN: EVIDENCE FROM A KINK DESIGN IN GERMANY

Referent

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UHRZEIT:
13:00 Uhr

ORT:
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This paper provides a clear and transparent setting to study the effect of additional pension benefits on women's retirement decision. Using administrative pension insurance records from Germany, I examine the impact of a pension subsidy program to low pay workers, implemented in 1992. The subsidies have a kinked relationship with the recipients' average pension contribution, which led to sharply different slope of benefits for similar women to the left and to the right of the kink point. Using a regression kink design, I find that 100 euros additional monthly pension benefits induce female recipients to claim pension earlier by about 10 months. A back-of-the-envelope calculation suggests the ratio of behavioral cost to mechanical cost of this subsidy program is 0.3, which is smaller than other anti-poverty programs such as extending unemployment benefits and progressive taxation. I find that the phasing out of this subsidy program can account for one third of the increase in women's age of claiming pension over the past decade.