

Individual heterogeneity and pension choices: How to communicate an effective message?

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Research questions

- How was the communication campaign accompanying the 2007 TFR (severance pay) reform perceived by the employees?
- Message: Pension funds plus tax incentives linked to them can guarantee a higher retirement income, compared to the severance pay (Tfr).
- Was the message accompanying the reform effective in inducing employees to transfer TFR to a pension fund?
- Is the outcome of the reform telling us something about the effectiveness of the message?
- What was the role of financial literacy?



Methodology

- Explaining heterogeneity in pension choices exploiting behavioural insights
- Modelling the "individual elaboration process" of a policy message attempting to change individual choices
- Applying the Elaboration Likelihood Model (ELM) developed by American psychologists Petty et al.

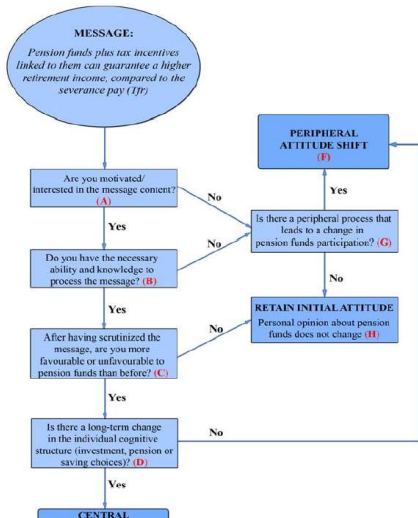


Empirical strategy

- Data: Bank of Italy Survey of Household Income and Wealth (SHIW) 2006 2008, 2010 and 2012
- Description of the sample with the ELM
- Estimation of logit and multinomial logit of the probability of choosing in a "conscious" or "unconscious" way



Figure: 2

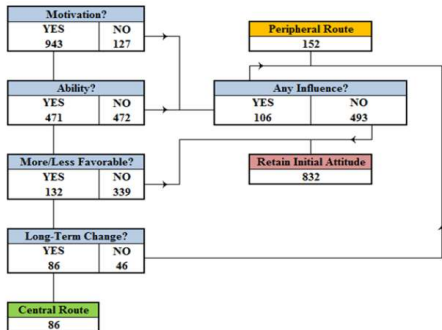


Comments to Figure 2 and 3

- Relevance (motivation) for the employee. Indicator: number of valid responses to question whether Tfr was transferred or not (88percent valid).
- Ability : pension specific financial literacy
- More / Less favourable. It is not clear what is the difference with Long-term change (explanation on page 10 needs clarification).



Figure: 3



Comment on consciousness vs rationality

- Consciousness (in psychology) : is it to be interpreted as economic rationality?
- Interpretation of the "do not know" response as "unconscious" decision.
- Could unconscious decisions (Peripheral route) be considered equivalent to economic rational decisions when information is imperfect?
- 78percent Retain Initial Attitude both consc and unconsc. For the unconscious RIA could it be because of lack of a clear message (lack information) e.g.on returns on pension funds
- Only 8percent takes Central Routes decisions: it gives the impression that "rational" individuals are a minority group



Comment on logit and mlogit results

- The estimation results show that some descriptive evidence is not confirmed by multivariate analysis. Descriptive analysis may be shortened
- e. g. coeff. of Gender: it does not matter either in changing initial attitude or in consciousness of the decision process (interesting result)
- significant coeff. of financial literacy for central route choices: that seems tautological, since CR individuals are selected as able to process financial information



Summary

- The paper gives interesting insights into the issue of creating incentives for supplementary pension schemes in Italy
- It uses ELM for the first time, but the decision process is probably too much structured (several ad hoc assumptions)
- The authors could stress what is their final judgement on the following question: Is the failure of the reform due to an ineffective message of the government, to ignorance of the recipients or to the fact that the incentive was truly ineffective?

