Effects of Taxes and Safety Net Pensions on Life-Cycle Labor Supply, Savings, and Human Capital

Comments by Daniel Kemptner, DIW Berlin

General remarks

- Research approach
  - Estimation of structural life-cycle model using the HILDA panel
  - Investigation of changes in the pension system based on simulations
  - Most interesting: interplay between generosity of pension system, labor supply, and private old-age provision; welfare effects?
- Life-cycle model
  - Technically very refined and skillful implementation
  - Is the model the main research contribution?
  - Published studies based on similar models: Low et al. (AER 2010), French and Jones (E 2011), Haan and Prowse (JE 2015), Blundell (AER 2016), etc.
- What is the main reseach question?

Paper needs more focus

- Methodological contributions may not be the main selling point
  - First application of EGM ideas introduced by Carroll (2006)
  - New way of defining human capital state variable
  - First application of smooth simulation algorithm Bruins et al. (2015)
  - Contribution requires showing value-added to existing literature
- My suggestion: use model as the foundation for a profound policy analysis of public versus private old-age provision
  - Policy reforms: focus on the effects of changes in the Aged Pension, the exemption level of means test, superannuation rules
  - Tie your research to other studies on the topic that rely on life-cycle models: e.g. Haan and Prowse (JE 2015), O'Dea (WP 2017)

Further remarks

- Explain a bit more your deviations from conventional model specifications
- Budget: If you want to draw conclusions for public policy, the reform scenarios should be made budget neutral
- Structural model =>
  - welfare effects can be computed
  - e.g. by considering compensating variations
  - optimal mix of public and private old-age provision?
- It may be interesting to also consider effects on distributional outcomes