

Self-employment in Italy: The Role of Social Security Wealth

Margherita Borella • Michele Belloni

Discussant: **Stefan Hochguertel** (VU Amsterdam)

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- research topic of significant potential policy relevance
- main focus: effect of institutional variation on wealth effect for self-employment [SE] choice
- wealth effect: does SE cause wealth or wealth SE?
- previous literature tries to rely on, hopefully, exogenous variation in wealth, examples
 - inheritances (Brown et al., 2010)
 - lotteries (Lindh & Ohlsson, 1996)

there is little evidence available that uses policy reform to study wealth changes (Li et al, 2015)

- also little understood is the connection between differential pension systems and occupational choice, most research on occupational choice is unable to measure pension wealth, or has no institutional variation
- ▶ large gains to be had from a study that looks into this matter

■ ambitious

- uses administrative micro data of a pension administrator, containing complete histories of a random sample of workers (about $3.5\% \approx 55\% \times 6.5\%$)
- computes social security wealth [SSW] over entire careers, separately for three groups (wage employed [WE], SE, and complicated mixed careers types)

■ novelty

- uses pension reforms that differentially affected SE and WE, at three(?) points in time, and not equal for all cohorts

■ core findings

- negative overall wealth effect (long-run slashing of SSW), nonmonotonic time path with system becoming more tilted towards SE
- relative attractiveness of SE increased post-reform, transitions into \uparrow and out of \downarrow
- effects quite sizeable

Recommendations

- Cleaner write-up incl institutions and notation
- Clearer policy perspective
- Clearer discussion of what is / is not available in the data/sample and why
- Discussion sensitivity and econometrics.
- More on economic interpretation.

- Perhaps refer to a timeline?

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
SE	DC	DC	DC	DC	DC	DB	DB	DB	MDB	MDB	MDB	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC
	16%																					17.2%
WE	DB	DB	DB	DB	DB	DB	DB	DB	MDB	MDB	MDB	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC	NDC
	20-25%																					32.7%

- Is there anything specific about craftsmen and shopkeepers in terms of pension treatment as compared to other industries? What percentage do they represent? Are there incentives to self-declare to be a shopkeeper rather than a consultant?
- three groups of regimes (MDB, NDC, MDB+NDC): are we supposed to think about them in terms of treatment/control groups?
- main equation

$$SE_{it+1} = \alpha(SSW_{it+1}^{SE}(y_{t+1}) - SSW_{it+1}^{WE}(y_{t+1})) + \beta X_{it} + \varepsilon_{it+1} + v_{t+1} + \mu_i$$

define y ; shift index from $t + 1$ to t ?

Italy: Institutional Aspects and Policy

- importance of public pensions, low retirement ages, high employment protection; access to some UI system
- ▶ good reasons to stick to an employee's position
- conversely: one of the highest self-employment rates in Europe, and non-negligible transition rates
- shadow economy: tax evasion and occupational choice
- ▶ Presumably no easy way to characterize the self-employment choice in terms of pull/push.
- SS reform: what was the goal of the differential treatment?
- WE retire from age 55, SE eligible from 65: what about ER?
- How are SSW calculations affected by Δ contribution rates v Δ career length (between SE and WE)?

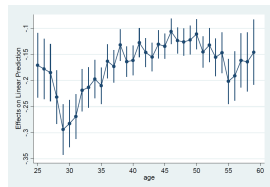
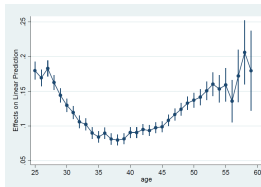
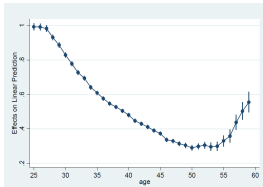
- Admin data with enviable records on complete history of employment spells.
- Why can craftsmen and shopkeepers be identified and others not?
- Declining industry effects (crafts, retail, agriculture)? Balance the sample on industry between workers and self-employed?
- Transitions between industries?
- Transitions between pension schemes?
- How persistent?
- Compatibility Figs 1 and 2 (constant overall level of SE, but all cohorts increasing)?

Empirical Approach, Specification, and Sensitivity

- Differential measures with respect to assumptions on incomes (here: assumes future incomes are equal across groups and no real wage growth, whereas past incomes may differ in levels and growth)?
- What if leaving out mixed-career cases entirely? Does it matter empirically? Economically: lock-in effects for SE?
- Instead of complicated SSW calculations: simple definition in terms of group membership?
- Regressor list: separate identification of LF experience, OOLF experience, and UI experience only due to functional form?
- Motivation for IV/validity discussion of 'lagged' instrument?
- Motivation for classical panel data rather than duration models?

Interpretation

- interesting age heterogeneity: what explains the nonmonotonicity and turning points?



- Measured wealth effect: relation to financial market imperfections? Or rather subsidy for the self-employed? Quality of small businesses over time that are triggered into start-up (survival, employment)? Retardation of structural change?