Comments on:
“Closing Routes to Retirement: How Do People Respond?”
by Johannes Geyer and Clara Welteke

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Summary—Main Results

• Paper studies the employment effects of a large pension reform in Germany.

• In particular, in 1999 it was decided that from 2012 onwards the early retirement age (ERA) for women will be increased from 60 to 63. There is a sharp discontinuity from the cohort born in 1951 to the one born in 1952.

• Descriptive evidence shows an effect of the reform on employment, unemployment and (possibly) a small effect on disability pension take-up.

• Regression results are based on a discontinuity design. It is found that employment rates increased by at least 7.3 pp. Furthermore, there is evidence of program substitution (i.e. a higher take-up of unemployment benefits).

• The analysis of flow data indicates, however, that this can be interpreted as “mechanic”.
Evidence for increased unemployment and disability pensions for women of age 58 or 59.

The ERA increase had heterogeneous effects on different groups.

- Women in East Germany have been more affected than women in the West.
- Higher unemployment risk among 60 to 62 year-old women with low income.
General Comment

The question is highly relevant, the data useful, the findings interesting. But I would like to see more explanations, discussions and extensions along various dimensions:

- Data
- Estimation
- Interpretation
- Comparisons
**Data 1**

- **VSKT of December 2014.** Random sample of all “open pension insurance accounts”.
  - Sample size rather small (around 7,000). Possible to get a larger sample?
  - The cohort born in 1952 was only 62 in 2014. Possible to get a later VSKT that includes the 1952 cohort at 63?
  - “Open pension insurance accounts”. In December 2014 members of both cohorts have already died (more so for the older cohort). Might this be an explanation for the different pre-reform trends in Figures 3 (a) and (b)?

- 10% of women in the “Knappwirtschaftliche Versicherung”?

- No direct evidence on REC pensions? “We define REC pension periods as months with pension receipt before reaching the ERA; and by using the pension-type information for current pension spells”.

Data 2

Discussion of the “missing” (about 30%) and “other” (about 10%) category.

- “Missing status can be interpreted as inactivity” (no insured employment, no social security payments)
- “The category Other summarizes all other categories, namely marginal employment, uninsured self-employment, non-commercial care for children or elderly family members, illness, and vocational training.”
- Why so large numbers? Is this in line with other labor market evidence?
- Figure 5 (c) and (d). Is it the fraction of the residual category?
Estimation

- **Empirical model:**
  \[ y_i = \alpha + \beta D_i + \gamma_0 f(z_i - c) + \gamma_1 D_i f(z_i - c) + X'_i \delta + \epsilon_i. \]

- The description of the estimation strategy (on p.12) is not entirely clear. How are the monthly observation “pooled”? Why is there no time index?

- What is the rationale behind the interaction effects \( \gamma_1 D_i f(z_i - c) \)? Why should it matter if I am one or five months above the threshold?

- **Identification strategy.** Potential concern: In 2012 the NRA for the REC pension was increased from 63 to 65. This has changed the deductions for retirement at 60 (I guess).
Interpretation

• “Employment rates [...] increased by at least 7.3 percentage points – which corresponds to an increase of employment of nearly 20%”. This refers to a comparison with the (low) employment rate of about 35%. But 7.3pp is about 50% of the total change in recipients of retirement benefits. This is the “maximum effect” possible for employment and arguably a better reference point.

• **Effect on unemployment.** In the basic regression the effect is positive (3.6pp). Also on unempl. entry (Table 4). However: “We don’t find increased unemployment and REC pension entry among 60 and 61 year-old women”.

• “**Mechanic substitution**”? “... occurs due to continuance of the former employment status because early retirement is not attainable anymore.” I would rather say that the decrease in pension receipt is “mechanic”, the continuation of employment is already a choice.
Comparison to the related literature

Closely related paper on an increase in female ERA in Austria by Staubli and Zweimueller (2013): “Does raising the early retirement age increase employment of older workers?”, Journal of Public Economics.
Two Reforms

**Table: Main Characteristics**

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<th>Feature</th>
<th>Germany</th>
<th>Austria</th>
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<td>Announcement</td>
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<tr>
<td>Starting date</td>
<td>2012</td>
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</tr>
<tr>
<td>Type</td>
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</tr>
<tr>
<td>Direction</td>
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<tr>
<td>Other measures</td>
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<td>Yes (minor)</td>
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**Table: Data**

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<th>Austria</th>
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<tr>
<td>Type</td>
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<td>Frequency</td>
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<tr>
<td>Size (ind.)</td>
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Employment

(a) Employment rate
Geyer/Welteke, 2017

Staubli/Zweimüller, 2013
Unemployment

(c) Unemployment rate

Geyer/Welteke, 2017

Staubli/Zweimüller, 2013
Disability

(d) REC pension rate

Geyer/Welteke, 2017

Staubli/Zweimüller, 2013
Residual

(b) Residual

Geyer/Welteke, 2017

Staubli/Zweimuehler, 2013