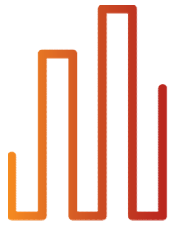


Leiden

Using Tax Credits to Postpone Retirement. A Panel Data Analysis of a Large Dutch Reform

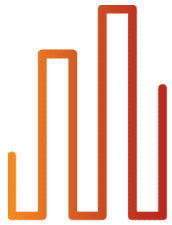
Egbert L.W. Jongen (CBS)

Discussion by Amparo Nagore García (LISER)



Summary

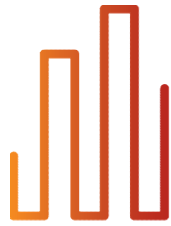
- **Motivation:** Increasing the **employment rate** of older workers is crucial for the sustainability of public finances (Gruber and Wise, 2007)
- **Research question:** To what extent governments can **postpone** retirement of older workers via target tax credit?
- **Aim:** The **impact** of the introduction of a large tax credit targeted for older workers **on:**
 - **Labour market outcomes:** employment rate, hours worked & enrollment in: Unemp. Insurance, Social Assistance and Disability.
 - **Sustainability** of public finance (back-of-the-envelope calculation)



Summary

- **Identification strategy:** The introduction of the Deferred Pension Bonus for older workers in the Netherlands in 2009
 - I. **Dif-in-Dif:** Before (2003-2008) & after (2009-2012) the reform
 - II. **Regression Discontinuity:** at age 61 (Deferred Pension Bonus eligibility) after the reform

Empirical analysis



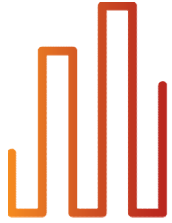
- Labor Market Panel of Statistics Netherlands (2015) 2003-2008 & 2009-2012
- **Sample** selection: 58 to 63 years old (to ensure the similarity between treatment & control groups)
- **Dif-in-Dif**: Treatment group: 61-63 years old & control group: 58-60 years
 - Check the similarity in the characteristics between the **treatment** & **control** groups before & after the reform and they are rather similar
 - Test the assumption of **common time effects**: group specific trend
 - Test the **anticipation** effect and robustness: Control group 55-57
 - Placebo Test: dummy **placebo** 2008



Empirical analysis

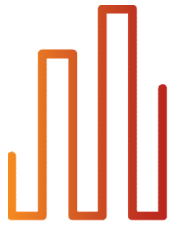
- RD

- Identifying assumption: In the absence of the reform the outcome variables are smooth functions in age
- For testing **placebo**: RD in the Pre-reform (Table A14)
- For testing **anticipation**: RD in the Pre-reform (Table A14)
- For **time effects**: yearly RD (Table A14)



Main findings

- Effects on the **employment rate**: **small** and **insignificantly** different from zero
- Effects on **other incomes** are **mixed** across **methods** and **specifications** (sensitive to the inclusion of group specific trends)
- D-D: For some outcomes might exist violation of **anticipation** and/or common **time effects**
- RD: Some results are **not robust** over the years
- The treatment **effects** are **too small** for the DBP **to improve** the **sustainability** of public finances



Questions/Comments

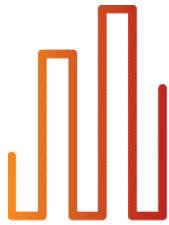
→ Labor market **outcomes**:

- Employment rate includes inflows and outflows, so it may mask different effects, could you analyze the **effect of the reform on job exits and job entries rates**?
- Why do you include the **zeros** in **hours worked** (you refer Angrist and Pinsche, 2009) instead of applying Heckman selection?

→ Could you analyse the effect of the DPB separately by **gender**?

Maybe women are more or less sensitive to the policy than men.

Questions/Comments



→ Dif-in-Dif:

- It may be useful to see **D-D figures** after controlling by observed and unobserved heterogeneity.
- To check/show the validity of the common trend assumption, could you show **D-D figures** including group specific trend? If necessary, could you specify a more **flexible group specific trend** (multiple years)?
- How do you define **placebo 2008** in DD? Individuals who are 61-63 years old in 2008?



Questions/Comments

→ RD analysis:

- Which is the intuition behind the **reduction of hours worked**?

Maybe workers need to work less hours to get the same wage as before the reform.

However, there is a **significant variation** in the estimation of RD treatment effects **by years**, even before the reform (tableA14), is it an anticipation effect?



Minor things

- In Table 3: Why you do not include **descriptive statistics** for the treatment group in 2009-2012?
- It is difficult to see Figures A1-A3 DD, maybe **bigger** size is helpful.
- In the introduction: “The DPB is a tax credit for working individuals **60** years of age and older” while in section 2: “**61** years of age and older”

