

Expected and Unexpected Consequences of Russian Pension Increase in 2010

Ivan Suvorov, MAE'19

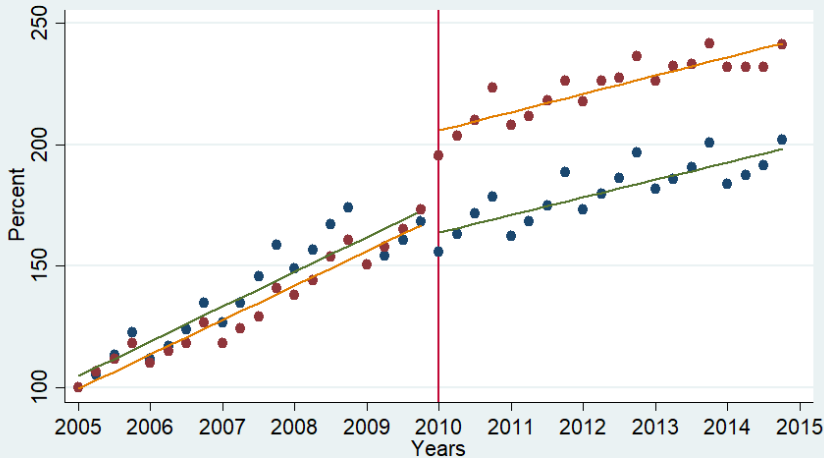
NES

Moscow
2019

- Nearly 25% Russians receive pension due to a senior age
- The rate for senior people as a share of the population is growing
- The major source of income for the vast majority of the Russian elderly is a state pension
- The opinions and views of retired people play an important role in Russian politics
- Unpopular pension reform now is in process in Russia. The pension age is increased. In addition, the government also plans to increase a pension size

- "Pension Reform in the Baltics, Russia, and Other Countries of the Former Soviet Union (Bro)" by M. De Castello Branco
- "Shaping a Pension System: Distributive and Incentive Effects of the Russian Pension Reforms" by I. Kovrova, D. Di Ricerca, and S. Economiche
- "The Macroanalysis of Russian Pension System" by A. Solovyev
- "Pension Age Increase: Pro et Contra" by T. Maleva and O. Sinyavskaya
- "Пенсии, здоровье и спрос на труд как детерминанты экономической активности населения старшего возраста в России" by V. Y. Lyashok

Growth of Real Income



- Data

- Russian Longitudinal Monitoring Survey — Higher School of Economics
 - An annual data on incomes of HH; incomes, opinions and views of individuals
- Household Budget Survey by The Federal State Statistical Service of Russia
 - A quarterly data on incomes and expenses of households

- Empirical Strategy

- Identify jumps in 2010

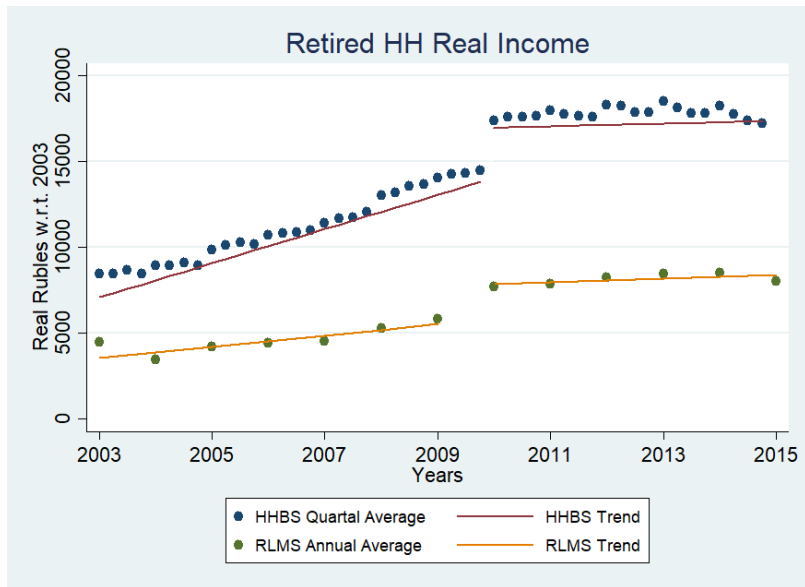
$$Y_{it} = const + \beta_1 * I_{t \geq 2010} + \beta_2 * f(t) + \beta_3 * I_{t > 2010} * f(t) + g(t) + \epsilon_{it}$$

- Difference-in-differences technique

$$Y_{it} = const + \beta_1 * I_{t \geq 2010} * I_{RetireeInHH} + \beta_2 * I_{RetireeInHH} + \beta_3 * I_{t \geq 2010} + \beta_4 * f(t) + \beta_5 * I_{t > 2010} * f(t) + g(t) + \epsilon_{it}$$

- **Identify a discontinuity in the real income of Russian retirees in 2010**
- Analyze the labor force participation distortion due to the 2010 pension increase
- Consider the influence of the 2010 pension increase on coresidence decisions
- Study the effect of the 2010 pension rise on the subjective well-being of retirees

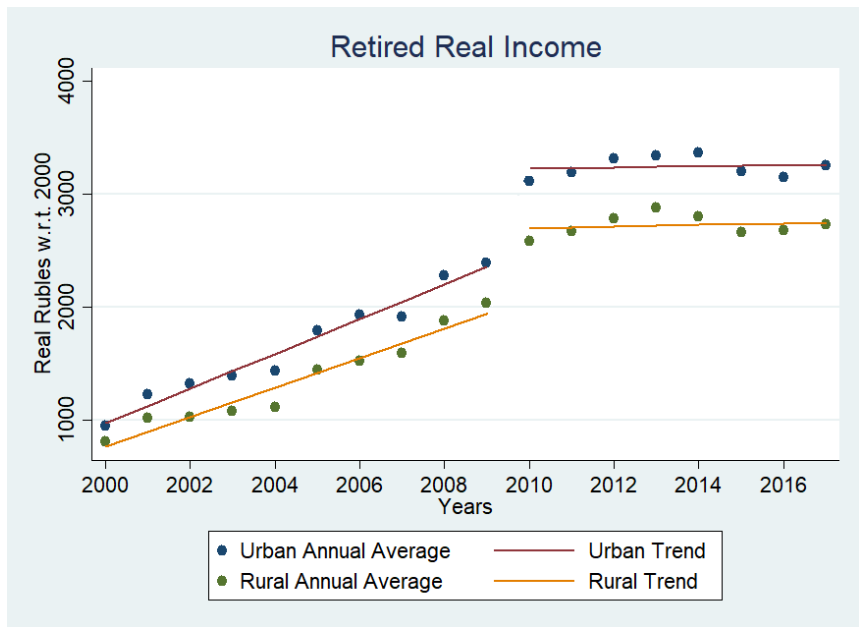
The Identification of a Jump in the Real Income of Retired HH via 2 Data Sets



The Identification of a Jump in the Real Income of Retired HH via 2 Data Sets

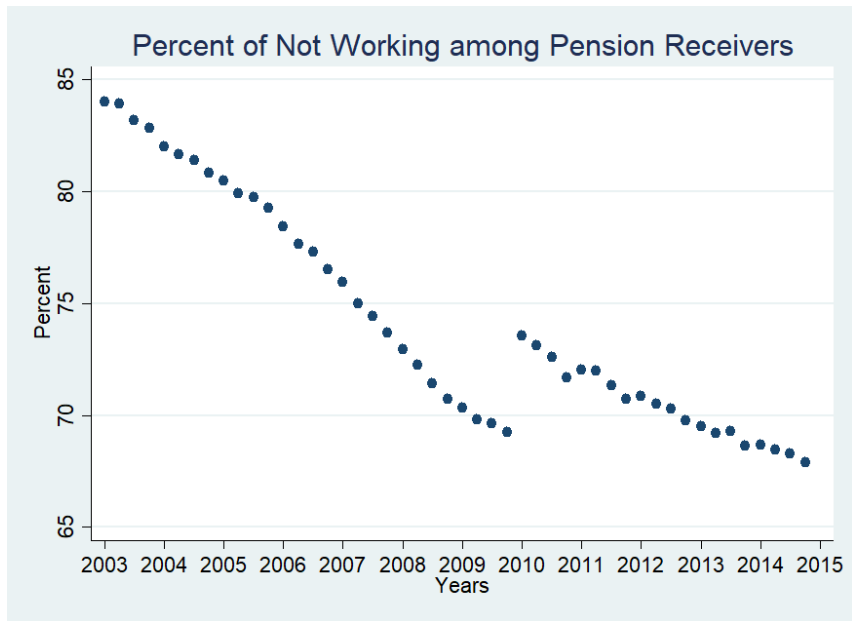
VARIABLES	RLMS Retired Ind. Log (Real Income)	HHBS Retired HH Log (Real Income)
$I_{t \geq 2010}$	0.208*** (0.0133)	0.197*** (0.0159)
Trend	0.0943*** (0.00207)	0.103*** (0.00476)
Trend $\times I_{t > 2010}$	-0.0930*** (0.00314)	-0.0714*** (0.00605)
Constant	6.804*** (0.0343)	8.702*** (0.0156)
Quarter Fixed Effects	-	YES
Observations	52,189	633,894
R-squared	0.504	0.276

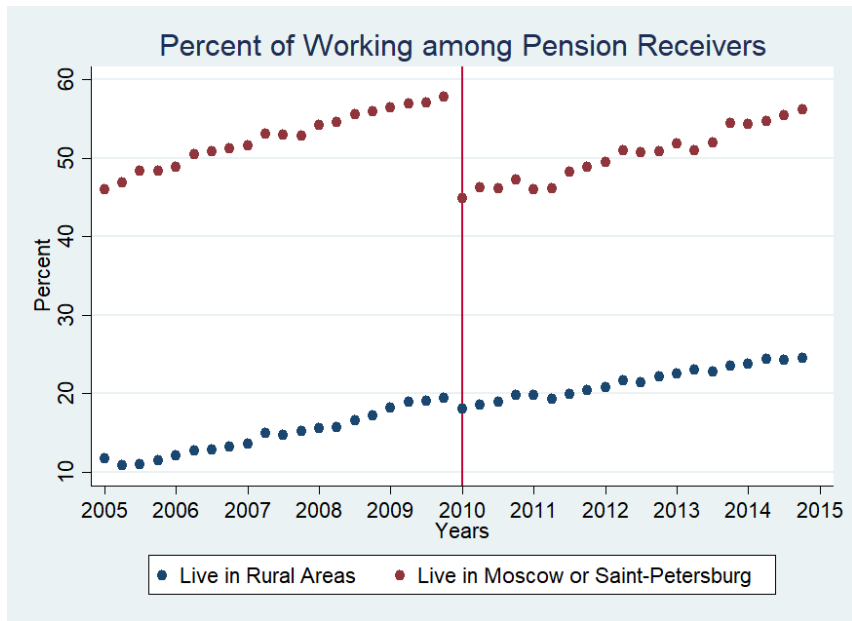
Robust standard errors in parentheses; *** $p < 0.01$

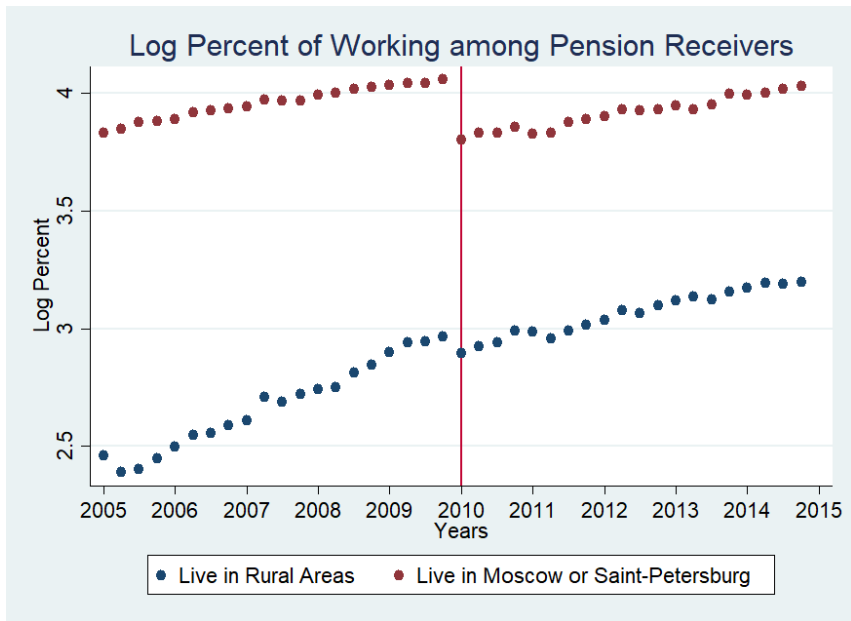


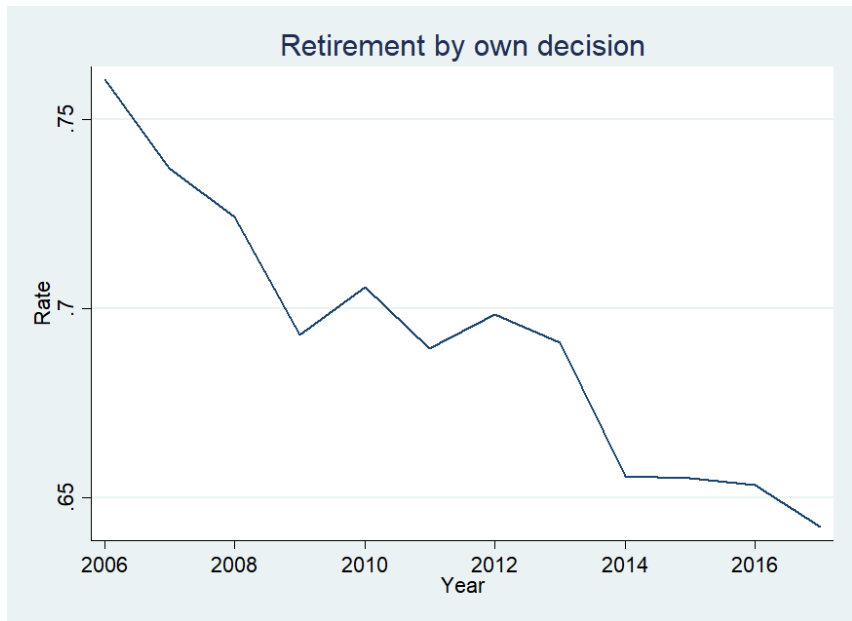
- Identify a discontinuity in the real income of Russian retirees in 2010
- **Analyze the labor force participation distortion due to the 2010 pension increase**
- Consider the influence of the 2010 pension increase on coresidence decisions
- Study the effect of the 2010 pension rise on the subjective well-being of retirees

A Jump in the Percentage of Retired Pension Receivers

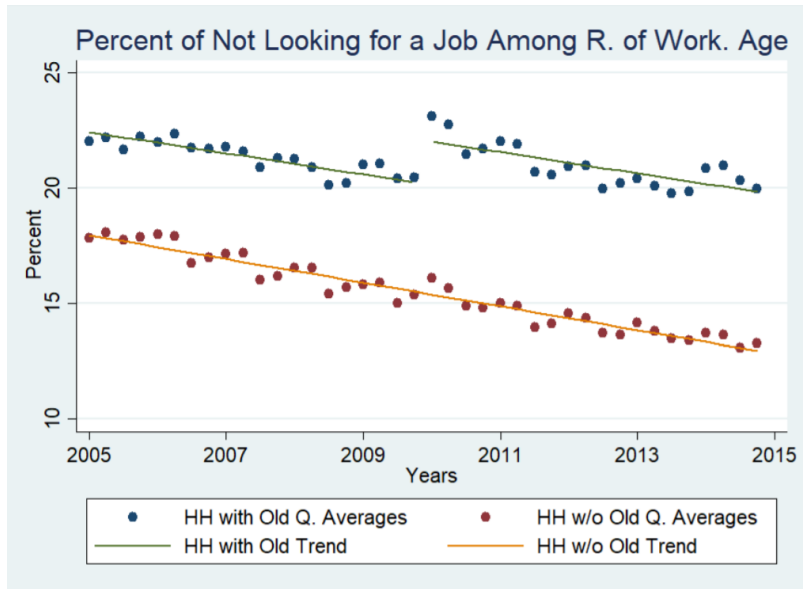








The Percentages of Unemployed Not Looking for a Job among the Respondents of Working Age

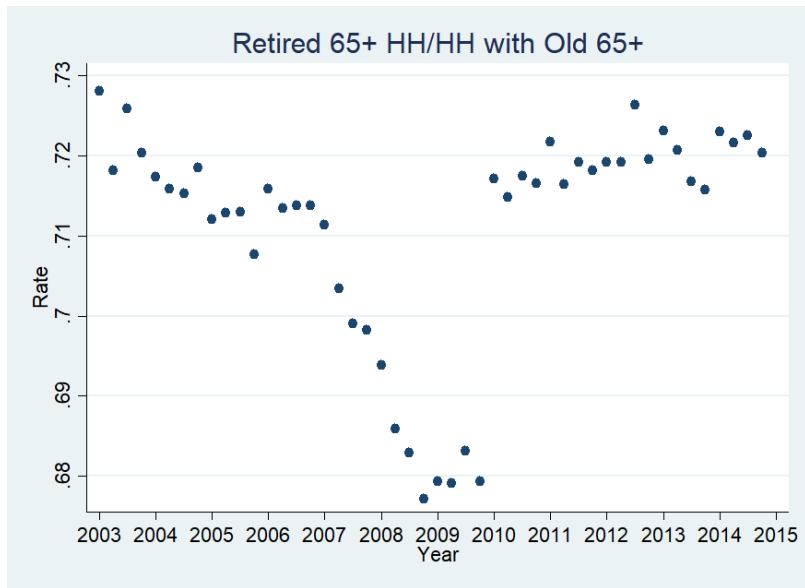


Difference in Differences Estimation of the Pension Increase Effect on the Unemployed Respondents of Working Age Desire Not to Look for a Job

VARIABLES	Not Employed Respondents of Working Age Does not Look for a Job
$I_{RetireeInHH} \times I_{t \geq 2010}$	0.0214*** (0.00468)
$I_{RetireeInHH}$	0.0458*** (0.00401)
$I_{t \geq 2010}$	0.000513 (0.00340)
Trend	-0.00537*** (0.00126)
Trend $\times I_{t \geq 2010}$	0.000525 (0.00155)
Constant	0.193*** (0.00445)
Quarter Fixed Effects	YES
Observations	3,860,070
R-squared	0.005

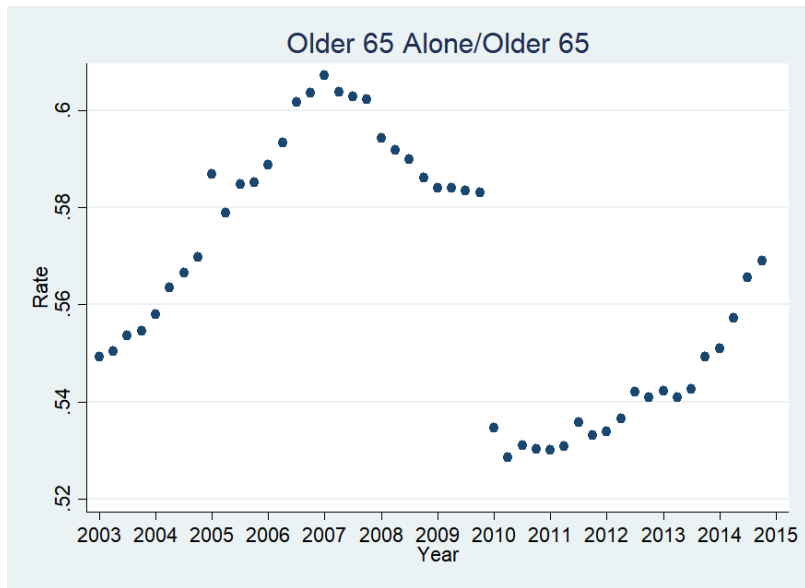
Robust standard errors in parentheses; *** $p < 0.01$

The Rate for Retired HH With Respondents Older than 65 as a Share of HH with Respondents Older than 65



- Identify a discontinuity in the real income of Russian retirees in 2010
- Analyze the labor force participation distortion due to the 2010 pension increase
- **Consider the influence of the 2010 pension increase on coresidence decisions**
- Study the effect of the 2010 pension rise on the subjective well-being of retirees

The Rate for HH with Only Respondents Older than 65 as a Share of HH with Respondents Older than 65

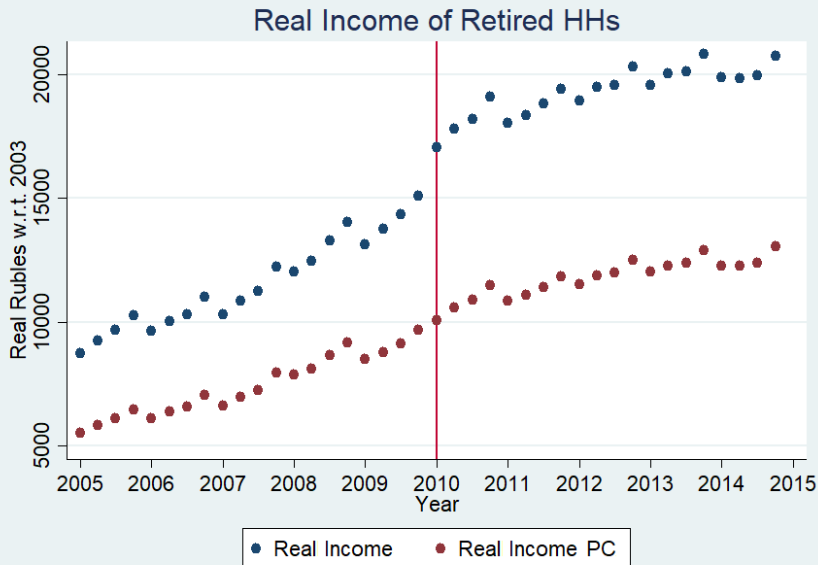


The Rate for HH with Children and Respondents Older than 65 as a Share of HH with Respondents Older than 65



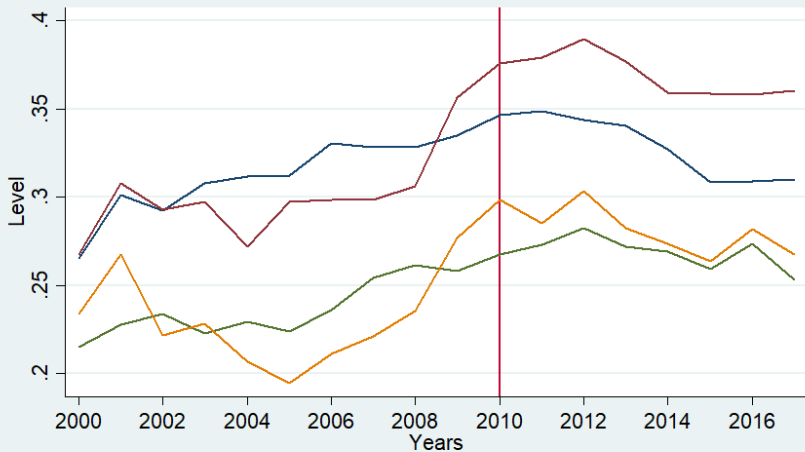
The Average Number of Retired Households' Members



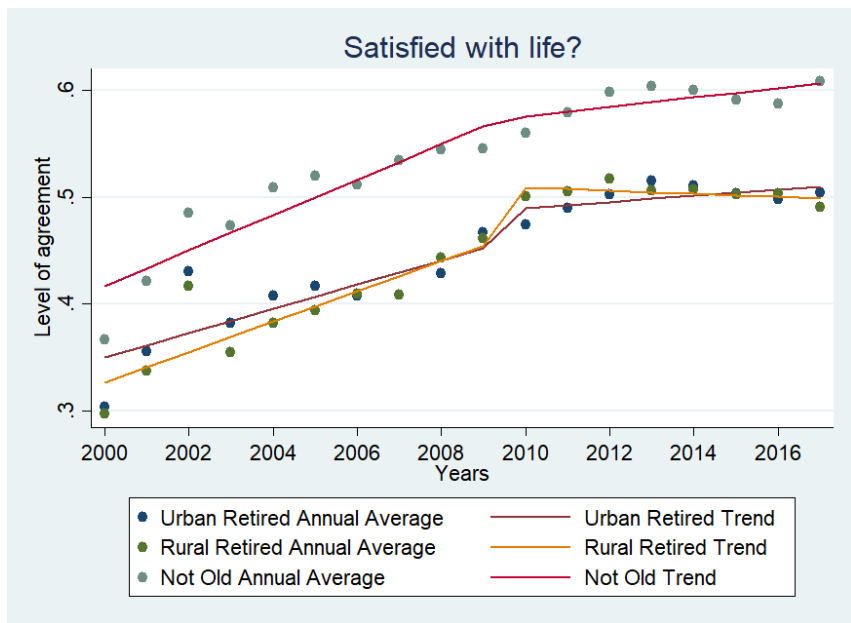


- Identify a discontinuity in the real income of Russian retirees in 2010
- Analyze the labor force participation distortion due to the 2010 pension increase
- Consider the influence of the 2010 pension increase on coresidence decisions
- **Study the effect of the 2010 pension rise on the subjective well-being of retirees**

The Absence of Concerns about Necessities



— Not Old Urban — Retired Urban
— Not Old Rural — Retired Rural



- Russian retirees experienced a 30% increase in real income in 2010
- The number of people who chose to retire went up by 5%.
The effect was larger in bigger cities
- Younger people living with pensioners left the labor force too.
This additional exit was around 2%
- Younger individuals absorbed the 2010 pension increase by changing their coresidence decisions
- The subjective well-being of Russian retirees was influenced positively by the 2010 pension increase

- Assume that when the government increases pensions, additional $X\%$ pensioners exit into retirement

- Younger people living with pensioners leave the labor force too. Additional $0.4 * X\%$ of them exit the labor force

The evidence from the 2010 Russian pension increase supports the idea of the absence of the substitution between older and younger workers

- Include the evidence from Russian pension increase in 2010 in the general study of relationship between social benefits and labor decisions
- Study more rigorously the effect of the 2010 pension increase on the labor markets of Moscow and Saint-Petersburg
- Consider the 2010 pension increase from the view points of structural models of interactions between spouses of senior age and dynamic models of retirement decisions

Thank you for your attention!