

SUMMARY OF DISSERTATION PROJECT

JEL CLASSIFICATIONS

H55 - Social Security and Public Pensions, J26 - Retirement; Retirement Policies, D91 - Intertemporal Consumer Choice; Life Cycle Models and Saving, C25 - Discrete Regression and Qualitative Choice Models

TITLE

Labor Force Participation and Retirement. Evidence from Pension Reform in Austria.

MOTIVATION

In Austria, labor force participation of older workers is one of the lowest among OECD countries. The public pension system, retirement policies, and the institutional setup of the labor market account for the trend to retire at the earliest point in time possible. Specifically, the financial incentives to retire before the statutory retirement ages are embedded in the Austrian PAYGO-pension system, and they are relatively high in international comparison. Around the millennium, government implemented some gradual pension reforms to change retirement behavior. Also, micro-data of Austrian workers became available. Therefore, my research project aims at evaluating the magnitude of retirement incentives and how they were altered by reforms.

RESEARCH QUESTION

Why is individual retirement behavior in Austria different than in other comparable OECD countries? Were pension reforms effective in implementing incentives for delaying retirement?

THEORETICAL FRAMEWORK

The basic theoretical framework is a life cycle model with an endogenous date of retirement. Conceptually, an individual maximizes lifetime utility of consumption and the date of retirement subject to a lifetime wealth constraint.

DATA

Micro-data in the time frame 1997 to 2004. The data comes from the Austrian Labor Market Service and the Federal Ministry of Economics and Labor, and contains all of the Austrian labor force. Mainly, I am using insurance spells of the Social Security Administration. I am taking a random sample of private sector workers and transform the spells into person-year panel format.

EMPIRICAL APPROACH

Micro-estimating retirement hazards, and retirement probits. Main explanatory variables are the financial incentives to retire, i.e. social security wealth, social security wealth accrual, peak value, option value, and the implicit social security tax on work as portrayed in Gruber and Wise (2004). Social Security Programs and Retirement around the World: Micro-Estimation. University of Chicago Press.