Le leggi non sono gender neutral. Un'analisi dell'impatto della riforma Fornero

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Motivation: ageing and pension reforms

- Ageing is one of the major challenges that developed economies are facing
- Many countries reacted by implementing reforms to delay the retirement age (FRA or ERA)
  - In 2012 in 28 out of 34 OECD countries an increase in RA was underway or planned
- Double dividend policy

$\rightarrow$ Crucial to estimate the magnitude of the labour supply response

The labour supply effects

- Direct effect on older individuals: eligible to retire under pre-reform rules but no longer eligible to afterwards. Effect depends on:
  1. Other income-support programs
  2. Availability of private pension funds

- Forward-looking effect on younger individuals: change in the length of the working horizon (e.g. need to work for 7 years more rather than 2 before becoming eligible to retire).

Focus on Italy

- Italy is one of the countries ageing the most and with the largest pension expenditure
- Since the '90s, several reforms to increase the legal retirement age and to limit the pension expenditure
- Fornero reform is the last one (a part from Quota 100): it dramatically increased the legal retirement age, both in the international and in a historical comparison
- Still low effective retirement age but strong increases in the future (OCSE, pension at a glance)
  - current legal retirement age (old-age pension): Italy 67; EU average 64
  - future legal retirement age (old-age pension): Italy 71; EU average 65

Graphical evidence - Labour force participation rate

Raise in 2012 (first year of implementation of the pension reform)

Figure: Men

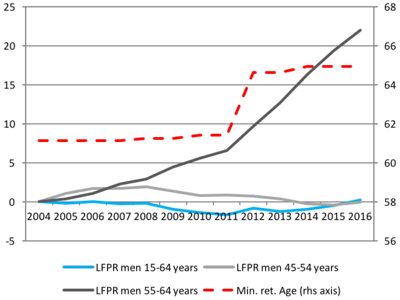
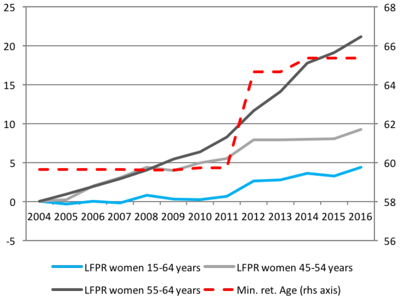


Figure: Women



Source: SHIW (Bank of Italy) for distance to retirement; Italian Labour Force Survey (Istat) for labour market indicators

Retiring before the Fornero reform

- Two options in Italy to claim full retirement benefits:
  1. Age requirement: minimum age required
     - 60 for women, 65 for men [at least 15 years of contribution]
  2. Seniority requirement: given number of years of paid contribution to the Social Security system
     - 40 years of contribution
     - quota system: for instance 59 years old and 35 years of contribution
- Minimum Retirement $\text{Age}_t = min(OLD\ AGE_t,\ SENIORITY_t)$
- Early retirement in general not possible or very penalized

The Fornero pension reform

- Stricter eligibility requirements for both schemes

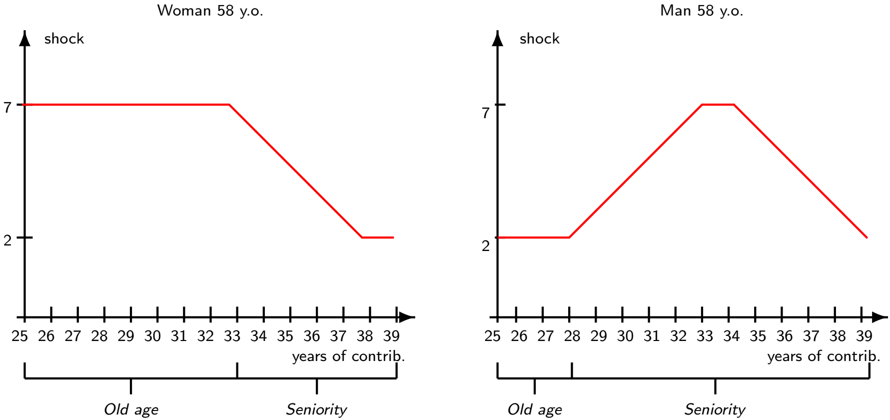
  1. Old age:
     - RA $\uparrow$ 67 y.o. for women and men
  2. Seniority:
     - quota abolished
     - at least 42 (women), 43 (men) years of contribution

Minimum Retirement Age and its change

- For each individual we determine MRA - pre and post reform - based on age, accrued years of contribution, gender, sector
- Time invariant measure of policy shock :

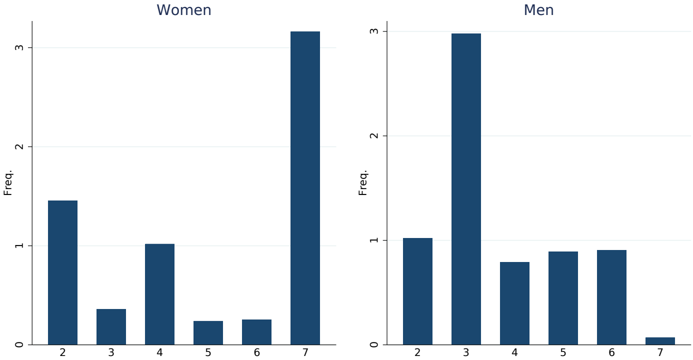
$$T = MRA^{post} - MRA^{pre}$$

Heterogeneous change in MRA, years of contribution



- Mostly affected women with less years of contribution (less attached to labour market)
- and men with more years of contribution

Distribution of the shock, by gender



Source: SHIW, 2012-2016.
Note: women (men) aged between 45 and 59 (45-64), with at least 10 (20) accrued years of contribution, eligible to retire neither before nor after the reform. Data are at the individual level.

- Average increase is similar for men and women
- Distribution very different

What do we do?

We estimate three effects:

1. Direct effect: individuals who would have been eligible to retire under pre-reform rules but are not longer eligible after the reform
2. Forward looking effect: individuals who were not eligible to retire even before the reform but their working horizon increases
3. Spillovers within the household

Data

- The Italian Survey of Household Income and Wealth (SHIW) from 2004 to 2016
  - biannual survey on 8,000 households per wave
  - information on accrued years of contribution
  - information on partners (family level analysis)
  - information on expected retirement age
- More results with administrative data from Social Security accounts

Direct effect

- How do we estimate this effects?
  - We look at how the probability of being active changes before and after the reform for individuals with the same observable characteristics who were eligible to retire under pre-reform rules and not anymore afterwards
- Results: positive for both men and women, similar in magnitude (25 ppt.)

Forward-looking effect

- How do we estimate this effects?
  - We look at how the probability of being active changes before and after the reform for relatively younger individuals (not eligible to retire even before the reform) most and least exposed to the reform
    - for instance women with more or less continuous working lives
- Results: positive for women, no effect for men.
- Effects are concentrated on those who experience a larger reduction in pension wealth and on those who have more uncertain and unstable career
- Spillover effects on husbands of middle-aged women

Summing up on the magnitude

- Coefficient of the direct effect is about 8 times larger than that of forward-looking effect (0.24 against 0.03 for women)
- But:
  - Share of individuals affected by the FL much larger
- FL effect contributed by one third to the increase in Italian female LFPR after 2012

Conclusion

- The reform on average equally increased the minimum retirement age both for men and women
- The direct effects (older individuals) are positive both for men and women (older men show a lower attachment to the labour market than middle-ages men)
- But the increase in MRA was larger for women with more discontinuous careers; the contrary holds for men
- The reform had significant labour supply effects on middle-aged women (new entry) but not for men

Thanks for the attention

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Seniority/early pension eligibility

	Private & Public		Self-employed	
Year	A, C, Q	only C	A, C, Q	only C
Before Fornero reform				
2007	57, 35	39	58, 35	40
2008	58, 35	40	59, 35	40
2009-2010	59, 35, 95	40	60, 35, 96	40
2011	60, 35, 96	40	61, 35 97	40
2011-2012	60, 35, 96	40	61, 35, 97	40
2013 onwards	61, 35, 97	40	62, 35, 98	40
After Fornero reform				
2012- (men)		43		43
2012- (women)		42		42

Notes: A stands for age, C for number of years of contribution, $Q = A + C$ is the so-called "quota", the sum of age and years of contribution must be larger or equal than Q to have retirement eligibility. Independently from actual age, retirement eligibility is also granted when the number of years of contribution is sufficiently high (39 in 2007, 40 in the following years).