Can Knowledge Empower Women to Save More for Retirement?

Drew M. Anderson and J. Michael Collins

University of Wisconsin-Madison

October 6, 2017

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement Research Consortium. The findings and conclusions expressed are solely those of the authors and do not represent the opinions or policy of SSA, any agency of the federal government, the University of Wisconsin-Madison, or Boston College.

Why are researchers involved?

- Practical interest in evidence-based policy
  - Expand capacity to analyze data
  - Document trends
  - Forecasting
  - Causal effects
- Scientific interest in economic decisions
  - Old debate: are people optimizing?
  - $\rightarrow$ Are people informed?
  - $\rightarrow$ Are people attending to information? (No)
  - Defaults/nudges vs. education/empowerment

Open questions

- Can financial education change behavior?
- Where is it most effective? Mode of delivery, target population, timing, etc.
- Is it cost-effective?
- Who stands to benefit most? (Women? At public employers?)
- Strategy for answering: find comparison groups
  - Otherwise similar at baseline
  - One group received "treatment"
  - Conclude that differences thereafter are result of treatment

Financial literacy: a key factor in gender gaps?

- FL associated with more saving; FL lower for women and cannot be passed on to survivors (Lusardi and Mitchell 2008, 2014)
- Could be easier to change than other disadvantages: career choice, equal pay, labor supply, education, health
  - Still difficult to change, typically (Lusardi and Mitchell 2007, 2014; Fernandes et al. 2014)
  - Workplace ed more effective for women (Clark et al. 2006; Collins and Urban 2016)
- What if education efforts were targeted to women? $\rightarrow$ EMPOWER

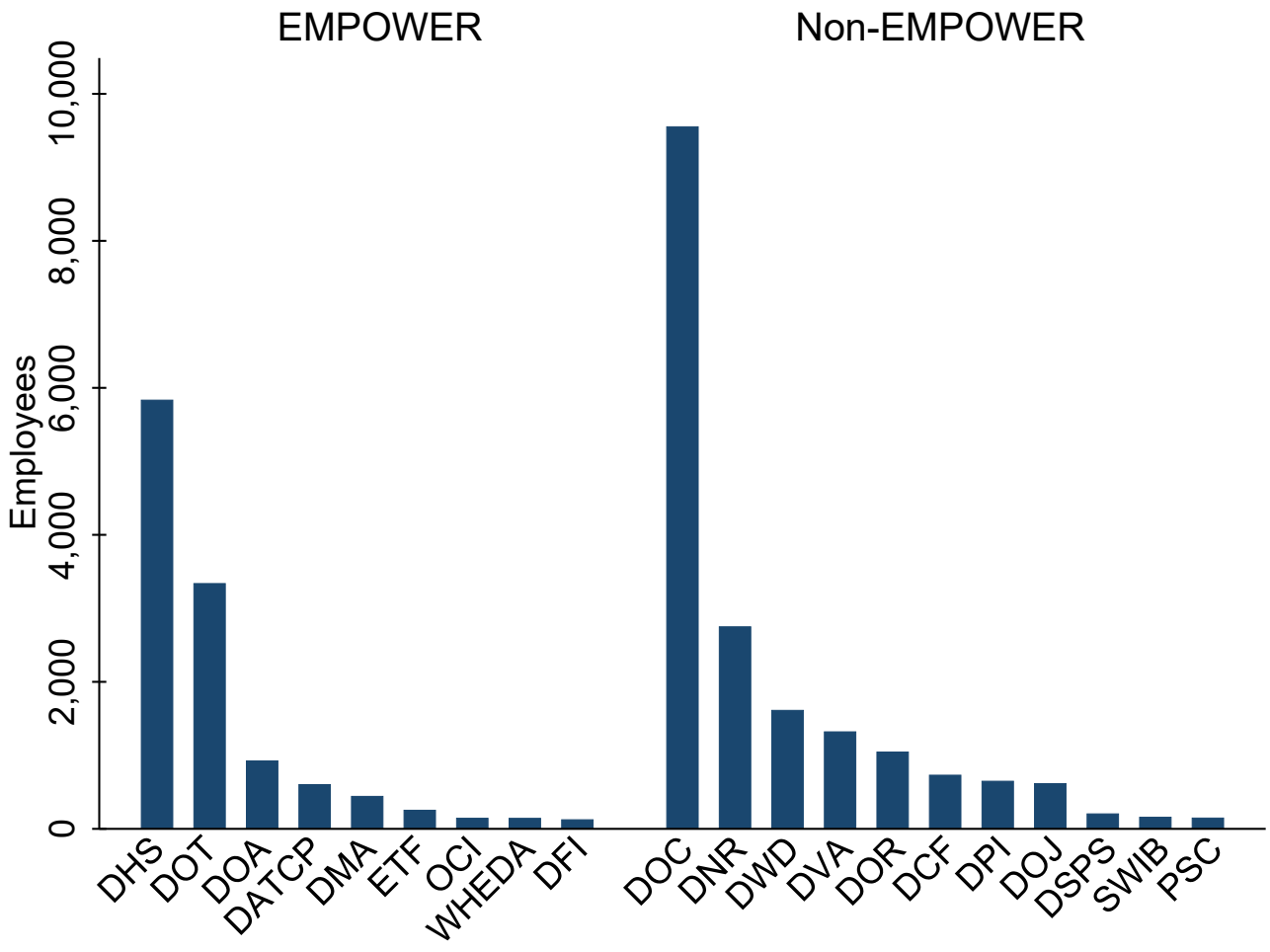
How a financial literacy researcher sees EMPOWER in Wisconsin

- Increases "salience" of available info (Chetty et al. 2009)
- Makes it ok to talk about finances (fighting "ostrich effect") (Karlsson et al. 2009)
- Likely response: join or increase 457 plan
  Wisconsin Deferred Compensation (WDC)
- Compared to other interventions and contexts
  - No incentive to participate (not even time off or free pizza)
  - No required "dosage"
  - Targeted to women (though men could learn too)
  - Tough to auto-enroll WDC when WRS required
  - WDC is employer-endorsed, can be automated, but is flexible

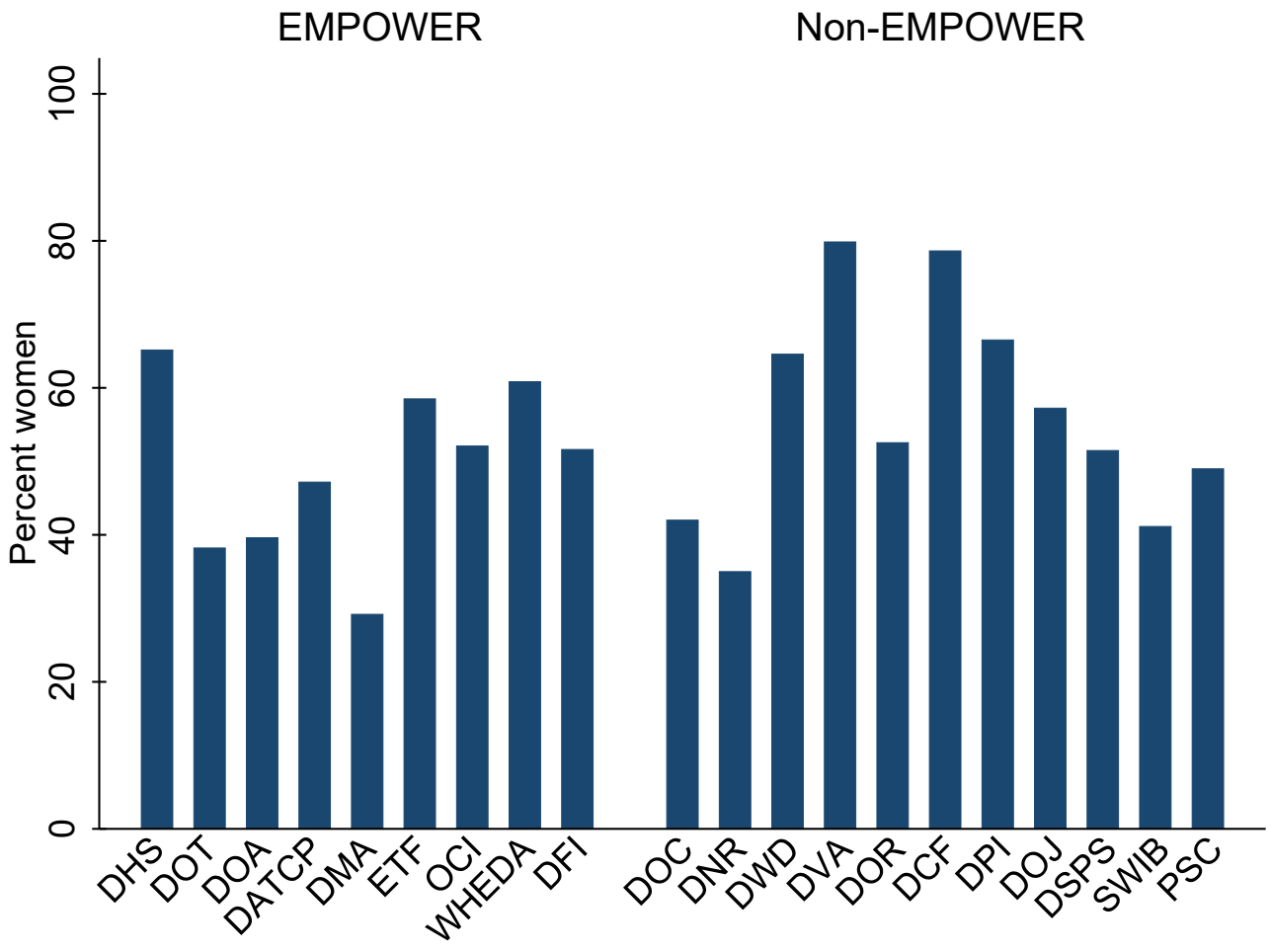
Evaluating EMPOWER

- Does information, motivation, and empowerment increase retirement savings? By how much? For whom?
- Need data
  - Administrative records
  - 31,000 state workers, 49 months
  - Observe savings for all, but not EMPOWER activity or surveys
- Need comparison groups
  - Offered to 20 large central agencies
  - Take-up choice made by agency rep, all implemented Apr 2015
  - Contrast men/women, pre/post, across agencies

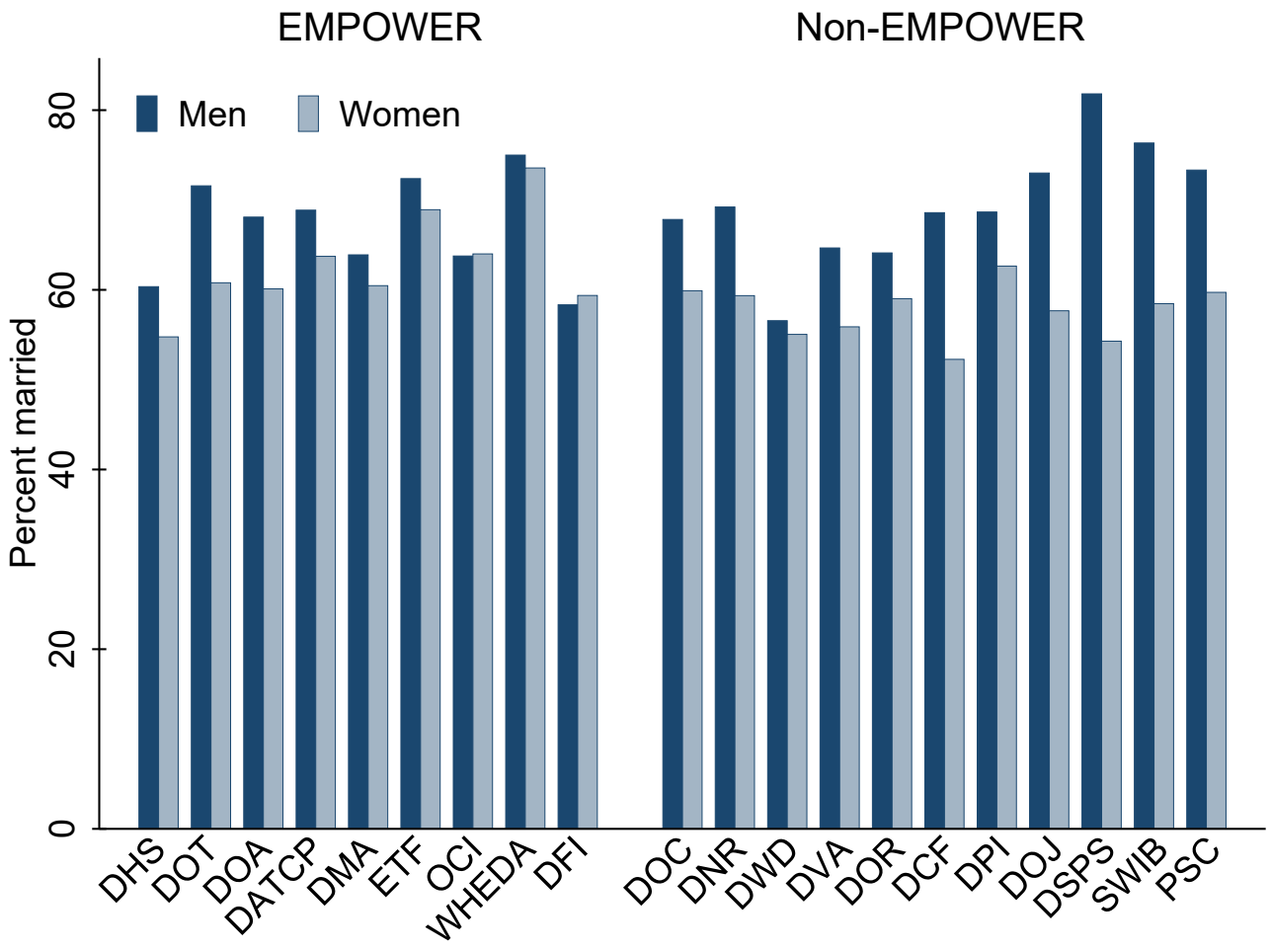
State agencies



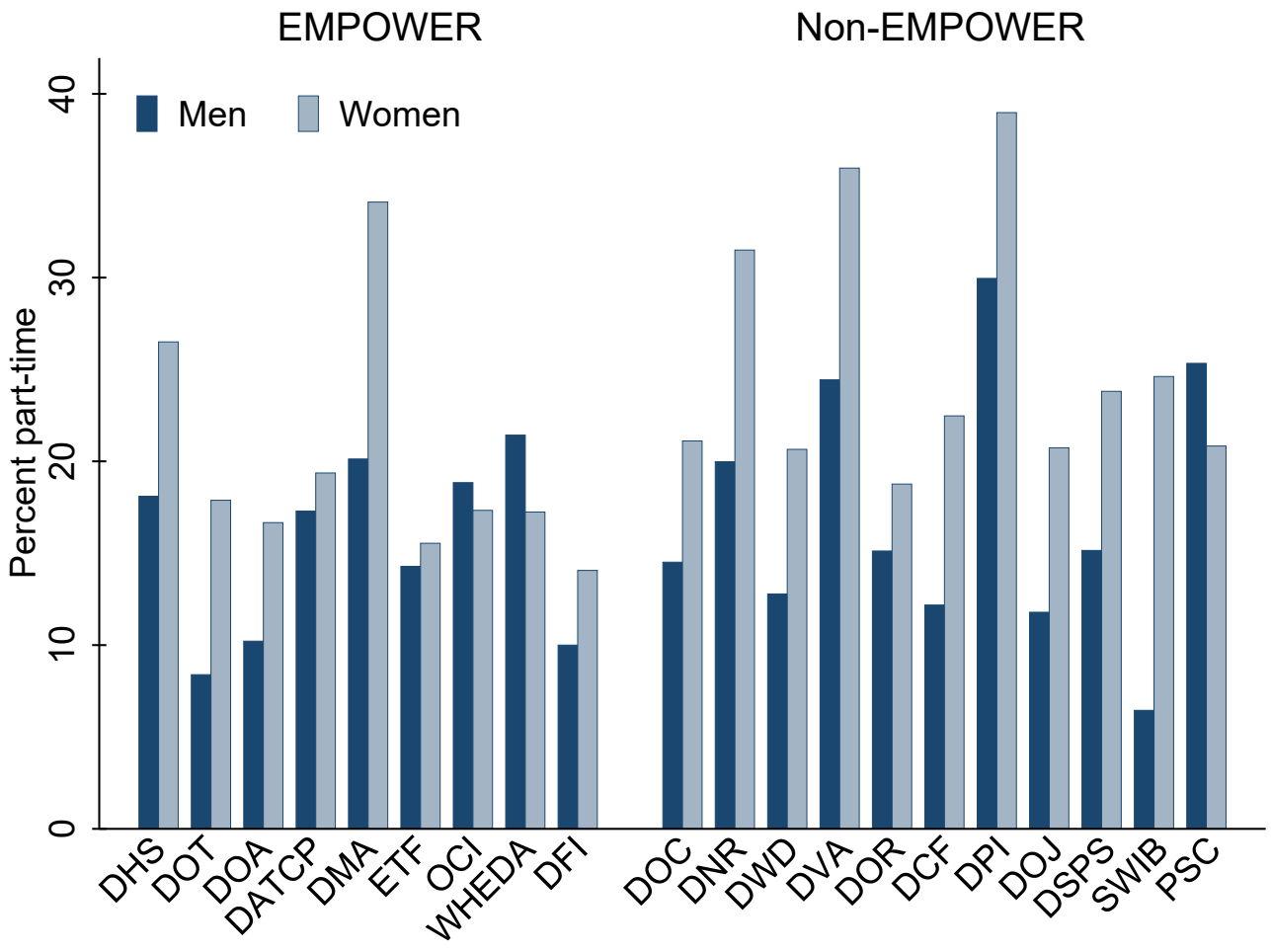
State agencies



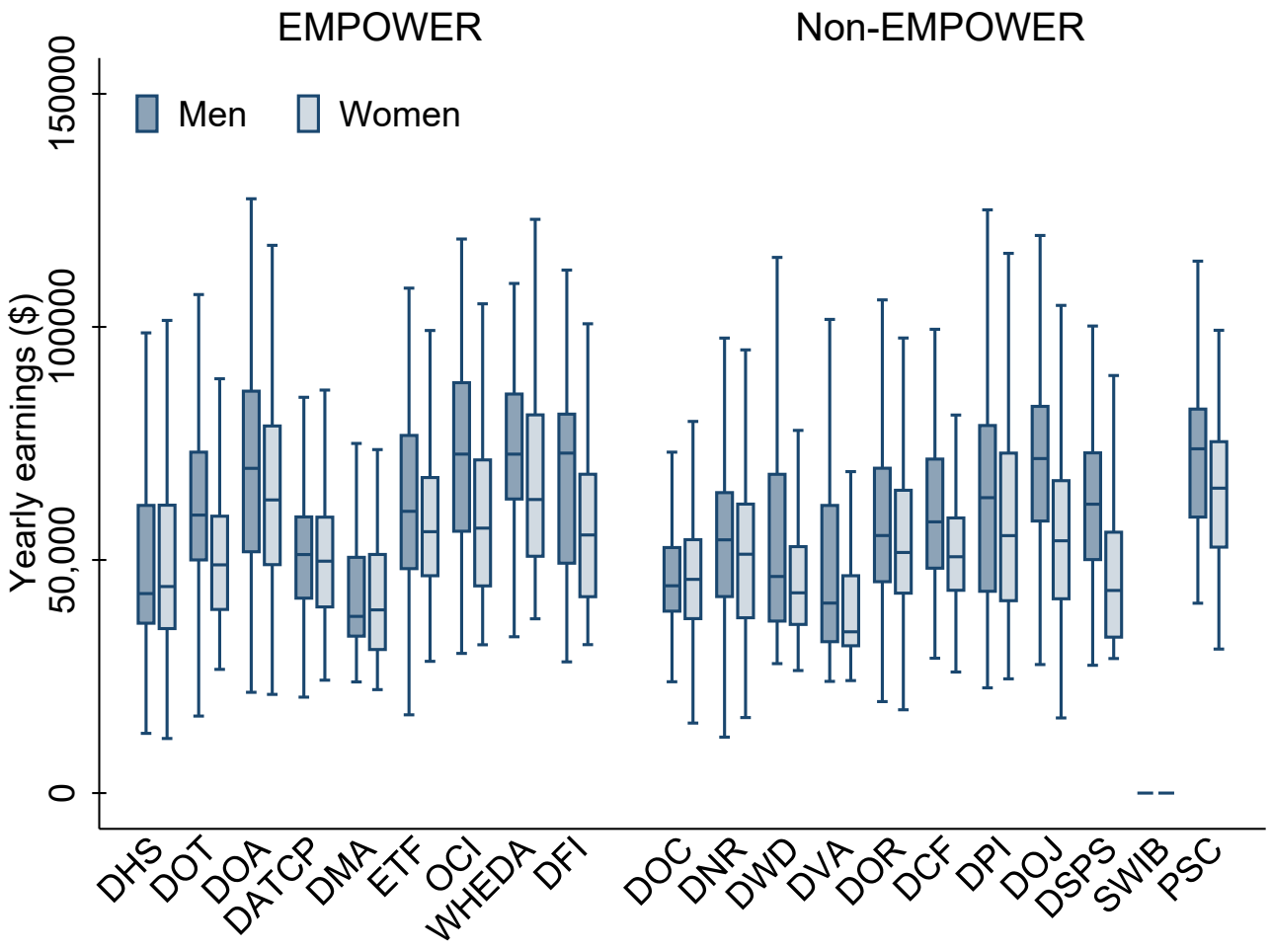
Gender differences



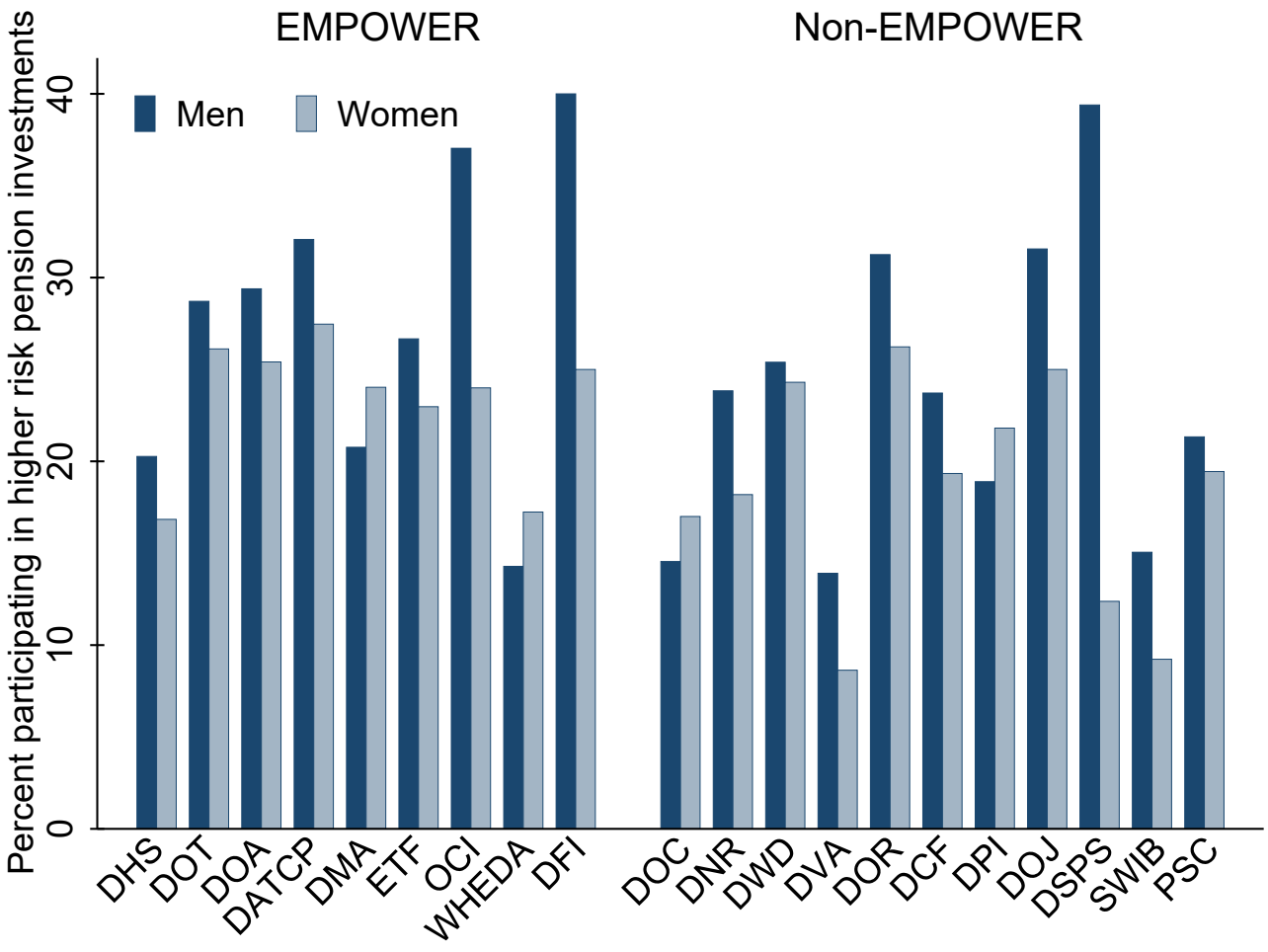
Gender differences



Gender differences



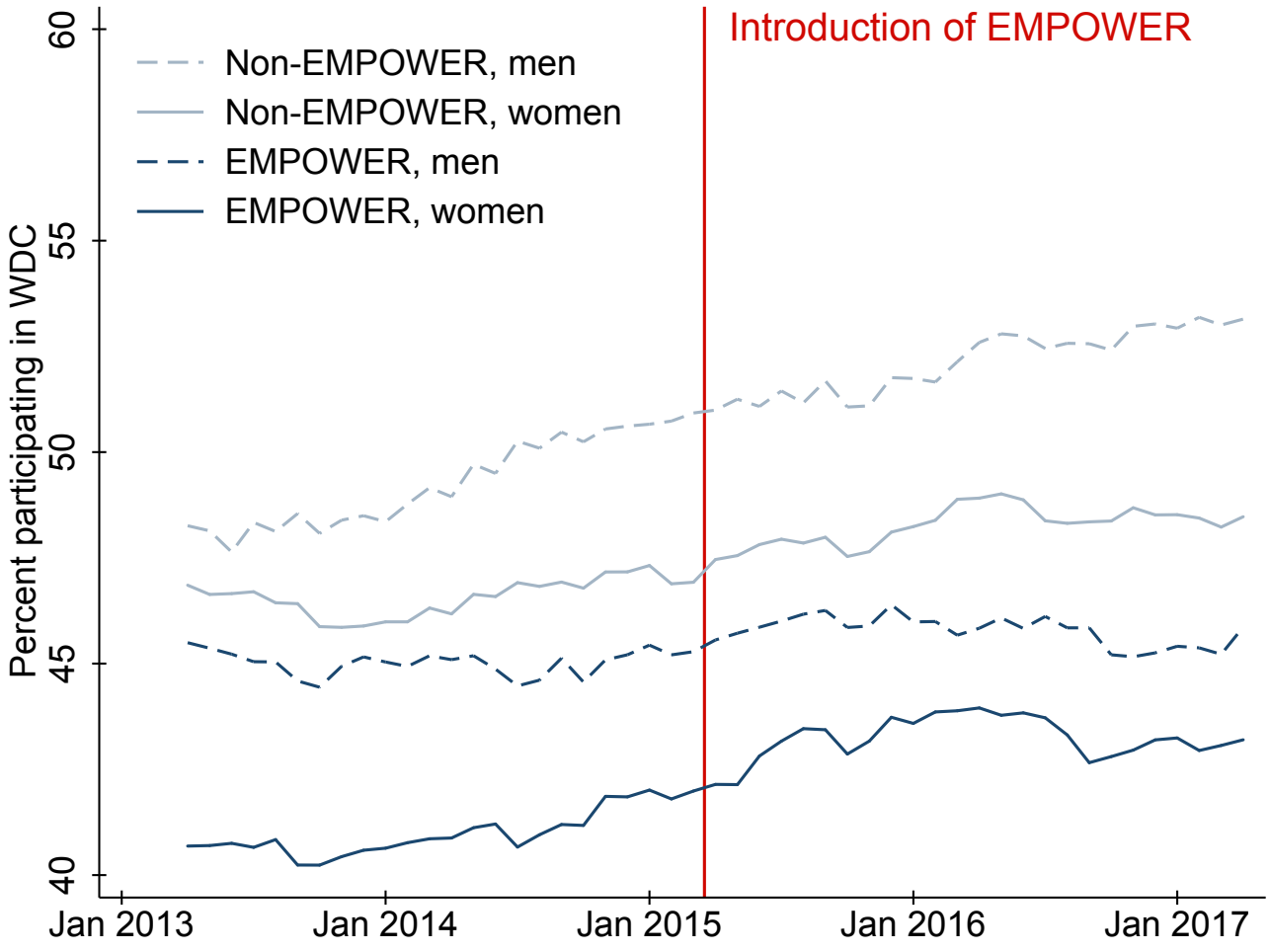
Gender differences



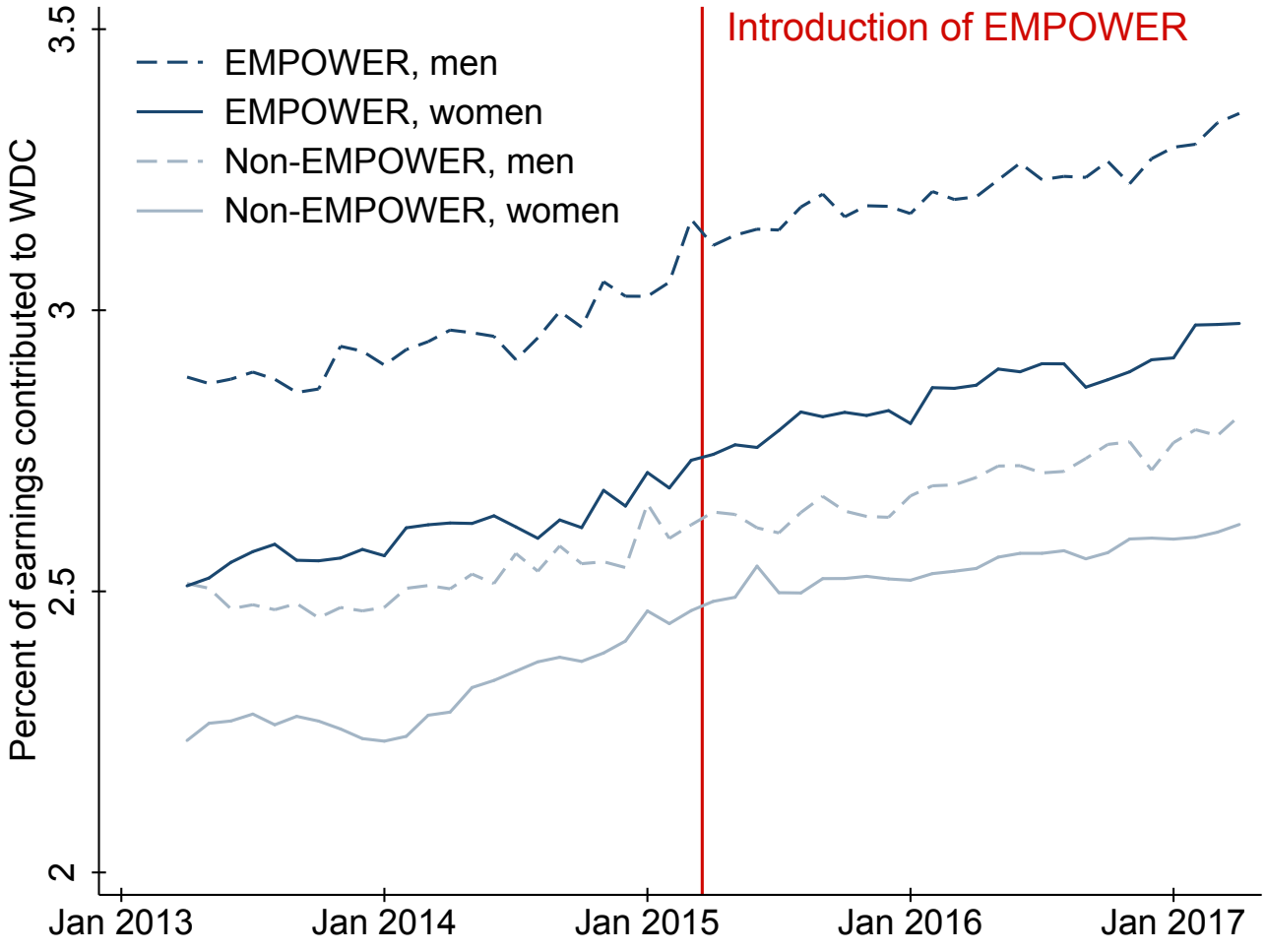
Triple-difference strategy

- Target population: women at EMPOWER agencies
- Comparison groups: men, before EMPOWER, other agencies
- Key assumption: parallel progression of gender gaps absent program
  - Using multiple observations, control for what's going on at each agency
  - Potential effects of EMPOWER balanced, not driving take-up

Extensive margin: participation



Intensive margin: contribution rates among pre-EMPOWER participants



Alternative approaches to estimation

- Simple differences in means
  - 2.64 pc pt increase in participation
  - No evidence of increase in contributions, among pre-participants
- Control for time trends by agency: 1.43 pc pts
- Control for person effects, focus on women: 1.06 pc pts
- Under 50 years old and below-median earners driving effects (more room to increase savings)

Financial ed has potential to increase savings

- Appears to encourage participation in savings
- Important magnitude relative to:
  - General null effects for financial ed
  - Gender gaps, closed by one third to one half
  - Low-touch, low-cost program
- Limitation: cannot tell exactly what had most impact
- Limitation: cannot observe effects on other household finances

What do you think?

- If you encourage retirement savings, what gives?
- What info/disclosure/education/empowerment are you doing?
- Whose responsibility is it to increase retirement security? Close gender gaps?
- Do women and men make decisions differently? What is the role of marriage?
- What are your questions? Do you have process and protections in place to share data?

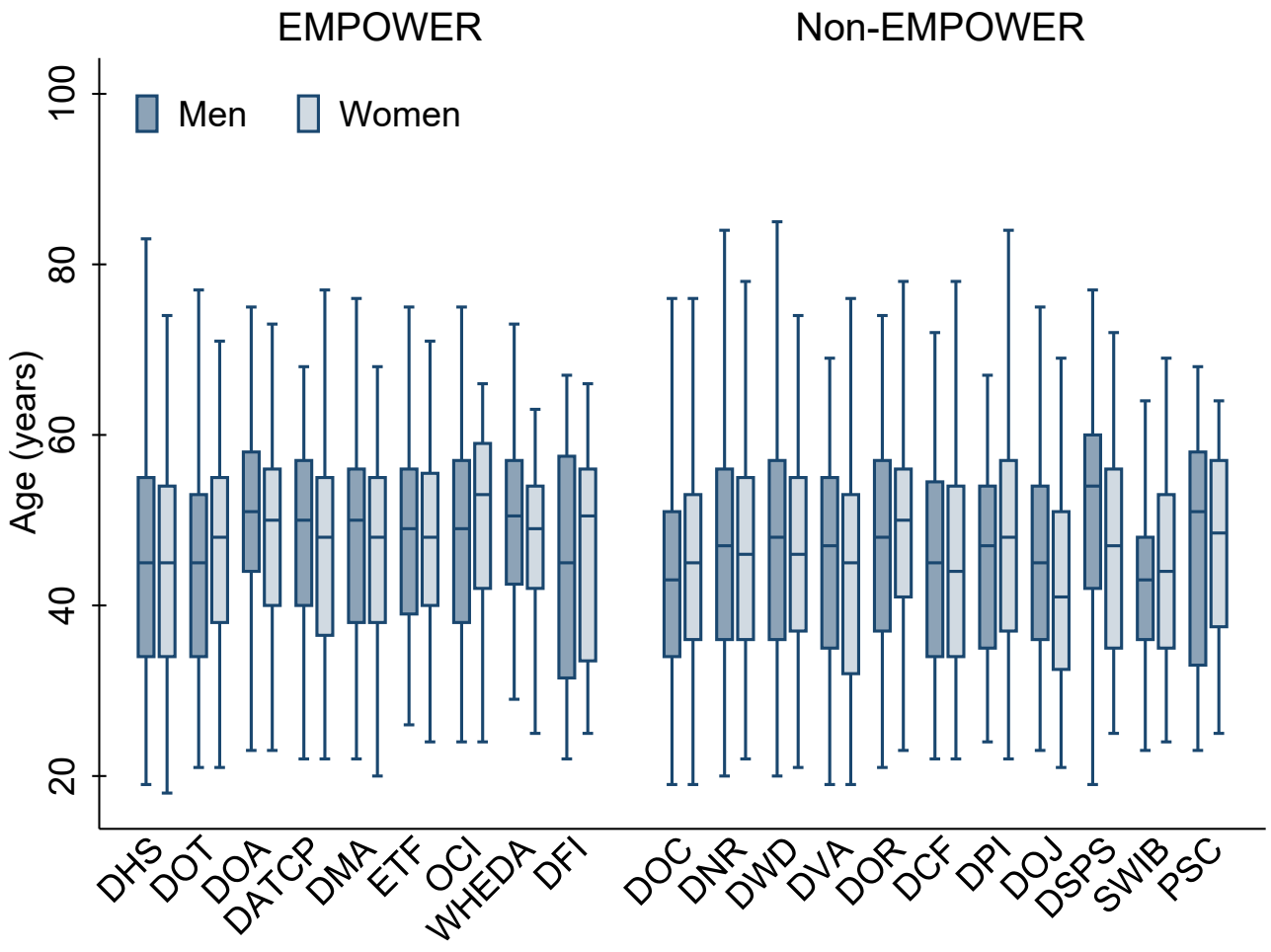
Thank you!

Thanks to Wisconsin ETF for data and cooperation

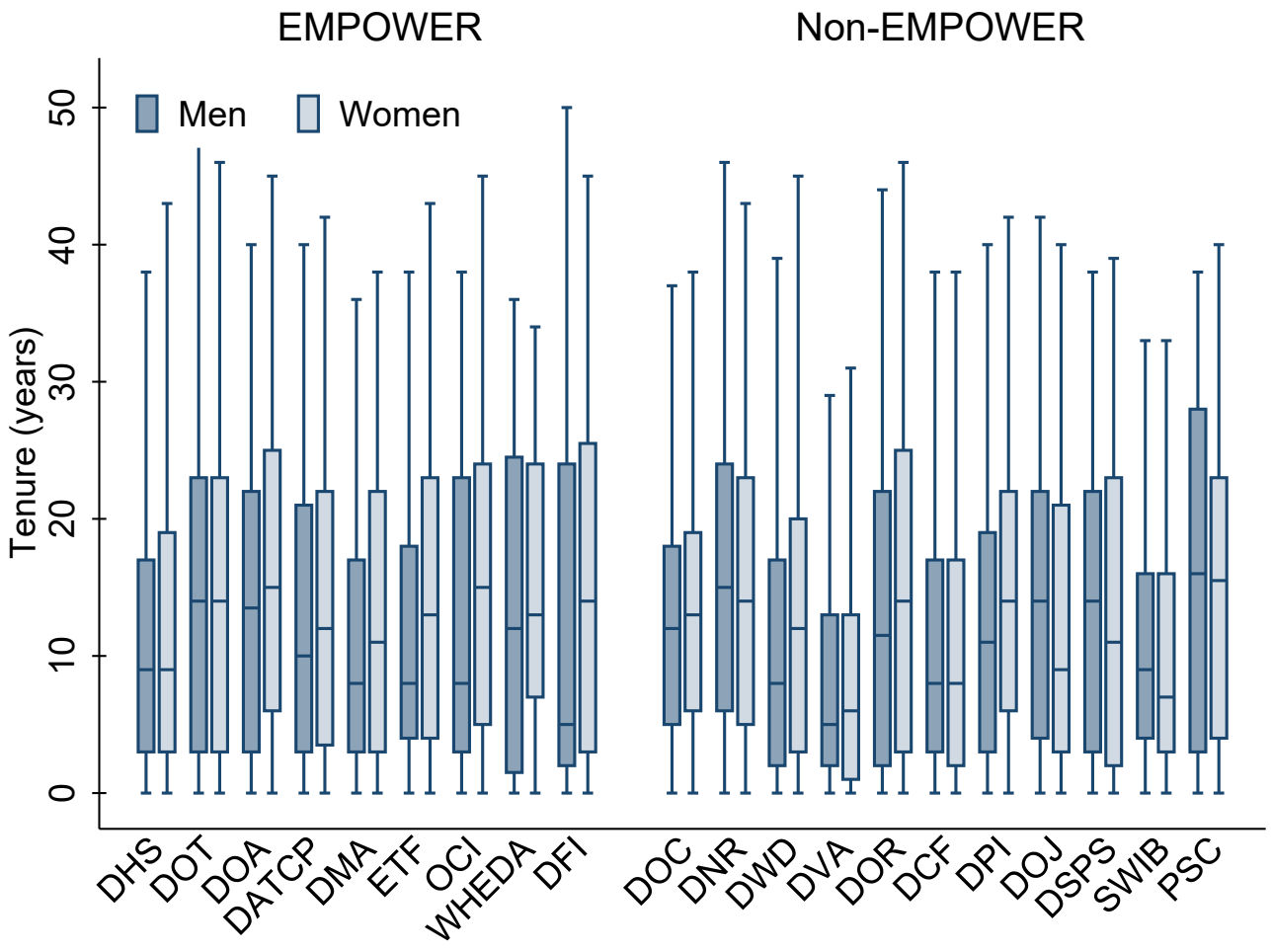
Look for updates at drewmanderson.com

Contact me at dmanderson5@wisc.edu

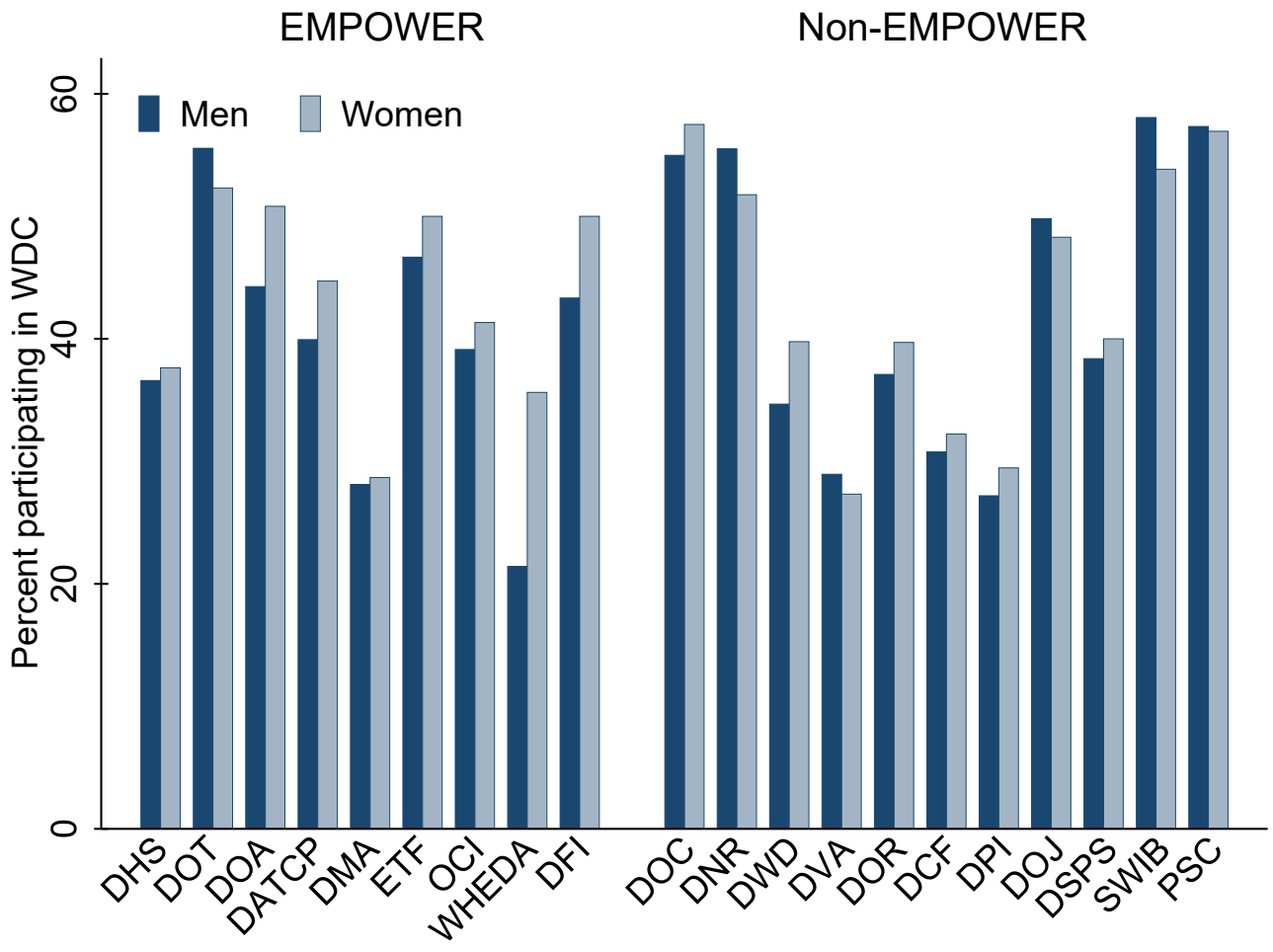
More descriptive graphs



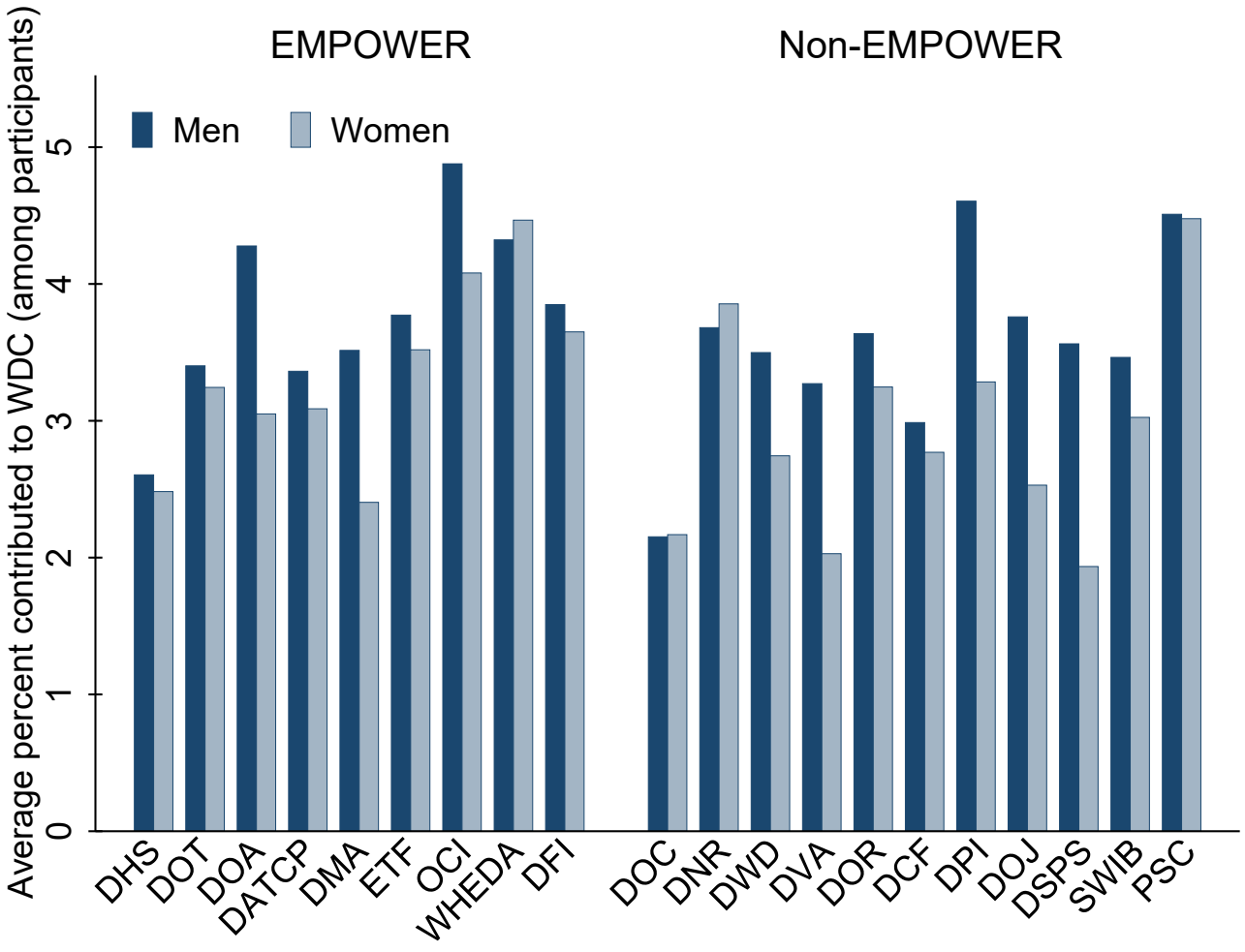
More descriptive graphs



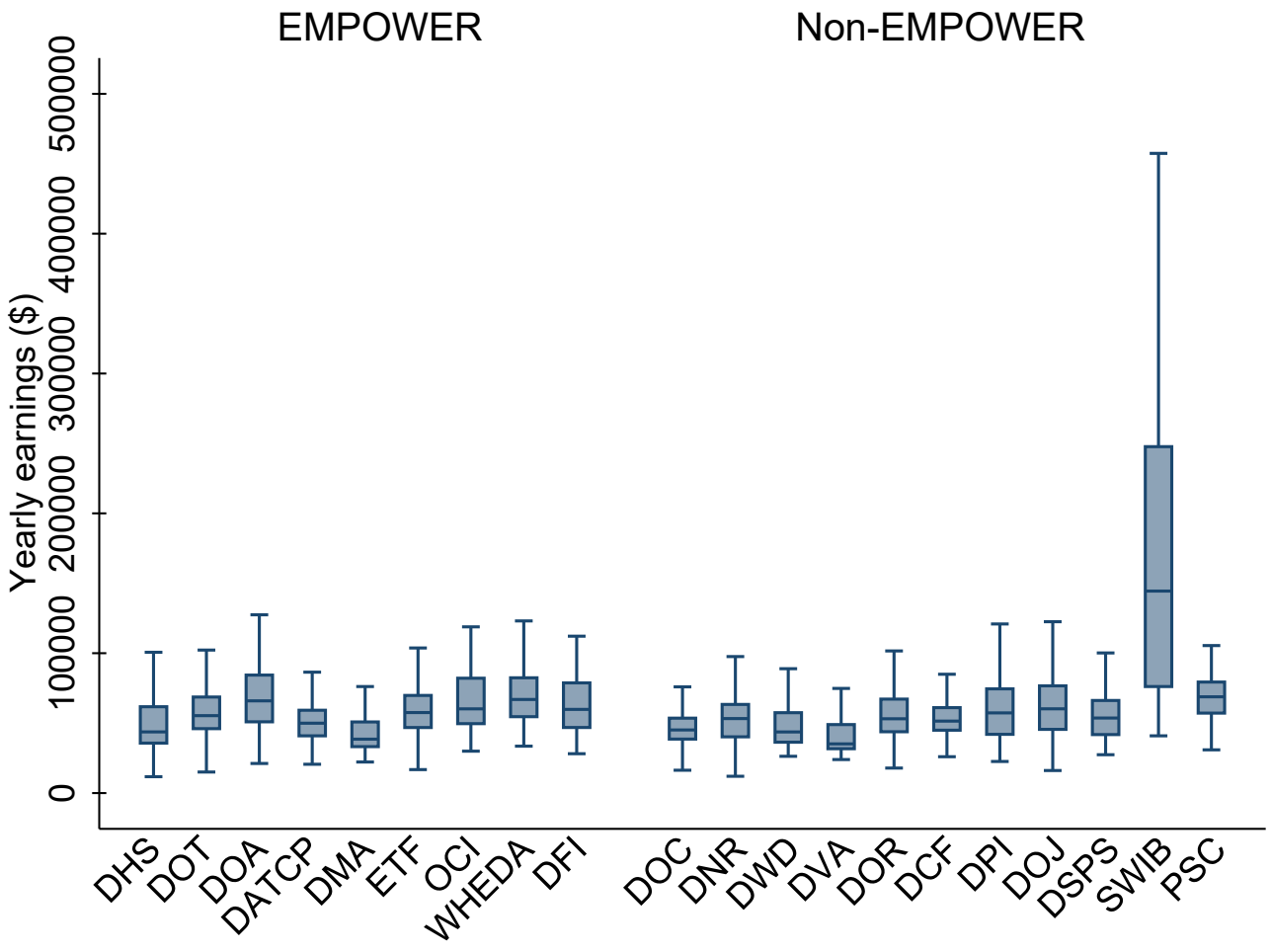
More descriptive graphs



More descriptive graphs



More descriptive graphs



Estimating equation

$$\begin{aligned} Y_{it} =& \rho T_{E(it)} F_i P_t + \eta_1 T_{E(it)} F_i + \eta_2 T_{E(it)} P_t + \eta_3 F_i P_t \\ &+ \gamma T_{E(it)} + \zeta F_i + \delta P_t + \varepsilon_i t \end{aligned}$$

Regression estimates

	Participation (%)		Contribution (% of earnings)	
Specification	Coef.	(SE)	Coef.	(SE)
Triple-difference	2.64	**(1.05)	−0.027	(0.055)
+ Controls + agency, month FE	2.45	**(1.01)	−0.041	(0.050)
+ Agency linear time trends	1.43	(1.12)	−0.036	(0.056)
+ Person FE (no switchers)	0.09	(0.34)	−0.063	*(0.034)
All of the above, men only (DD)	0.67	**(0.25)	0.038	(0.026)
All of the above, women only	1.06	***(0.31)	0.020	**(0.008)

Standard errors clustered by agency.
* $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$