Can Partial Commitment Increase Pension Contribution?
Two Field Experiments in Sri Lanka

By Changcheng Song (SMU)

ABFER, May 28, 2019
Discussant: Joseph Tao-yi Wang (the other NTU)

How to Increase Pension Contribution?

‣ Especially in Developing Countries

  ‣ Aging Society

  ‣ Many People NOT Covered by Other Plans

‣ Test Two Components:

1. Incentives

   ‣ Match 100% First Month Contribution

   ‣ Free Installment for First Month

2. Commitment

   ‣ High/ Low (20%/ 10%) Withdrawal Penalty

Experiment I: 3x2 Design

‣ Micro Pensions (Surakuma) in Sri Lanka

‣ Hold Society Meetings (Partner with NGO)
  ‣ Randomize High/ Low Penalty at Village Level
  ‣ 20% vs. 10%: Half of the Villages Each

‣ Hand Out Vouchers and Invite Sign-ups
  ‣ Randomize Incentives at Subject Level

1. Match 100% First Month Contribution
2. Free Installment for First Month
3. Control

- Free Installment Quadruples Sign-up Rate
- Matching Triples Sign-up Rate
  - Little Increase in Contribution/ Commitment Account Allocation Conditional on Sign-up
- Commitment: High/ Low Penalty No Effect
- Regressions Confirm this
  - If you want stars, you get stars!
- Why?
  - Literature Found High Penalty Effective

- Because of Liquidity Constraints? No!
  - Surveyed Subject Income. Also Surveyed...
- Present Bias?
- Add Survey Responses to Regression:
  - Free Installment Attracts Present Bias People
  - Sign-up (& Contribute?) Less if Present Bias
    - Stars Disappear in New Version (w/ More Data)
  - Treatment Effect Stronger if Present-Bias
- Yes, Since They Like Delayed Payments

▸ Free Installment For Everybody (Not Clear!!)

▸ Commitment Vary Across Treatment:

▸ Very High: 100% in High Penalty Account

▸ High: 50% High Penalty, 50% Flexible

▸ Low: 50% Low Penalty, 50% Flexible

▸ Choice: Choose between Very High & High

▸ Why This Design?

　▸ Unknown Administrative Constraints?

　▸ What Effect Size (and How Big should N be)?

Experiment II: Results

- Very High and Low Have Lowest Sign-up
- High and Choice Increase Sign-up Rates
  - In Old Version: Choice Had Highest Sign-up
- Regression: If you want stars, you get stars!
- Why? Sophistication Reduces Sign-up
  - Contribution? Conditional on Sign-up or not?
- High/ Choice Treatment Effects Higher if Sophisticated
  - But Baseline is Very High?!

Conclusion

▸ Two Field Experiments in Sri Lanka to induce saving in micro pensions

▸ Results:

  ▸ Free Installment Rules!

  ▸ Commitment has Mixed Effects:

  ▸ Very High and Low Have Lowest Sign-up

  ▸ High and Choice Increase

▸ What to Make of These Results?