

Early Lessons from Country Experience with Matching Contribution Schemes for Pensions*

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Abstract

Matching defined contribution schemes are gaining popularity in both rich and poor countries as a promising means to reduce gaps in the participation in formal pension systems. Matching contributions by employers, the government, or both to defined contribution schemes are used alone or jointly with other interventions to motivate participation in pension schemes. Although it remains far too early to develop firm conclusions or policy guidance, this chapter provides an overview of the currently available evidence that is presented in this volume and offers preliminary observations about the potential use of this design. This experience, mostly derived from higher-income countries that is now being supplemented with some early experience from other settings, suggests that matching is moderately effective in increasing program participation but not generally measurably effective in raising contributions and thus benefit levels. Other interventions—which are increasingly guided by lessons from behavioral economics and finance—may prove to be more effective and typically cost much less, which may help explain some of the differences in outcomes across countries. It is not yet clear how transferrable the experience in higher-income environments will be to other settings; considerable further evaluation is needed before any firm conclusions can be reached.

Keywords: pensions, defined contributions, matching contributions, pension coverage.

JEL: G23, H55, J32.

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