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The Emerging Role of Matching Contributions

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Matching Contributions for Pensions: A Review of International Experiences

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Matching contribution and the quest for alternatives to increase pension participation and savings

- **Low pension coverage,** specially **low-income and developing countries**
  - **Wage based mandated pensions** is not a viable option
  - **Informal** economies
  - **Poverty**
  - **Institutional** settings
- The likely **reduction** of future pension benefits in **high-income countries**
  - **Longevity** risk
  - Diminishing **fertility rates**
  - **Fiscal** constraints
- Many **reforms** but **limited results**
- **How to incentive** people to join and participate a pension system? **Searching for alternatives**

How to incentive people to increase participation?

Policy makers have been designing **different forms of intervention to incentive people to save in pension systems**

- Tax incentives (e.g. exempting contribution or interest from taxation)
- Default alternatives (e.g. automatic enrolment, framed choices)
- Financial education
- **Matching contributions**

Why to focus on matching contribution?

- **Gaining popularity around the world** in both rich and poor countries as a promising path to reduce gaps in the participation in formal pension systems
- **Government's motivation** of increasing **system participation and saving levels**
- **What hypothetical incentives** policy makers underscores?:
  - Matching contribution is **perceived as a more transparent and direct incentive** to link and **reinforce contribution and benefits** than other alternatives
  - Governments are also motivated by **fiscal efficiency goals** that in theory could be obtained by a matching contribution scheme than other alternative policy designs (e.g. tax benefits, subsidies or universal approaches).
  - Matching contribution is seeing as a way to “incentive” people to **join the “mandatory” system in high informal economies**

Goals of this project

- **First stocktaking** of the most relevant country experiences in order to compare different approaches and policy designs. **15 country cases**

- Preliminary analysis about **the potential role and effectiveness of implemented matching schemes. Limited analysis** considering the **early experiences in many cases**

- A first step in order to **get a better comprehensive view** to this rapid emerging role of matching contributions in pensions around the world…

- Notwithstanding, **it is to early to assess the transferability of the more extensive experience from the higher income countries to other settings**

Organization of the book

- Part I: **Conceptual issues**
- Part II: Matching contributions **in high income countries** (United States, Germany, New Zealand, United Kingdom, Japan, Korea)
- Part III: **Middle income countries** (Chile, Mexico, Colombia, Peru)
- Part IV: **Developing country experiences** (China, India, Thailand, Cape Verde, Tunisia**)**
- Part V**: Behavioral and design issues**

The partnership for this project: World Bank-RIPPA and BBVA

- **WB-RIPPA Conference in 2010, the origin of the project . BBVA joins the idea to collaborate in the book**

- The importance to join different perspectives **to find solutions to structural and policy design problems that has been blocking the opportunity to join and participate adequately to a pension system**

- **This specific project about matching contributions** targets a **main concern on policy design in different countries** to solve the problems of **saving and participation** in pension systems

- **Try to get a consolidated study about what is happening around the world with matching contribution designs, makes the project most than relevant**

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Thank you

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