Retirement, ageing and migration: connecting the dots.
BE-CEMFI Conference on Aging

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Acknowledgements

- This presentation draws on *Pay-as-they-get-in: Attitudes towards Migrants and Pension Systems* by Boeri, Gamalerio, Morelli, Negri forthcoming in the Journal of Economic Geography and *In medio stat victus: labor demand effects of an increasing in the retirement age* by Boeri, Garibaldi and Moen Journal of Population Economics (2022)

Fertility and Pension Systems

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- Challenge for those countries relying almost entirely on pay-as-you-go (PAYG) public pension systems.

- These systems are sustainable if the size of the retired population is not too large compared to the current working population.

- Reforms PAYG are (slowly) increasing the retirement age.
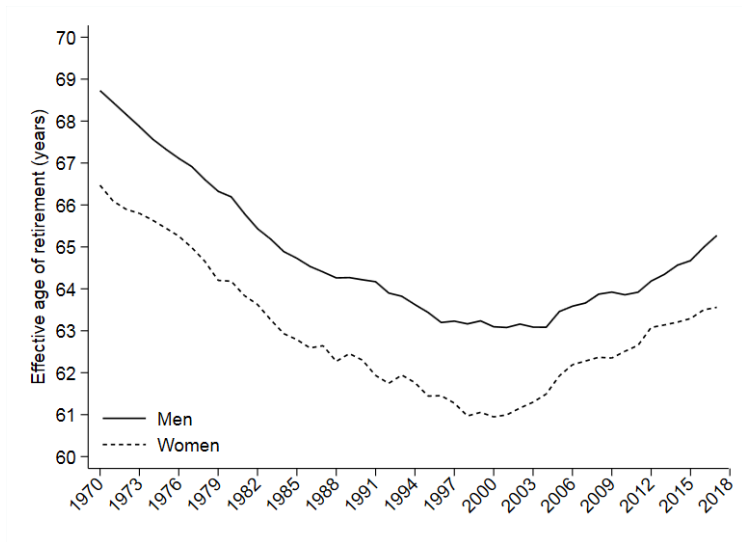
- The fertility decline is a major threat.

Aging population, some facts

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Aging population, some facts

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  - The number of retired individuals for every 100 workers is expected to increase (from 2018 and by 2050):
    - from 68.6 to 105.7 in Italy
    - from 51.7 to 88.6 in Spain.

- This trend is common across OECD countries, notably the 24 (out of 38) having predominantly PAYG pension systems.

OCED Avg Effective Age of Retirement, 1970–2017

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    - The government has recognized that the pension system will not be sustainable without the contribution of foreign workers .

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- Increased support for tighter restrictions to immigration.

- ESS survey for Italy: "do you think immigrants are bad for the economy?"

  - Share of strongly positive answers decreased from 22% (2012) to 10% (2016)
  - Share of strongly negative answers increased from 19% (2012) to 30% (2016)

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- Misperception of the costs and benefits of immigration.
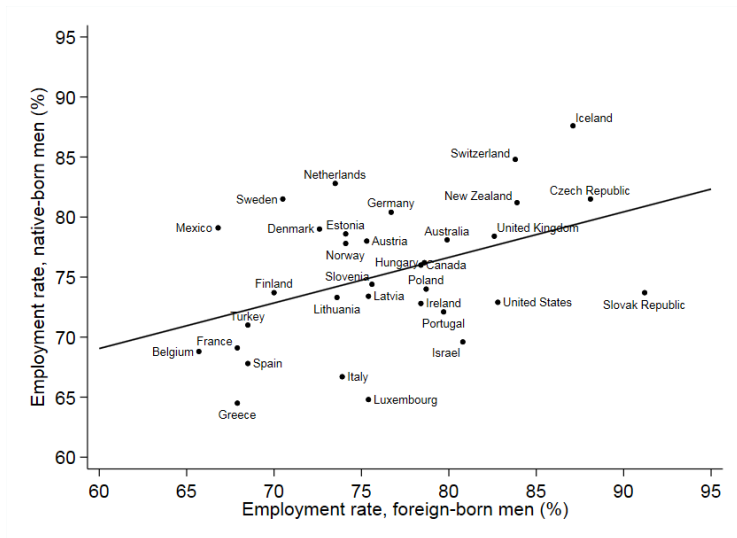
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- Zero-sum thinking: number of jobs perceived as fixed, hence migrants stealing jobs of natives.

Unemployment of migrants and natives

Also in the short-run?

- The 2011 Pension Reform in Italy unexpectedly increased the retirement age by up to 6 years for some workers

- Employers were forced to retain these workers as employment protection is very strict for these workers...

- ... and wages are rigid due to centralized collective bargaining coverage

- We looked at the effects of the "locking-in" of these workers on employment of the other workers

- We found a strong degree of complementarity between young and older workers, while some mild substitution between older and middle-aged workers.

- Migrants are young: large inflows of migrants can coexist with an increase in the retirement age.

Can we correct for the misperceptions?

- To what extent can a better knowledge of the challenges faced by PAYG systems improve individuals' acceptance of migrants?

- We studied the effect of providing information about:

  - Functioning of pension system (pay-as-you-go)
  - Demographic trends (aging population)

  On individuals' beliefs about migrants and their willingness to welcome them

- We do it through an experiment conducted in Italy and Spain in 2021:

  - We run a survey where respondents saw a video providing information about the pension system and demographic trends
  - No mention of immigration in the video to make our message more "neutral" and less likely to be affected by political considerations.

The experiment

- Run in Italy (CE&CO) and Spain (Netquest) in September 2021 and January 2022. Sample of 2053 Italian and 1434 Spanish individuals, all above 40 years old.

- Selected individuals responded to a 10 min online questionnaire about: Questions SP
  - Demographic and socio-economic characteristics, political attitudes
  - Immigration: number, legal/illegal, contribution to social welfare
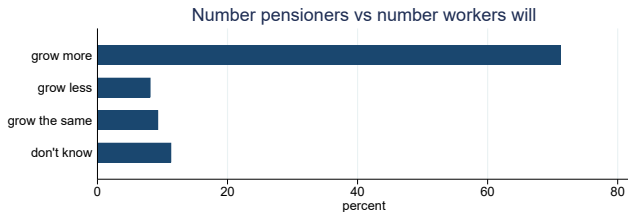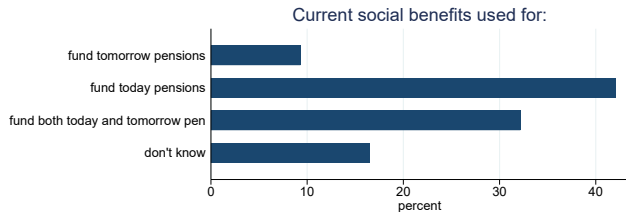 - Functioning of pension system and demographic trends

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- After that, participants were randomly split in two groups, and one of the two saw a video explaining: [Treatment SP]
  - that current pensions are financed by current workers
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    - that current pensions are financed by current workers
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- Finally, both groups had to respond to a second set of questions: `Questions SP`
    - Functioning of pension system and demographic trends (True/False)
    - Immigration: should country accept more migrants and are migrants bad for pension system/economy/culture

Respondents' knowledge on demographic trends and pension systems BEFORE the video

Current social benefits used for:

Number pensioners vs number workers will

Results: changes in knowledge?

- "Current pensions are financed by contributions paid by current workers. In your opinion, is this statement true or false?"
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- The probability of answering both questions correctly raised by about 10 percentage points after watching the video.

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- No significant differences between the two groups when asked about whether migrants are bad for the pension system, the economy and the culture of the country.

Is political affiliation relevant?

- Previous work has shown how political narratives can affect information provision experiments like the one we have conducted:

  - Republicans more likely to blame government for inflation (Andre et al., 2022).

  - Higher immigration leads to lower support for redistribution particularly for far-right individuals (Alesina et al. 2021)

  - Information provision only effective on non-ideologically biased individuals: fact-checking and populist narratives (Barrera et al. 2020; Galasso et al., 2022); preferences on trade policies (Alfaro et al., 2023); immigration (Cattaneo and Grieco, 2021)

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- We divided the responses received in three groups:

  - Voters of populist parties (Lega, FdI, Vox, 5SM)

  - Voters of all other parties

  - Undecided voters (i.e., undecided, not voting, null vote)
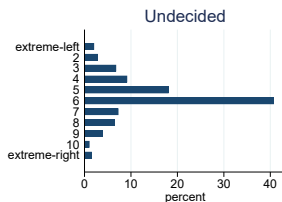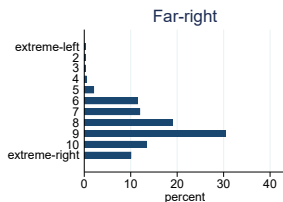
Results: political views

- After the video, the knowledge of pension systems and demographic trends increases for all three groups.

  - The effect is even stronger for supporters of populist parties.
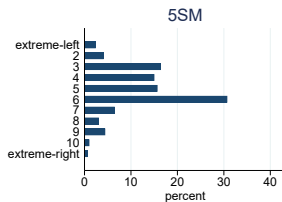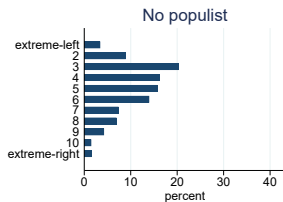
Results: political views

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- However, opinions about migrants and willingness to accept them improved only for individuals supporting non-populist parties.

- For individuals supporting populist parties and undecided voters there are no major changes.

    - In some cases, opinions worsened, signaling a potential backlash.

    - This result is in line with the evidence on the role of political views in shaping individual beliefs and their reaction to information provision.

What does explain the behavior of populists and undecided voters?

- The three groups responded similarly in terms of updating beliefs to the direct message about the knowledge of pension systems and demographic trends.

- However, the populist supporters and undecided voters appeared as unwilling to make the connection with immigration and to change their view on that dimension.

- This could be interpreted through three different channels:
  - The ideology channel
  - The lower cognitive skills or unsophisticated reasoning channel
  - The distrust and commitment channel

The ideology channel (1)

- Participants were asked to locate their political orientation on a scale from 1 (extreme-left) to 11 (extreme-right)

The ideology channel (2)

- Among the populist parties identified, three (i.e., Lega, Brothers of Italy, Vox) are far-right parties, and one (i.e., the Five Stars Movement) is a catch-all populist party more difficult to place on the left-right axis.

- If ideology plays a role, answers from 5SM voters should differ from those of the far-right ones and be more in line with non-populists.

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- However, voters of the Five Stars Movement appear behave more similarly to the voters of far-right parties.

- Thus, ideological orientation does not appear to explain the behavior of the populist supporters and undecided voters.

- The effectiveness of the video content in increasing knowledge about pension systems and demographic trends among all groups suggests that the second possible channel should play a smaller role in explaining our findings.
  - In fact, populist and undecided voters are those experiencing the largest knowledge improvement.

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- Populist parties base their narrative on simple policy commitments, to capture the vote of the disillusioned voters with the lowest levels of trust in representative democracy.

  - The populist voters in our representative group are likely to show low trust and a high focus on the existing commitments.

  - The same argument applies to the undecided voters, who are also disillusioned with mainstream institutions and parties.

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- For these voters, any message aimed at increasing the knowledge of a "potential" benefit from immigration goes astray because

  - The potential benefit may not arrive to them, given the distrust in elites and policies proposed by mainstream parties.

  - They are subscribing to parties that make commitments of anti-immigration policies unconditional on any information they may receive.

Final Remarks

- Rapid aging countries need more migrants and an increase in the retirement age

- The labor market can accommodate such changes without significant disruptions, even in the short-run

- but strong opposition to immigration (and to increases in the retirement age)

Final Remarks 2

- An information experiment carried out in Italy and Spain shows that providing people with information on pension systems and demographic trends raise their knowledge in those topics.

- This **indirect treatment** improves:

  - Individuals' willingness to accept migrants and opinions about migrants
  - Opinion about migrants/willingness to accept them only for individuals <u>not</u> supporting anti-immigrant and populist parties
  - The lack of an effect on populist voters might be due to their lower trust in representation

Suggestions for Communication Campaigns

- Rather than talking about the role of migration in pension sustainability provide dots

- By keeping the message more neutral, it is more likely for it to not be affected by the political orientation of the individual receiving the new information content.

- However, this indirect approach does not work for voters of populist and far-right parties who do not connect dots.

Pre-treatment questions immigration - Spanish version

D18. En tu opinión, en porcentaje de la población total del país, ¿cuántos inmigrantes viven legalmente en España?
- (Indica el porcentaje de 0 a 100)

D19. Según tú, la mayoría de los inmigrantes en España:
1. Llegó ilegalmente
2. Llegó legalmente
98. No lo sé

D20. ¿Crees que los inmigrantes pagan más impuestos y cotizaciones sociales respecto a los subsidios que reciben del sistema de bienestar español o no?
1. Sí, considero que pagan más impuestos y cotizaciones a la seguridad social respecto a las prestaciones que reciben
2. No, considero que pagan menos impuestos y cotizaciones a la seguridad social respecto a los beneficios que reciben
3. Los impuestos y las contribuciones que pagan a la seguridad social son aproximadamente iguales a los beneficios que reciben
98. No lo sé

Back to Experiment

Pre-treatment questions PAYG and demographics - Spanish version

D21. En tu opinión, ¿para cuál de los siguientes fines se utilizan las cotizaciones sociales que pagan los trabajadores actuales?
1. Financiar las pensiones futuras
2. Financiar las pensiones de hoy
3. Financiar las pensiones de hoy y las futuras
98. No lo sé

D22. En cuanto a las tendencias demográficas de la población española, en tu opinión, ¿cuál de los siguientes escenarios futuros es más probable?
1. El número de jubilados aumentará más que el número de trabajadores
2. El número de jubilados aumentará menos que el número de trabajadores.
3. El número de jubilados y de trabajadores aumentará igual, en el mismo porcentaje
98. No lo sé

Back to Experiment

D24. Las pensiones de las personas jubiladas de hoy se financian con las cotizaciones sociales que ingresan los/las trabajadores/as hoy. En tu opinión, ¿esta afirmación es verdadera o falsa?
1. Verdadera
2. Falsa
3. No sabe

D25. De aquí al año 2050, en España, el número de personas jubiladas podría aumentar más que el número de trabajadores/as. En tu opinión, ¿esta afirmación es verdadera o falsa?
1. Verdadera
2. Falsa
3. No sabe

Back to Experiment

D27. A continuación, leerás algunas declaraciones. Para cada una, indica si estás de acuerdo o no.

	Muy de acuerdo	De acuerdo	En desacuerdo	Muy en desacuerdo
España debería aceptar menos inmigrantes.	1	2	3	4
Los inmigrantes son un coste para el sistema de pensiones español.	1	2	3	4
Los inmigrantes son un coste para la economía española.	1	2	3	4
Los inmigrantes son una amenaza para la cultura española.	1	2	3	4

Back to Experiment

En España, el sistema
de pensiones es de
"reparto"

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Las pensiones de hoy se financian con las cotizaciones que ingresan los trabajadores de hoy
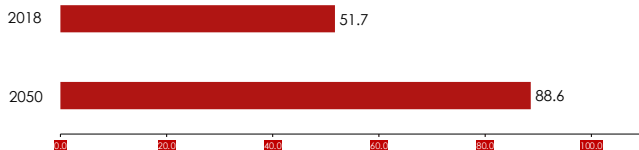
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Problema:

El siguiente gráfico muestra como
en el futuro el número de jubilados
podría aumentar más
que el número
de trabajadores

Back to Experiment

Numero jubilados por cada 100 trabajadores
(previsiones de la OCDE)

En 2018, había 51,7 jubilados por cada 100 trabajadores

La OCDE estima que en 2050 habrá 88,6 jubilados por cada 100 trabajadores

Menos trabajadores para financiar más pensiones

Back to Experiment