Can Knowledge Empower Women to Save More for Retirement?

Drew M. Anderson and J. Michael Collins
University of Wisconsin, Madison

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Even though they live longer and, therefore, face higher costs during retirement, women save less for retirement. Women start at a disadvantage for wealth accumulation because of lower salaries, more time off to care for children and elders, and spending more on health care (U.S. GAO 2007). This study focuses on a large public workforce in which women also save a lower percentage of their incomes and take on lower-return investments. A potential explanation for these gaps is that women have lower levels of financial literacy and engagement in household financial decisions (Lusardi and Mitchell 2008).

Financial literacy and engagement could be improved at relatively low cost, relative to changing lifetime earnings, labor supply, or health. Financial literacy cannot be shared among household members or passed on to survivors, making it all the more important for women who will spend long periods of retirement single. In general, financial education often has no effect on behavior, but a recent study showed that workplace financial education increased budgeting and saving, particularly for women (Collins and Urban 2016). This study examines the effects of an intervention targeted specifically to increase women's retirement saving through information and motivation.

In April 2015, several state agencies in Wisconsin implemented a multimedia education effort called Embracing and Promoting Options for Women to Enhance Retirement (EMPOWER). EMPOWER included short weekly emails with links to online testimonials and webinars, optional "lunch and learn" brownbag meetings, and posters and literature around the office. EMPOWER sought to increase the salience of planning and saving for retirement by encouraging conversations among peers. EMPOWER operated at a large scale with very low marginal costs. The choice to implement EMPOWER was made by a single agency representative, not by individual workers, and then workers received no further incentive to participate. Several large agencies did not implement EMPOWER, providing a comparison group of workers who were not exposed to financial education.

To estimate the effect of EMPOWER, we use detailed administrative data and a quasi-experimental research design. The state provided monthly longitudinal data for a workforce of 31,000 employees, for four years surrounding the program's implementation. These workers are required to contribute 6.6 percent of earnings to a pension fund, but 47 percent of workers also participated in Wisconsin Deferred Compensation (WDC), a saving instrument similar to a 401(k). The median participant contributed 1.6 percent of earnings each month. EMPOWER

has the potential to increase both participation and contributions to WDC. To isolate the effect of EMPOWER on saving, we employ a triple-difference strategy comparing men to women before and after implementation at agencies that implemented the program versus those that did not implement the program.

We find that workplace financial education and peer-to-peer motivation increased retirement saving in this context. EMPOWER increased participation in the deferred-compensation savings plan by 2.6 percentage points, closing the gender gap in participation by more than half. We subject this result to several robustness checks, and pre-existing trends explain some of the closing of the gender gap at the EMPOWER agencies. There is not clear evidence that workers already participating saved more of their earnings.

Figure 1. *Extensive Margin Effects of EMPOWER*

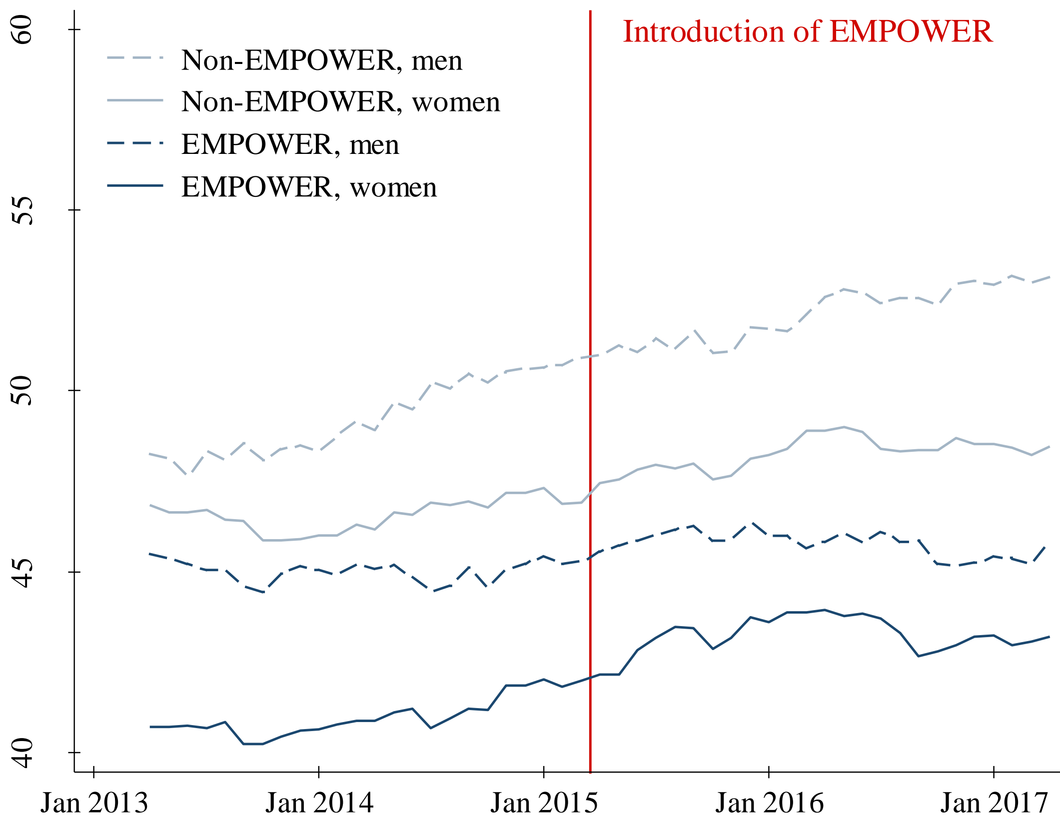

Figure 1 shows our empirical strategy graphically. The figure tracks the progression of gender gaps in retirement saving at agencies that implemented EMPOWER, versus agencies that never implemented EMPOWER. In both groups of agencies, men are more likely to participate

than women. EMPOWER agencies have a larger initial gender gap, and lower rates of participation overall. Controlling for all of these level differences, we look for a divergence in the gender gap after implementation of EMPOWER. The small rise in the "EMPOWER, women" line after implementation, relative to the other three lines, suggests a positive impact from the program.

We estimate several refinements to this graphical analysis. Controlling flexibly for month effects, employer effects, and interactions with gender, the results hold. However, controlling for employer-specific linear time trends reduces the estimated effects on participation by roughly half. Controlling for individual fixed effects further reduces the triple-difference effect, but there is still an apparent small positive effect on saving for both women and men. There is suggestive evidence the program had a greater impact for younger and married workers.

Our results provide an important contribution to research on financial education for retirement saving. The sample size, frequency, and accuracy of our data are rare in this literature, allowing us to capture with relative precision the effects of EMPOWER on WDC saving. However, we lack the ability to measure other household finances that may be affected. Researchers have come to conflicting conclusions about whether current rates of retirement saving constitute a crisis and whether information and encouragement should matter (Munnell, Rutledge, and Webb 2014). Our study, showing positive but somewhat fragile effects of financial education, is consistent with households lacking information and encouragement, but it does not settle the debate on the adequacy of saving rates.

References

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