

■ NEW RESEARCH OUTPUT

DOES CONSUMPTION RESPOND TO PREDICTED INCREASES IN CASH-ON-HAND AVAILABILITY? EVIDENCE FROM THE ITALIAN "SEVERANCE PAY" by Margherita Borella, Elsa Fornero, Maria Cristina Rossi

This paper aims at detecting whether Italian households exhibit excess sensitivity in their consumption with regard to "severance pay". The analysis exploits data on Italian households from the Survey of Household Income and Wealth (SHIW), for the years 1989-2004.

By using an Euler equation approach on different categories of consumption the authors estimate whether close to retirement households exhibit excess sensitivity of consumption with respect to severance pay. Their findings suggest that households do not alter their non-durable goods consumption while they increase their durable consumption in the year when they cash their severance pay.

EFFECTS OF THE INTRODUCTION OF A FUNDED PILLAR ON THE RUSSIAN HOUSEHOLD SAVINGS: EVIDENCE FROM THE 2002 PENSION REFORM by Irina Kovrova

This paper estimates the effects of the introduction of a mandatory funded pillar on households' savings. The author exploits the 2002 Russian pension reform, that introduced a funded component along the pay-as-you-go one.

The empirical evidence shows that the introduction of the funded pillar has a negative impact on the Russian households' savings: it is found that it entails a reduction of 1 % in the saving rates of households who save and a reduction of 2.5 % in the probability of having positive savings.

AN ANALYSIS OF THE EFFECTS OF THE SEVERANCE PAY REFORM ON CREDIT TO ITALIAN SMEs by Riccardo Calcagno, Roman Kraeussl, Chiara Monticone

This paper studies the effects of the severance pay (TFR) reform in Italy on the cost and the access to credit for Italian small and medium-size enterprises (SMEs). One of the consequences of the reform will be to reduce the amount of liquid assets available to Italian firms.

The authors argue that in the long run the reform will reduce the aggregate investment by SMEs in a more than proportional way, since it will restrict the access to credit for some of

them, even though it will not increase the long-term cost of intermediated finance, *coeteris paribus*. Nonetheless, in the short-term, if the level of investment by firms is considered exogenous, the reform is likely to increase the cost of bank credit for SMEs. To assess quantitatively the effect of the reform, the authors also estimate the future outflows of TFR affecting the whole population of Italian firms.

■ WORK IN PROGRESS

THE EFFECTS OF FINANCIAL INCENTIVES ON RETIREMENT CHOICES: NEW EVIDENCE FROM WHIP DATA by Michele Belloni and Rob Alessie

This work estimates the effects of social security incentives on the retirement choices of private-sector employees during the period 1985-2000.

Preliminary results show that both social security wealth and its accrual affect workers' choices in a considerable way. While the result for the "income effect" conforms - at least qualitatively - to previous findings, that for the "substitution effect" represents a novelty. The authors attribute it to the availability of better data (WHIP dataset), which allow for a rather precise identification of both eligibility for pension benefits and transition paths out of the labor force.

HEDGING LABOR INCOME RISK AT SECTORAL LEVEL: A NORMATIVE APPROACH FOR OCCUPATIONAL PENSION FUNDS by Carolina Fugazza, Maela Giofré, Giovanna Nicodano

This work adopts a normative approach to address the issue of the potential role of occupational pension funds to hedge labor income risk at industry level.

Highlights

NEW CeRP FELLOWS: ANTONIO MELE AND TETYANA DUBOVYK

Antonio Mele (Professor of Economics, University of Turin and LSE) joined the CeRP group in June 2007.

Antonio deals with financial aspects of pensions, and is working on the elaboration of a theoretical model of social security that integrates features of a PAYG and of a funded system.



Tetyana Dubovyk (PhD, University of Minnesota), who has started this September, has been recruited through the international job market. She will carry out research on macroeconomic aspects of social security, studying in particular the role of endogenous human capital accumulation in evaluating tax and social security policies.

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The analysis, for seven investing industries (financials, leisure, manufacturing, trade, transports and communications, utilities, other services) in the US, Canada and Italy, reveals two main findings: the substantial relative magnitude of the labor income hedging component and the notable heterogeneity in labor income growth across industries.

These results have two immediate implications: first, ignoring human capital may produce remarkable distortion in investment decisions; second, the investment strategies should be tailored to diversify away specific risks.

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■ FOCUS

THE DEBATE ON PENSION REFORM

CeRP is active in contributing to the policy debate on pension reform at the Italian and European level through the media (comments on newspapers, participation in radio interviews, etc.) and through highlights on the web site.

Comments posted on the web site deal with the ongoing pension reform debate in Italy - including CeRP own proposal - as well as with significant international facts. Statistical data and reference documents on pension-related issues are also provided.

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■ EVENTS

CONFERENCE “THE NEW WELFARE: THE COUNTER-AGEING SOCIETY - SVECCHIAMENTO E SOCIETÀ” organized by The Geneva Association, Macros Research, The Risk Institute and CeRP; Torino Incontra Conference Center, Turin, 8 October 2007.

The conference will focus on the lengthening of life-cycle and its repercussions on the welfare state systems. It has the aim to stimulate and exchange ideas on the economics of ageing related to employment, pensions and health in the European and international context. More information can be found on the CeRP web site.

[HTTP://CERP.UNITO.IT/AGENDA](http://CERP.UNITO.IT/AGENDA)

PARTICIPATION IN INTERNATIONAL CONFERENCES

CeRP maintains a strong presence in international events. Here is a selection of invited presentations recently delivered by CeRP researchers:

- Carolina Fugazza and Maela Giofré at the 6th Meeting on Social Security and Complementary Pensions Systems, CIEF, Lisbon, 25 May 2007
- Riccardo Calcagno at the 11th International Conference on Macroeconomic Analysis and International Finance, University of Crete, 26 May 2007
- Carolina Fugazza and Maela Giofré at the NETSPAR Pension Workshop, Groningen, 8 June 2007

- Elsa Fornero at the workshop “Ageing Populations and Financial Markets: Global Challenges and Particular Perspectives for Central and Eastern Europe”, organized by ERSTE Foundation, Prague, 13 June 2007

- Flavia Coda Moscarola at the TILDA/ASPEN conference on Active Ageing & Labour Market Trajectories, University of Dublin, 25 June 2007

- Giovanni Mastrobuoni at the Singapore Economic Review Conference, Singapore, 2 August 2007

The following presentations are forthcoming:

- Chiara Monticone at the Caisse des Dépôts conference, Bordeaux, 25 October 2007

- Giovanna Nicodano and Carolina Fugazza at the ICPM/Netspar October Forum, University of Maastricht, 31 October 2007

Recent Publications

Investing for the Long-Run in European Real Estate, by C. Fugazza, M. Guidolin and G. Nicodano, *The Journal of Real Estate Finance and Economics*, Volume 34, Issue 1, 2007

Pension Reform in Europe. Some Observations on Franco Modigliani's Contribution by O. Castellino and E. Fornero, in A. Muralidhar and S. Allegranza (eds) *Reforming European Pension Systems*, Dutch University Press, 2007



LATEST CeRP WORKING PAPERS

N° 63/07 **Life-cycle Portfolio Choice: the Role of Heterogeneous Under-diversification** by C. Campanale

N° 62/07 **Does Consumption Respond to Predicted Increases in Cash-on-hand Availability? Evidence from the Italian “Severance Pay”** by M. Borrella, E. Fornero, M.C. Rossi

N° 61/07 **Effects of the Introduction of a Funded Pillar on the Russian Household Savings: Evidence from the 2002 Pension Reform** by I. Kovrova

N° 60/07 **La Previdenza Complementare in Italia: Caratteristiche, Sviluppo e Opportunità per i Lavoratori** by R. Cesari, G. Grande, F. Panetta

N° 59/07 **An Analysis of the Effects of the Severance Pay Reform on Credit to Italian SMEs**; by R. Calcagno, R. Kraeussl, C. Monticone (submitted for publication to *Small Business Economics*)

N° 58/07 **Modelling Stochastic Mortality for Dependent Lives** by E. Luciano, J. Spreeuw, E. Vigna

The papers are available at:

[HTTP://CERP.UNITO.IT/PUBLICATIONS](http://CERP.UNITO.IT/PUBLICATIONS)