

Pedro Cavalcanti Ferreira (FGV/ EPGE Brazilian School of Economics and Finance, FGV Growth and Development)

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Date

Le 15 May 2023 De 12:15 à 13:30

Location

Pôle Tertiaire - Site La Rotonde - 26 avenue Léon Blum - 63000 Clermont-Ferrand

Room 214

Research seminar. Social Security Reforms, Retirement
and Sectoral Decisions

[Pedro Cavalcanti Ferreira](https://epge.fgv.br/en)(<https://epge.fgv.br/en>

[/professor/pedro-ferreira](#))

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Social Security Reforms, Retirement and Sectoral Decisions

Coauthors: Bruno R. Delalibera, Rafael Parente.

ABSTRACT

In many countries, the regulations governing public and private pension systems, hiring procedures, and job contracts differ. Public sector employees tend to have longer tenures and higher wages compared to workers in the private sector. As such, social security reforms can affect both retirement decisions and sectoral choices. We study the effects of social security reforms on retirement and sectoral behavior in an economy with multiple pension systems. We develop a life-cycle model with three sectors - private formal, private informal and public - and endogenous retirement. In a model calibrated to Brazil, we quantitatively assess the long-run effects of reforms being discussed and implemented across countries. Among them, we study the unification of pension systems and increasing the minimum retirement age. We find that these reforms affect the decision to apply to a public job, the profile of savings over the life cycle, and the skill composition across sectors. In the long run, these reforms lead to higher output and capital, reduced informality, and average welfare gains. They also drastically reduce the social security deficit.

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