How do Behavioral Approaches to Increase Savings Compare?
Evidence from Multiple Interventions in the U.S. Army

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Abstract

In recent years, employers have developed a number of methods to encourage retirement savings among their employees, and academic researchers have studied their varying effects. Research has documented that information provision, choice simplification, social messaging, active-choice frameworks, and automatic enrollment all increase retirement savings. However, gauging the relative efficacy of these approaches has been challenging because the existing research relies on diverse populations over a long period and because very few studies have incorporated costs into their analyses. Moreover, few analyses have explored the potential heterogeneous effects of these different policy approaches with respect to individual characteristics including gender, race and ethnicity, education level, and family structure. Our preliminary analysis suggests that active choice programs are the most cost-effective method to generate new program participation and contributions for small, median, and large firms, while automatic enrollment is more cost-effective for very large firms.

The final study will complete three analyses. First, we leverage quasi-experimental and experimental variation in policy exposure, within a single institutional setting, to examine the relative efficacy of four leading policy options designed to increase retirement savings: behaviorally informed emails (e.g., action steps), simplification of enrollment via provision of target contribution rates, active choice enrollment programs, and automatic enrollment programs. Second, we analyze the demographic heterogeneity of these effects in a workforce that is younger, less educated, and more racially and ethnically diverse than is found in other settings that study retirement savings. Finally, we complement these analyses with administrative and estimated measures of program costs. These data enable us to estimate the relative cost-effectiveness of each program (e.g., the dollars spent per new enrollment or the dollars spent per new dollar of contributions).

We have completed a good deal of work in these areas already, and this work has benefitted from a grant from the TIAA Institute and the Pension Research Council for 2020-2021. However, there are several areas that we can improve with further support from the SSA and NBER Retirement and Disability Research Center. Most notably we plan to revise and expand the second analysis on heterogeneous treatment effects, and we will also validate and improve our main analysis after acquiring additional TSP participation data from the Department of Defense. In light of our current findings and the proposed additions, as well as our project's support of three SSA focal areas, we feel confident that the project is well-suited to a one-year proposal.

Focus Areas of Contribution

- **Improving Communication and Outreach:** Our unique setting allows us to test the relative efficacy of four distinct communication and outreach strategies intended to increase retirement savings at scale: (1) information emails, (2) action step messaging, (3) target contribution rate messaging, (4) and an active choice framework.

- **Disparities by Race and Ethnicity:** With 23% Black, 17% Hispanic and only, 53% non-Hispanic White servicemembers, the rich racial and ethnic diversity within the U.S. Army stands in contrast to less diverse firm settings where retirement savings are often studied. Our diverse population, along with large sample sizes, allow us to accurately estimate racial gaps in retirement savings and study the relative efficacy of several leading approaches that may increase savings among these groups, thereby reducing racial disparities.

- **Improving Service Delivery:** Policy administrators often face a tradeoff between improving service delivery and avoiding intrusion. Our study informs these tradeoffs by comparing the relative efficacy of low intrusion (email messaging), medium intrusion (active choice), and high intrusion (automatic enrollment) approaches to increase retirement savings contributions. They also enable us to estimate the cost-effectiveness of different approaches.

We are happy to answer any questions you may have, and we appreciate your consideration of our proposal.