“Do Retirement Benefits Crowd Out Wages?”
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Focal Area 3: Economic Security of Program Applicants and Beneficiaries

We will analyze how the mandatory adoption of automatic enrollment (AE) into retirement savings plans in the U.K. affected wages. The initial implementation of AE (phased in between 2014 and 2018) required employers to make contributions to pension accounts equal to 1% of the wages of employees who did not opt out of saving. We will investigate whether employers offset these increased nonwage payroll costs by decreasing wages.

For identification, we will exploit the fact that the U.K. government randomly assigned the date (from June 2015 to April 2017) on which firms with 29 or fewer employees were required to implement AE. We will use two sources of data. ASHE is annual panel data on the wages, paid hours of work, and pensions arrangements of nearly 1% of the working population. It is drawn from National Insurance records for working individuals in the U.K. MWSS collects monthly information on wages and salaries of businesses in Great Britain. The survey is issued to around 9,000 businesses each month and covers around 14 million employees. It is used to construct the average weekly earnings statistics in the UK national accounts.