





## CHALLENGE

Voluntarily saving for a pension is a challenge for all individuals, especially for independent workers. In Latin America, these types of workers are generally low-income, are not integrated into the financial system, don't have a culture of saving, and prefer avoiding the fiscal costs of formalization in an environment where evading contribution obligations is relatively easy. In Colombia, in 2018, 42% of all workers were independent and only 13.15% of these were contributing to their pension —many because their income was below the minimum wage, the minimum base income for contribution—(SIMS, 2020).

Independent workers, like the general population, face various psychological biases, making voluntary pension savings difficult for them. Studies show that: many tend to follow others' behavior (doing what they believe is common) instead of consciously evaluating their particular case; others, who do evaluate their case, tend to assess their well-being relative to their reference group and not based

on their individual results, which leads to competition; and there are those who, in the face of complex processes, tend to postpone their decision. While salaried workers also exhibit these behavioral biases, having their employer automatically deduct their pension contributions helps them overcome barriers to long-term savings.

At the beginning of the pilot, in the case of *Proteccion* (the second largest Pension Fund in the country, with 30% of account holders), of its 350,171 independent workers with an account (16% of the total system), 94% were contributing an income less than or equal to four times the minimum wage, the vast majority (87%) only had savings from mandatory pensions, and even among those who made contributions to mandatory pensions, three out of five did not contribute regularly. Finally, less than 3% of account holders voluntarily saved for their pension.

## INTERVENTION DESIGN

To promote pension savings of independent workers affiliated to *Proteccion*, two behavioral campaigns were developed: Common Savings and Social Comparison. The first challenged the common belief that independent workers do not contribute to their pension, particularly when it comes to voluntary savings. Although this belief could be considered incorrect when starting the pilot, this was not the case a few years ago. In 2003, contribution of independent workers to social security became mandatory in Colombia, but it was only until 2010 when the Pension and Parafiscal Unit (UGPP, for its Spanish acronym) began operating and implementing measures to control the evasion and avoidance of contributions, that the percentage of independent workers obligated to contribute and who effectively contributed grew from approximately 19.9% in 2012 to more than 62% in 2018 (UGPP, 2018). In other words, the campaign sought to change the preconceptions of independent workers' situation derived from recent changes, with the goal of increasing savings.

The second campaign highlighted the expected differences in income during old age that results from not contributing compared to contributing, or contributing only based on 40% of income - the minimum required by law and the option most independent workers select— versus those who are employees and who contribute based on 100% of their income. In the first case, the aim was to encourage obligatory contributions, while in the second, the aim was to encourage voluntary savings.

Approximately 110,000 independent workers affiliated to *Protección* in October 2018 (32% of total independent workers affiliated to *Protección*) were assigned to receive an email every two weeks for three months. In total, 36,790 account holders were assigned to the control group, 36,788 to the social comparison treatment, and 36,789 to the common savings treatment. Of those who received the emails, at the beginning of the study, a total of 75,882 account holders had already been making mandatory contributions while 34,485 had not.



FIGURE 1. EXAMPLE OF EMAILS SENT TO INDEPENDENT WORKERS: COMMON SAVINGS (LEFT) AND SOCIAL COMPARISON (RIGHT).



FIGURE 2. SUMMARY ASSIGNMENT OF PILOT TREATMENTS.





