

Retirement Savings Laboratory



Leveraging commercial networks to facilitate pension savings

What is the problem that motivated this intervention?

In Mexico, only 1 in 10 workers in the poorest 40% of the population is saving for retirement. A lack of awareness about pension savings, as well as behavioral biases, are some of the factors that have caused informal and self-employed workers to stay away from the pension savings system.

According to data from the National Occupation and Employment Survey (ENOE, for its Spanish acronym), in the fourth quarter of 2018, 62.6% of Mexican workers worked in the informal sector, and therefore, did not have an automatic mechanism for retirement savings. This exposes them to inertia, in which any deviation from the status quo of “not saving” may be perceived as a loss; procrastination, thinking that “I will save tomorrow”; over-optimism, which manifests itself in beliefs like “I’m sure I can keep working when I’m old”; and other psychological barriers to savings that have been documented by behavioral economics. Given this scenario, proactive actions must be taken so that workers can prepare for old age.

Since 2015, the National Commission for the Retirement Savings System (CONSAR, for its Spanish acronym) has invested heavily in the expansion of voluntary deposit mechanisms for accounts managed by the Administrators of Retirement Funds (AFORES, for their Spanish acronym). Among the many alternatives for workers to contribute to the pension system directly and voluntarily, the mobile application *AforeMóvil* (“Mobile Retirement Fund Administrator”) as well as the possibility to contribute via commercial agent networks stand out: the first for its innovation and potential to reach millions of savers with a convenient option to save, and the second, for offering the possibility of saving in more than 15,000 physical points across the country. CONSAR’s efforts have resulted in a 500% increase in voluntary savings amounts between 2013 and 2018 (CONSAR, 2018). However, despite these impressive results, only 10% of voluntary savings are collected through physical collection points and, as of the third quarter of 2018, it is estimated that less than 1 in 100 account holders has used the commercial agent network for voluntary savings.



COUNTRY: MEXICO

FINANCING:

IDB Lab & MetLife Foundation

TARGET POPULATION:

Independent workers and their clients

BEHAVIORAL BIAS:

Active choice, limited attention span, present bias and social preferences

More about the

Retirement Savings Laboratory

The Retirement Savings Laboratory is an initiative that seeks innovative ways to get the population of Latin America and the Caribbean to save for its old age. To do this, it experiments with interventions based on behavioral economics and the use of new technologies.

Retirement Savings Laboratory



In addition to expanding access to the voluntary deposit systems, it is important to identify mechanisms that promote their use. In this sense, shopkeepers who are in direct contact with their clients can serve as a communication channel to promote voluntary contributions in their stores. In a collaborative effort, the CONSAR, the Inter-American Development Bank (IDB) and the *Yastás* network implemented a pilot to train independent shopkeepers in this network in retirement savings mechanisms in Mexico, offering incentives to entice them to promote savings in their stores.

Publicizing the Retirement Savings System (SAR) and rewarding savings

Yastás is one of the fourteen commercial agent networks that facilitate voluntary retirement savings in Mexico, and it does so with a focus on financial inclusion in marginalized urban and rural areas. To this end, *Yastás* works with independent businesses, primarily small shops, whose owners live in the communities where their businesses are located.

Leveraging *Yastás*' contact with the small shop owners they serve, three main behavioral economics lessons were applied to promoting savings through collection points. First, encouraging the network's shopkeepers to present to their customers the active choice to save. Second, providing information and, third, simplifying the voluntary contribution process to minimize any difficulties that may exist when deciding to save.

To address these issues, simple and practical informational materials on retirement savings were designed and distributed in *Yastás*-affiliated shops. The information campaign was accompanied by a training for the *Yastás* sales force, which, in turn, trained 1,077 shopkeepers on the most important issues of pension savings. To encourage shopkeepers to encourage their clients to make the active choice to save, a prize scheme was designed, which included special campaign piggy banks and gift cards, which shopkeepers and promoters could win when they reached certain goals of voluntary retirement savings deposits.

What were the results?

Training shopkeepers about the Retirement Savings System, informational materials, and prizes did not have an impact on increasing voluntary pension savings through *Yastás*-affiliated shops. After the four months of the campaign, when analyzing the administrative data provided by CONSAR, no significant differences were found in the voluntary savings deposits collected by the shops that had received the informational materials and training, and the shops that did not participate in the intervention.

Lessons learned

Although there is trust between shopkeepers and their clients in a more community-based setting, a campaign with simplified materials and prizes promoting voluntary retirement savings in this context seems to be insufficient to promote behavioral changes.

To understand why this campaign had no impact, the Retirement Savings Laboratory team interviewed shopkeepers and business advisers who participated in the intervention. The main barrier identified was that the SAR training course was insufficient to generate a solid understanding of how the system worked for business advisers and shopkeepers. It is difficult to promote and sell what is not understood: The promotion and sale of a product, in this case, voluntary retirement savings, requires understanding its operation and its advantages. Furthermore, the prizes were not sufficient incentive for shopkeepers to develop those skills and knowledge on their own.

For future efforts to promote voluntary retirement savings in communities historically disconnected from pension systems and formal work, it is important to find a deeper advisory mechanism to explain how the SAR works and the benefits of retirement savings. The main challenge is developing a scalable and cost-effective mechanism for financial and pension education.