Trend Breaks in Individual Pension System Participation

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Abstract:

With emerging concerns regarding financial sustainability in the 1990s, social security systems were subject to reform waves that lasted into the 2000s. An important aspect of the reform agenda was the privatization of social security. Turkish experience can be presented as a case study and the introduction of the IPS (Individual Pension System) can be regarded as the Turkish privatization experience. Turkish case has remained voluntary and the trends in participation remain an important policy concern. This paper investigates the breaks in the participation trend of the Turkish IPS. Especially two years are of concern. As of January 2013 the government support towards the system shifted from tax exemptions to a direct support incentives. And in 2017 the automated enrollment IPS was introduced, where the employer is obligated to register employees, but employees do not have to remain in the system. Employing econometric analysis, this paper investigates whether these policy changes impacted the time trend of the number of participants and the funds accumulated in the system.

Keywords: Private Pensions; Retirement Plans; Quantitative Policy Analysis; Structural Breaks

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