

Berlin Applied Micro Seminar

Effects of Taxes and Safety Net Pensions on Life-Cycle Labor Supply, Savings and Human Capital: the Case of Australia

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Abstract:

In this paper we estimate a structural life cycle model of consumption/savings, labor supply and retirement, and evaluate the long run effects of the elements of the Australian pension system and tax policy on the labor supply elasticity and retirement decisions. Our model accounts for human capital accumulation via learning by doing, wealth accumulation and decumulation over the life cycle, uninsurable wage risk, credit constraints, labor market frictions, as well as observed and unobserved heterogeneity among individuals. Discretized choice of hours of labor supply, which includes the non-absorbing retirement decision allows to investigate the effects on both intensive and extensive margins. We also quantify the differences between the effects of anticipated and unanticipated policy changes at several points of the life cycle. The model is estimated using the Australian HILDA panel.