

Study: Do workplace pensions crowd out other retirement savings?

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Among workers with annual earnings near the Canadian average, a \$1.00 automatic increase in Registered Pension Plan (RPP) contributions results in an average reduction in Registered Retirement Savings Plan (RRSP) contributions of \$0.55, thus increasing the sum of RPP and RRSP contributions by an average of \$0.45 across workers with different propensities to save.

The extent to which RPPs and RRSPs are used as substitutes or complementary savings vehicles has long been debated in Canada. Using personal income tax data from 1991 to 2010, this study provides new insight on whether RPPs increase retirement savings contributions or simply redirect savings contributions that would have been made elsewhere.

The study analyzes how individuals respond to changes in RPP contributions that occur for reasons beyond their control—specifically, the automatic increases in contributions on earnings above the average industrial wage that are characteristic of most RPPs.

For workers who do not save much for retirement on their own, the \$1.00 automatic increase in RPP contributions increased net savings by about \$0.95. For workers who save regularly for retirement, the \$1.00 automatic increase in RPP contributions was largely offset by a similar reduction in RRSP contributions. The study was designed in such a way that these results do not simply reflect program rules, such as contribution limits.

Overall, these findings are consistent with broad international evidence showing that assisted or compulsory savings programs increase net savings, especially among workers who save the least for retirement on their own.

Because of data limitations, the study cannot assess how an automatic increase in RPP contributions affected other forms of savings or investments in home equity.

Definitions, data sources and methods: survey number [4107](#).

The research paper "[Do Workplace Pensions Crowd Out Other Retirement Savings? Evidence from Canadian Tax Records](#)" part of the *Analytical Studies Branch Research Paper Series (11F0019M)*, is now available from the *Browse by key resource* module of our website under *Publications*.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Derek Messacar (613-951-0543; derek.messacar@canada.ca), Social Analysis and Modelling Division.

