

Abstract

This thesis explores possible improvements to the sustainability of the Czech pension system. The main focus is on nudges, which are suggestions that gently influence individuals' decision-making without restricting their freedom of choice. They have been successfully used in other countries, such as New Zealand and the United Kingdom. However, their effectiveness in the Czech Republic has not been comprehensively evaluated. To address this gap, a stylized agent-based model is utilized. This thesis extends an already existing model to incorporate real consumption and saving decision-making, as well as a simplified version of the Czech voluntary funded pension scheme. The model is parameterized using data specific to the Czech Republic. The analysis shows that in the current state of the Czech pension system, nudges exhibit only a marginal effect on improving its sustainability. However, as the government incentivizes individuals to save more and transition into higher-performing pension funds, nudges become a crucial tool for enhancing system sustainability. For instance, a policy implementing nudges and promoting access to higher-performing pension funds alleviates almost 50% of the financial constraints the Czech pension system faces.

JEL Classification F12, F21, F23, H25, H71, H87

Keywords nudges, agent-based model, pension systems, sustainability

Title Nudging the Czech Pension System Towards Sustainability