

Comments on micro simulation models and MOSART

Helena Svaleryd

My comments

- The micro simulation models used in Sweden
 - SESIM and FASIT
- General problems with these types of models
- Pensions



SESIM

- Developed and used by the ministry of finance
- Dynamic in the sense that the population is updated yearly. (Seems similar to MOSART)
- Used to study effects of reforms. For example, need for elderly care and changes to the pension system.
- Use a random sample of the population. 104 000 individuals from the database LINDA and their household members.



FASIT

- Developed by ministry of Finance and SCB. More widely used, for example by unions, ministry of finance and KI.
- Static model, suitable to calculate static effects of reforms on the budget or income distribution.
- Random sample of the population HEK (17 000 households i.e 38 000 individuals) or STAR (670 000 randomly draw individuals and their families 1.6 milj obs)
- Added a labor supply model which then includes behavioral effects.
 - structural labor supply model where the individual chooses between 13 different work hours.
 - Demand side not included.



Limitations

- No general equilibrium effects.
 - What happens with wages when labor supply increases? How does this affect labor supply among the ones who works?
- Important to include all institutional rules which affect workers decisions.
- For example in Sweden
 - private insurances when sick or unemployed
 - some firms pay parental leave pay up to 90 or 100 %



Some reflections on the results

- Why do people take out pensions while working? Does the model correctly model the decision?
- Means they get lower pensions when older. Are these pensions high enough? Do they end up in other support system or could it give rise to political support to increase pensions?
- The demand for labor? Workers are supposed to work longer in the future. Is the demand for older people the same as for slightly younger ones?



Some reflections on the results

- Swedish pension system is not directly connected to the budget. If more people claim benefits, less is paid out to each retired person.
 - Economically sustainable (politically?)
 - Norwegian system pensions are (as I understand it) directly connected to the budget. Even more important for the public finances that the rules work as predicted.