



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

2017 CALL FOR TENDERS

CONTRACTS FOR CONDUCTING RESEARCH IN THE FIELD OF SAVINGS IN EUROPE

The Observatoire de l'Épargne Européenne is currently seeking out contracts for the realization of European research projects on the following themes that were selected by its Scientific Committee:

Theme 1: Modelling of household income dynamics for better financial advice and risk measures

Theme 2: Trust in the financial industry

Funding offered by the OEE is generally between 10k and 50k €. Research is expected to be completed within one year.

You will find tendering specifications below.

Submissions of proposals by a team combining academic researchers and professional specialists are particularly welcome.

Tenders and requests for additional information may be submitted by e-mail to the following addresses:

E-mail: Christian Gollier
President, OEE Scientific Committee
christian.gollier@tse-fr.eu

Didier Davydoff
Director
d.davydoff@oee.fr

Please note that the submission deadline is **11 June 2017**.

THEME 1: MODELLING OF HOUSEHOLD INCOME DYNAMICS FOR BETTER FINANCIAL ADVICE AND RISK MEASURES

Many crucial households' decisions depend upon the income risk that they bear, but little is known about it at the micro level. One of the most challenging aspects of modern financial intermediation is about advising households about the most important financial decisions during their lifetime. Given our beliefs about their future incomes, is their current debt level sustainable? And what is the intensity of the risk borne by the lender? Should they save more for their retirement? What investment risk should they accept in their financial portfolio? What assets would best hedge labour income risks for different categories of households? Answering these questions obviously requires a precise understanding of the risk associated to the dynamics of households' income, and their relationship to observable socio-economic variables. The way in which macroeconomic shocks percolate into shocks to individual incomes, their persistence, their skewness and their correlation with the return of existing assets (real estate, bonds, equity,...) are of particular importance in this analysis. It would also be relevant to examine how households (should) react to these shocks in terms of consumption, saving and portfolio choices.

The econometrics of households finance has much improved our understanding of these dynamics over the last 3 decades. The question now is to determine whether econometricians are able to produce tools that may create social value for financial experts (financial intermediaries, public administrations, robo-advisors...) to assist households in these crucial decisions. The OEE would be interested in funding a research project about the modelling of household income dynamics in Europe with the aim to explore some of the policy questions described above, in particular for portfolio advice given by financial intermediaries to their individual customers. The predictive power of these models will have to be assessed, together with their margin of errors, and the value of the information generated to decision makers and financial service providers. Researchers involved in this program should also discuss whether efficient portfolio advice given the intermediaries' knowledge of individual risks might conflict with investment advice actually given by them on the basis of MIFID requirements.

THEME 2: TRUST IN THE FINANCIAL INDUSTRY

Trust in the European financial industry deteriorated sharply after the financial crisis that burst in 2008 and the consumer scoreboard computed every year by the European Commission continues to show that banking services are the lowest performing cluster of industries from a consumer perspective. On the other hand, several surveys find that consumers report higher levels of trust in their own financial service provider than in the industry in general. The OEE would be interested in research describing and explaining this phenomenon, its causes and consequences.

What are the determinants of trust and mistrust? Is there any correlation between financial literacy and trust? Between being personally hit by financial losses and mistrust? Is this phenomenon more pronounced in countries where financial firms are the most at risk of defaulting? Is there any correlation between the level of trust in financial services and the occurrence of large harm cases? How can be explained that young and small *Fintechs* succeed in attracting rising investment flows from retail investors?

Does a low level of trust in the industry have an impact on savings behaviour in terms of financial products selected? Does a negative sentiment towards the industry translate into consumer switching more frequently from one provider to another?