Irena E. Kotowska*, Joanna Stachura**, Paweł Strzelecki*

*Unit of Demography, Institute of Statistics and Demography, Warsaw School of Economics
**CASE – Center for Social and Economic Research, Warsaw
iekoto@sgh.waw.pl; pstrzel1@sgh.waw.pl; joannas@astercity.net

Fertility and retirement benefits of women – could fertility be stimulated by pension reforms?

In debates on determinants of low fertility and policy measures aimed to its rise factors related to labour market participation of women are increasingly referred to. They are mostly considered in terms of reconciling employment and family duties, however, arguments about childbearing penalties in old-age benefits of women are voiced as well. Therefore, one might ask whether rules providing better old-age benefits to females could be altered not only to ensure higher benefits to them but also to stimulate fertility?

To study relationships between fertility and retirement benefits the microsimulation model has been formulated which accounts for different labour market behaviours of males and females by age, education, the number of children and timing of childcare responsibilities. By use of the LFS data on the employment patterns by age for males and females, specified for different education levels and childbearing characteristics as well as the gender-education-age specific data on wages for Italy, Latvia, Lithuania, Poland, and Germany (input data) the future retirements benefits are simulated under three variants: I - country-specific labour market data and old-age pension systems, II - the German labour market data and country-specific old-age pension systems, III - country-specific labour market data and the Polish DC system. For each simulation variant four scenarios are employed which refer to childbearing (a person without a child, caring for one child between 25-44 years of age, caring for more that one child between 25-44 years of age, caring for one child between 35-54).

Variant I demonstrates 'predictions' of future retirements benefits under existing labour market structures. Variant II aims to show isolated effects of country-specific old-age pension systems for future benefit levels, while Variant III illustrates a relevance of labour market related factors for retirement benefits. By comparing results of Variant II and Variant III one can conclude what is more important for future retirement benefits of women: the old-age pension features or the labour market related factors.

Results of Variant I confirm that fathers use to work more and earn more than childless men. Therefore, their old-age benefits are positively correlated with parenthood. Childbearing affects negatively future retirement benefits of women, however, that impact is mitigated by education. Fertility postponement affects positively future old-age benefits of mothers. Women who start their maternal careers later (at age 35) will lose less in terms of their future benefits than women with earlier maternal careers (starting at age 25). Variant II reveals that effects of different old-age systems for retirement benefits are relatively small. As Variant III demonstrates, what really matters for the future retirement benefits of women is the labour market structure i.e. its features less or more supportive for reconciling work and family. The rules of the DC system in Poland applied to the Italian and German labour markets show that women with non-tertiary education are especially penalized in their retirement benefits due to caring for children: they would expect over 20% lower retirement benefits having one child and 20-40% lower pensions having two and more children than women without children.

Simulation results show that fertility postponement, considered as an important determinant of persisting low fertility, contributes positively to future old-age benefits of mothers. They also allow for conclusions that work-family reconciliation measures aimed at keeping mothers in employment seem to be more effective in terms of retirement benefits and reducing work-family tensions which could in turn facilitate decisions about children.