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THE UNEVEN IMPACT OF WOMEN'S RETIREMENT ON THEIR DAUGHTERS' EMPLOYMENT

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OVERVIEW

- Private family support is stronger in countries with weak family policies. Using SHARE and self-collected historical data on early and full retirement ages in 20 European countries, we test whether the impact of women's retirement on their daughters' employment differs between countries with strong and weak family policies.
- We find that women's retirement leads to an increase in their daughters' employment only in countries with weak family policies and strong family ties.
- This positive effect can be explained by increases in in-kind transfers to daughters and grandchild care following retirement.
- These results indicate that pension systems should be designed together with policies for female labor market integration. Furthermore, policy makers should take into account that the side effects of retirement policies on the labor force participation of young individuals differ according to the strength of family policies.

Research findings

European countries significantly differ in their social protection and welfare systems, with some of them - mainly the Southern EU countries - belonging to a familialistic model (characterized by both very strong family values and the lack of explicit state family policies) and others to the nordic and continental model (characterized by weaker family ties and more family-oriented policies).

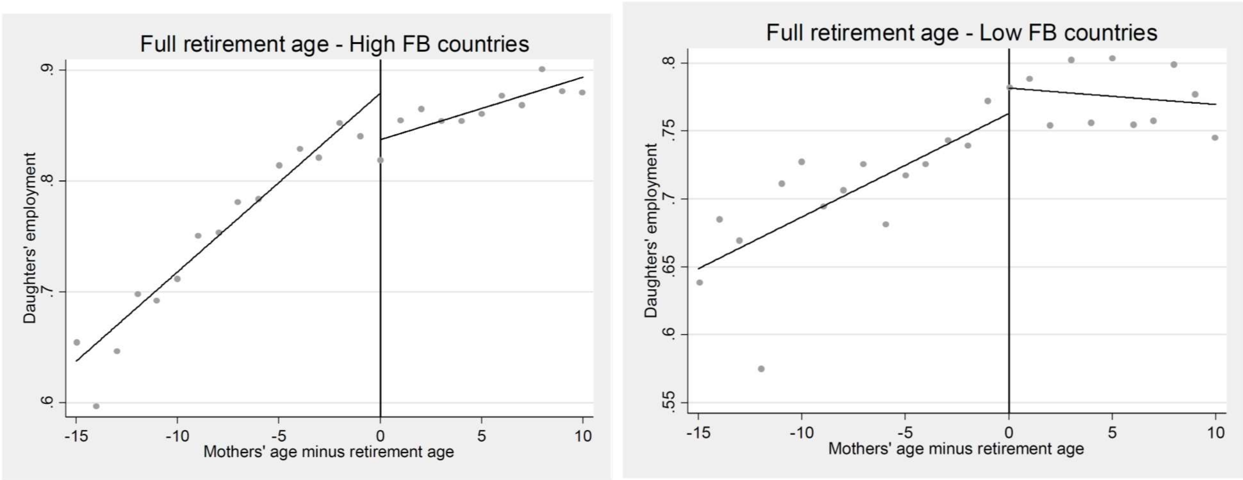
In our analysis, we define two sets of countries according to the level of family benefits: above and below the OECD average. Countries with family benefits above the OECD average are: Austria, Belgium, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Luxembourg, and Sweden. Instead, those with family benefits below the OECD average are: Croatia, Estonia, Greece, Italy, Netherlands, Poland, Portugal, Slovenia, Spain, and Switzerland.

In order to make sure that the two groups of countries reflect different family models, we use existing measures of the strength of family values in each country (data from the 2008 European Value Survey) and test how the effect of women's retirement on daughters' employment changes for countries with strong and weak family values.

We then analyze the effect of women's retirement on daughters' employment separately. We exploit data from 2004, 2007, 2011, 2013 and 2015 waves in version 6 of the SHARE database, which includes information on money and time transfers, including grandchild care, as well as information regarding frequency of contact between surveyed individuals and their children. This information allows us to test whether transfers and/or time spent together are behind the effect of retirement eligibility on daughters' employment.

We find that women's retirement increases daughters' employment by 15 percentage points in low FB countries while no effect is found in high family benefit countries. We also find that the effect is positive in countries with strong family values while it is null (if anything, it would be negative) in countries with weak family values. We find that the positive effect found in low family benefit countries can be explained by the increases in in-kind transfers and grandchild care following retirement.

Figure 1 | Daughters' Employment and Mothers' Retirement Age



Note: family benefits (FB). Source: Author's estimations based on SHARE 2004, 2007, 2011, 2013, and 2015 waves.

Policy Implications

Some European countries have responded to the demographic transition by implementing profound changes to their social security systems. In many cases, these reforms have led to a gradual increase in the legal retirement ages, with the aim to raise labor market participation at the end of the life cycle.

Higher retirement ages of women, however, affect their availability for monetary and time transfers to their daughters, which in turn may influence their daughters' employment through several channels; the overall effect of these channels is in principle ambiguous, and is affected by the cultural and institutional context.

Indeed, this paper shows positive effects of women's retirement on their daughters' employment for the sample of all countries with family benefits below the OECD average. On the contrary, women's retirement may even reduce daughters' employment in countries with family benefits above the OECD average. This difference could be explained because families tend to substitute the role of the state in countries with insufficient family policies while women tend to rely on state support to reconcile work and family life in high family benefit countries.

Policy Recommendations

In a context with aging population and persistent gender gap in labor force participation, female employment has turned into a key policy variable for the sustainability of the European pension system.

The results of this study indicate that pension systems should be designed together with policies for female labor market integration.

Furthermore, policy makers should take into account that – as our empirical analysis demonstrates – the side effects of retirement policies on the labor force participation of young individuals differ according to the strength of family policies.

Further reading

"The uneven impact of women's retirement on their daughters' employment", by Ainoa Aparicio Fenoll, Forthcoming in the *Review of the Economics of the Household*. (Earlier version: CIRCLE Working Paper n. 2, June 2018)