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Retiring Later: Dutch Grannies Work at the Expense of Their Daughters

- Economists analyze Dutch pension reform
- First evidence of unintended consequences on three generations revealed

Bonn, Mannheim, 08.07.2024 – **Reforming the pension system has knock-on effects for families across generations: In the Netherlands, for every hour that grandmothers work longer, their adult daughters with young children work 40 minutes less. This widens existing gender gaps within families and in society at large. Furthermore, the performance of children at school is affected by the reform. These findings are published by the EPOS Economic Research Center at the Universities of Bonn and Mannheim in the discussion paper “Spillover Effects of Old-Age Pension across Generations: Family Labor Supply and Child Outcomes”.**

In times of ageing populations, policy makers in many OECD countries have reformed their public pension system. The goal is to keep older workers in the labor market longer. “Our study shows that such reforms can have serious knock-on effects on other family members,” says Yasemin Özdemir from the EPOS Economic Research Center. “For the first time, we provide evidence of the effects that pension reforms have on three generations of families in a comprehensive analysis.”

The researchers have studied the impact of the 2006 pension reform in the Netherlands using administrative data of the population. The reform made early retirement less attractive.

Pension reform indirectly “punishes” working daughters

Based on the data, the researchers find that increasing the work hours of grandparents decreases the working time of their daughters with young children. The reason: Working women often rely on their mothers to look after their young children. “An unintended side effect of the reform is to aggravate the so-called ‘child penalty,’” says Özdemir. The work hours and earnings of women decrease for several years after their children are born. This leads to a widening of the gender gap in families and societies at large, in terms of pay, career advancement and pension income.”

Effects on grandchildren vary by age groups and gender

The researchers also analyze the effects on children. They observe the results of an exam at the end of primary school, which determines the type of secondary school children will go to. Important research result: the pension reform also has an impact on educational performance of the youngest generation. The effects vary by age group and gender. Young children aged four to seven, who spend more time with their mothers instead of their grandmothers due to the reform, perform better. Both, boys and girls in this age group, improve their test scores and are more likely to be recommended for the academic school track. However, older boys aged eight to twelve perform worse. They spend more hours in after-school care or are unsupervised while their grandmothers work longer.

Policies that work for all generations: Childcare is key

“Unfortunately, well-intended policies may have unintended side effects,” says Özdemir. “The negative consequences for women with children we discovered could be partly avoided. To this end, the quality of childcare is key: Pension reforms delaying retirement could be combined with high-quality childcare options. This will counteract the reduced time grandparents spend with their grandchildren and allow mothers to keep

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up their working hours. Such a combination of policies can help mitigate the unintended consequence of pension reforms for family members across generations.”

The presented discussion paper is a publication without peer review of the Collaborative Research Center Transregio 224 EPoS. Access the full discussion paper here: <https://www.crctr224.de/research/discussion-papers/archive/dp403>

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