

[Massimiliano Bratti, Tommaso Frattini, Francesco Scervini, 2018. Grandparental availability for child care and maternal labor force participation: pension reform evidence from Italy. *Journal of Population Economics*.](#)

In times of austerity and fiscal consolidation on the one hand and aging population on the other, pension reforms are central in order to guarantee the sustainability of public finances in more developed countries. However, careful analysis of the gendered effects of these reforms are rarely done. One central issue is the impact of pension reforms, more specifically eligibility rules, on female labor force participation when adequate childcare provision is lacking. This issue is even more pressing considering the increasing effort to close the gender employment gap in all EU member states, which to different degrees is still substantial especially in Southern European countries.

Massimiliano Bratti, Tommaso Frattini, and Francesco Scervini tried to shed new light on this point in their recently published article in the **Journal of Population Economics** titled *Grandparental availability for child care and maternal labor force participation: pension reform evidence from Italy*. Indeed, in Southern European countries low labor force attachment of women, more specifically mothers, is often explained by cultural influences like the “male breadwinner model” and made even tighter by institutional constraints. Among the latter, the lack of publicly provided childcare is stressed as a major barrier to women’s reconciliation of family with career. In Italy, for instance, public expenditure on childcare accounts for a tiny 0.2% of GDP, which is half of the average OECD-30 expenditure as highlighted in Figure 1.

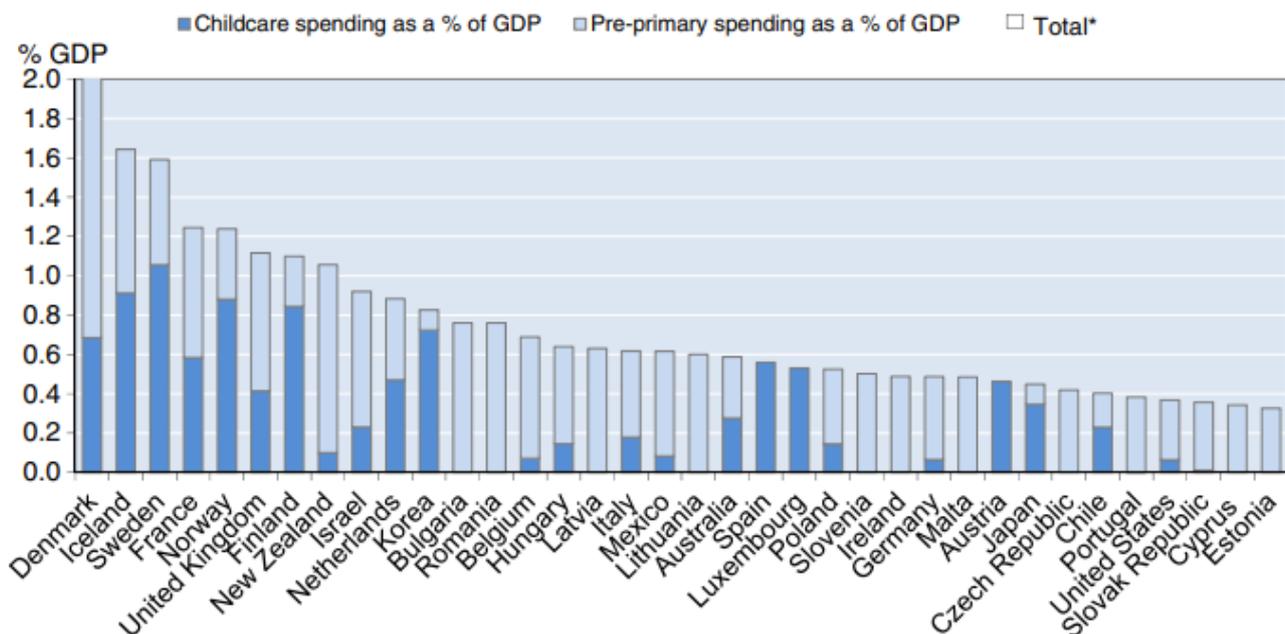


Fig. 1 Public expenditure on childcare and early education services, percent of GDP, 2011. Source: OECD Family Database (<http://www.oecd.org/social/family/database.htm>), chart PF3.1

As a result, it is likely that in a context of low or even shrinking public childcare provision, grandparents (and relatives in general) may serve as an important source of affordable childcare for working women. In their paper, the authors test whether grandparents’ potential availability for childcare, proxied by their meeting pension eligibility requirements, has a positive effect on female, and especially maternal, labor force participation.

They focus on Italy since in recent years it has undergone three major pension reforms that have gradually increased retirement requirements, i.e. gradually increased the number of years of

contributions required for seniority-based retirement, and raised the minimum age required for age-based retirement to 65.

The analysis is based on data from the Survey on Household Income and Wealth (SHIW), administered by the Bank of Italy every 2 years to a rotating panel of 8000 households (approximately 24,000 individuals) per year. In addition to focusing on labor market and income-related issues, the survey also gathers information on education, socio-demographics, consumption, and dwelling characteristics. Besides providing full information on all household members, household heads and their partners, it also reports the birth year, labor market status, educational attainment, and alive or dead status of their parents.

Pension reform-induced changes in retirement eligibility requirements are exploited to assess the role of grandparental childcare availability in the labor force participation (LFP, hereafter) of women with children under 15. These pension eligibility rules have varied in the last 40 years and according to such factors as gender and employment sector, provide an arguably exogenous variation to identify the effect of grandparental childcare availability on maternal employment.

The main findings of the study show that mothers of cohabiting children under 15 whose own mothers are eligible for retirement have a 7.1 percentage point higher probability of labor force participation (+ 11%) than those whose mothers are not yet eligible. This result indicates that grandparental availability for childcare facilitates the labor force participation of women with young children.

The pension eligibility of maternal grandfathers and paternal grandparents, however, has no significant effect on the women's labor force participation.

In a further exercise the authors also carry out back-of-the-envelope computations of the average LFP in the sample under two retirement rule scenarios: a pre-Amato scenario and a Dini scenario.

The results are sketched in Fig. 2. Subfigure (a) shows only a small impact of the retirement rules on average LFP, with year differences ranging between 0.80 (1993) and 0.97 (1998) percentage points. These differences correspond to about a 1.7% decline in the labor force participation of mothers with children aged 0-14. Subfigure (b) then reports the aggregate effect on mothers of pre-school children (0-5): the inter-scenario differences increase. The difference ranges between 2.3 (2000) and 2.9 (1998) percentage points, corresponding to a - 4 and - 5.5% decrease in maternal LFP. However, another potential determinant of the pension reforms' low impact in the sample of all mothers (i.e., with children 0-14) may be that a substantial proportion of maternal grandmothers have never participated in the labor market and so are unaffected by changes in the retirement rules. Thus, in subfigure (c), which reports the same two scenarios but with average LFP predicted only for women whose mothers have worked, it emerges a much larger gap: the Dini reform has a negative effect on the daughters' LFP, which peaks in 2000 and amounts to a 4.2% reduction relative to the actual baseline LFP of 67.7%.

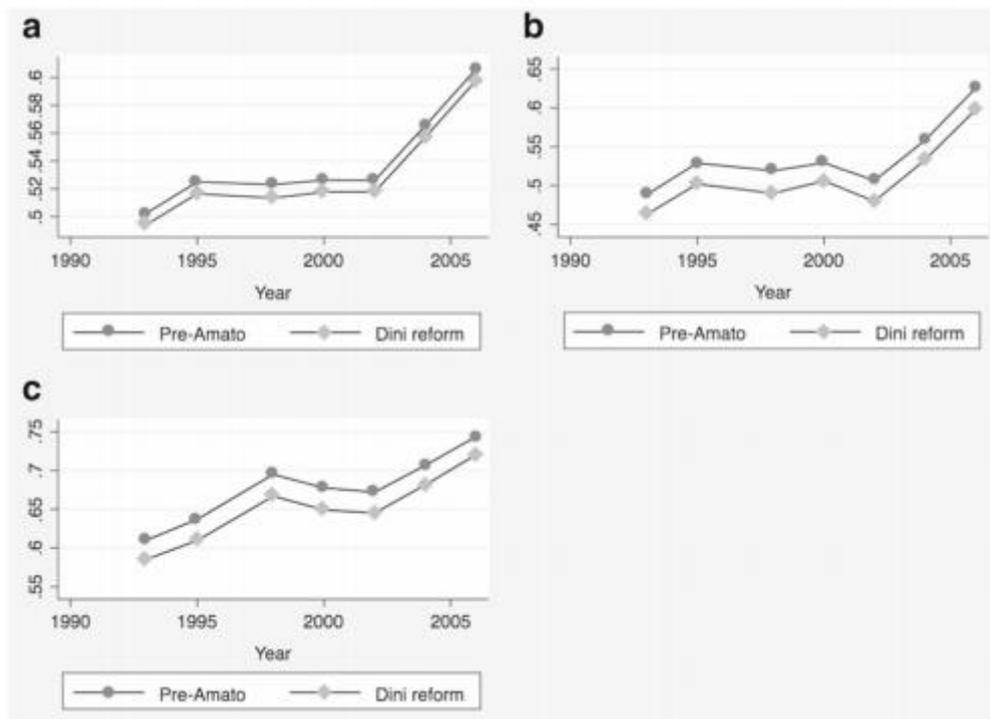


Fig. 1: Simulated labor force participation rates in the sample of women with children aged 0–14 (a) and 0–5 (b), and whose mother participated in the labor force (c). Note. The figure reports the labor force participation rates of different samples of women computed under different sets of rules on pension eligibility for their mothers. Specifically, the darker line with circles is drawn under the assumption that in all years the eligibility rules are those that were in place until 1992 (i.e., before the Amato reform), whereas the lighter line with squares is drawn under the assumption that in all years the more restrictive rules set by the 1995 Dini reform apply to everyone.

Overall, these findings remain robust even to controlling for parental downstream transfers, considering female employment instead of LFP and addressing potential selection issues into motherhood.

In conclusion, in Southern European countries such as Italy, which are characterized by very low provision of public childcare, grandparents offer women an important source of informal childcare, which helps them reconcile family and working life. Hence, pension reforms, by potentially robbing households of an important source of flexible, low-cost childcare, could have unintended negative consequences for the employment rates of women with young children.

According to the authors, when fully enforced, the pension reforms imply a 1–1.5% yearly reduction on the LFP rates of women with children aged 0–14 and a 5.5% yearly reduction for those with children aged 0–5.

The article throws light on the unintended consequences of pension reforms. In particular, such reforms are likely to penalize women whose mothers become unavailable because of a higher retirement age or stricter retirement requirements. Taken together, the article's results indicate that pension reforms that raise the retirement age or tighten the requirements for seniority pensions, if not coupled with adequate investments in public childcare, may have unintended negative consequences for the employment probabilities of females of childbearing age by robbing households of an important source of flexible, low-cost childcare.