

06/2019

FINNISH CENTRE FOR PENSIONS, REPORTS

SUMMARY

Niko Väänänen

Pension credits for parents of young children – international examples

The decreasing fertility has become a major topic of public debates. The European debate is reflected in the Finnish one. In several European countries, the fertility rate has been low for decades. Adequate fertility rates are a prerequisite for a sustainable statutory pension system. In a pay-as-you-go system, it is justifiable to take procreation into account when calculating pensions. A child is an investment into the pensions of its parents' generation via future pension contributions. The earnings-related pension system is an intergenerational institution which presupposes that there is a working population alongside the retired population. New cohorts are born. When they enter the labour market, they make it possible for members of the previous cohort to exit the labour market and retire.

In many countries, pension credits for both or one of the parents of young children are incorporated in the earnings-related pension system. This way, the time of caring for young children will not cause a large gap in the amount of accrued pension. In some countries, parents earn more pension when working while caring for their young children than if they were only working. This way, the incentives to work while raising a family remains.

In this report, I compare the pension systems of Finland and five other countries in terms of what kinds of pension credits they offer for periods of caring for one's young children. Apart from in Finland, it is possible to combine working and pension credits in all countries under review. The other countries included in the comparison are Canada, France, Germany, Norway and Sweden.

The primary function of pension credits is to secure an adequate pension provision for periods of caring for one's young children. The pension accrual does not correspond directly with the earnings. Instead, the pension credit compensates the reduction in earnings caused by a reduced time of working. On the other hand, the pension credits of some countries can also be interpreted as an incentive to increase the fertility rates since the level of the pension credits rises as the number of children grows. However, the level of pension credits is rather moderate when set in proportion to the earnings-related pension contributions paid by the child when it grows up.

As a rule, the pension credit regulations are gender-neutral. Research shows that the pension credits for periods of taking care of one's young children are awarded mainly to women since they often have lower wages. Having children seems to weaken their earnings development. The pension credits of some countries can be criticized for lacking an incentive to work since pension credits ensure a reasonable pension accrual even if the work input is reduced considerably. This report offers views into the development of the Finnish earnings-related pension system and the ongoing discussion on family leaves.

The Publication is available only in Finnish:

Eläkehyvityksiä pienten lasten vanhemmille – kansainvälisiä esimerkkejä
Eläketurvakeskuksen raportteja 06/2019

www.etk.fi › Publications › Reports › Pension credits for parents of young children – international examples

ISBN 978-951-691-007-2 (PDF)
ISSN 1798-7490 (online)

Subscribe to our [Newsletter in English](#)



Finnish Centre for Pensions
ELÄKETURVAKESKUS

Finnish Centre for Pensions
FI-00065 Eläketurvakeskus
Finland
Phone +358 29 411 20
Fax +358 9 148 1172

Eläketurvakeskus
00065 ELÄKETURVAKESKUS
Puhelin 029 411 20
Faksi 09 148 1172

Pensionskyddscentralen
00065 PENSIONSSKYDDSCENTRALEN
Telefon 029 411 20
Fax 09 148 1172

www.etk.fi/en
› Publications