
5. CHANGING FAMILY STRUCTURE AND AN EMANCIPATORY PENSION POLICY: the case of Austria

Christopher PRINZ

5.1 | Introduction

Fertility and social security issues are frequently dealt with simultaneously, as several links between low fertility and the existence of social security and particularly pension provisions exist. In societies which lack collective systems to provide for retirement, people are dependent on their offspring for old age security. In such societies, old age security is recognized as one of the motives for having children (Joshi, 1991). As a consequence, pension provision has been suggested as a policy to reduce birth rates in poor, high fertility countries.

Pension provision has also been pointed at as an explanation of low fertility in rich countries. As Paul Demeny (1987) said:

"The emergence of national social security schemes that made old age support a collective social responsibility completed this process [of weakening the motives for having children] by severing the link between persons' economic status in old age and their fertility behaviour in the earlier stages of adulthood."

Falling fertility rates cause a problem for the financing of old age security, since large generations of the retired expect transfers from a smaller generation of workers. This is particularly true for pay-as-you-go social security systems which characterize Austria and most industrial countries. Each generation of workers contributes collectively to the pensions of their predecessors, hence current and expected changes in the age structure will put a strain on this inter-generational contract. One way to resolve the difficulty would be to maintain fertility at replacement level. It was suggested that the new direction for pronatalist policies

"should be a search for institutional innovation that would re-establish the positive material link between fertility behaviour and old age security" (Demeny, 1987).

Rather than transferring part of individual social security contributions directly to living parents as suggested by Demeny, the pension reform proposed in this study increases entitlement for retired women according to their parity. Additional benefits do not depend on the professional activity and income of a women's own children but only on the number of children she has raised. The pension policy should have several effects: Firstly, the policy aims at re-establishing the positive link between childbearing and pension entitlement. Women with children should no longer be discriminated with respect to their income during the period of retirement (emancipatory goal). Secondly, the policy aims at increasing fertility to avoid excessive population decline. Women should be encouraged to give birth to additional children by offering them certain pension benefits in dependence on the number of children born (pronatalist goal). Thirdly, the new pension system should not significantly worsen the performance of the social security system in general, even if there is no response to the implementation of the system in the form of an increase in birth rates (performance neutrality).

The feasibility of the proposed pension reform has to be tested on both the system level and the individual level. A cost-benefit analysis on the social security system level demonstrates under which circumstances the policy is affordable. A cost-benefit analysis on the individual level shows whether the policy is reasonable.