Careers to Carers?
Pension Policy and Mother's Economic Outcomes

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The unequal division of informal care work between men and women has important implications for gender gaps in participation, human capital accrual, and lifetime earnings (Kleven et al., 2024). In dampening women's capacity to accrue pension points on their own earnings, earnings gaps arising in middle age translate into pension gaps in old age. Policies crediting pension entitlements for unpaid care work are an increasingly popular approach to addressing gender pension gaps. However, by incentivising extended career breaks for childrearing such policies may reduce participation among mothers - and in turn pension entitlements -, further exacerbating inequalities amongst pensioners. We study the causal effect of Norway's "points-for-care" scheme on mother's labour market outcomes far from retirement and the implications for pension accumulation over the life-cycle.

Pension points for unpaid care work were introduced in Norway for children born from the 1st of January 1992. The lowest-income parent (usually the mother) of children under the age of 7 would accumulate pension points equivalent to that awarded on approximately the median wage, without any employment condition. Those with pension entitlements above this level would simply continue to accrue the pension entitlements on their own income. This represented a large increase (7.82%) in the predicted pension wealth of treated mothers.

In a static labour supply framework in which leisure is a normal good and non-labour income includes the present value of future pension benefits, the reform induced both a wealth and a price effect: it raised future non-labour income, but also reduced the price of not working. Both effects work in the same direction, inducing treated mothers to reduce participation. Any effect on labour market behaviour during childbearing years will have implications for human capital accumulation and promotion opportunities. As such, even small labor supply adjustments during childbearing years may have substantial implications for lifecycle labour market outcomes and ultimately pension income. Still, responses may be muted if pension wealth is heavily discounted or if mothers are not perfectly forward looking.

Our empirical analysis links rich Norwegian administrative data on the universe of births between 1989 and 1993 to earnings, employment, social benefits, education and demographics for mothers and their partners. Our main sample is restricted to women who were eligible, or would have been eligible for the points-for-care scheme had it been in place. We follow these mothers from four years before the birth event up to 18 years following. Our reduced form analysis compares the outcomes of treated and non-treated women, locally randomized across regimes according to their child's date of birth in a regression discontinuity difference in differences (RD-DD) design. We compare mothers of children born very close

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to, but on opposite sides of, 1st of January 1992, relative to mothers of children born on opposite sides of 1st of January in non-reform years. In this way, we difference out any time-invariant sorting into birth month.

Our results show no evidence that the introduction of pension points for care led to widespread distortions in maternal labour supply. Along the extensive margin, the RD-DD estimates for employment are close to zero and are never statistically significant. Along the intensive margin, we find small, imprecisely estimated declines in full-time work and annual earnings in the year of birth. Both effects are short-lived, with estimates close to zero and insignificant for the remainder of the observation window. We find no significant effects on sick leave or related benefits that would signal reductions in hours missed by our coarser working hours categories. While, on average, we find that Norway's points-for-care policy did not significantly influence maternal employment or earnings, heterogeneity analysis suggests that certain subgroups—highly educated mothers, and those with older or higher-earning partners—were more responsive. These patterns are consistent with liquidity constraints limiting the ability of lower-income households to respond.

The retroactive expansion of the policy in 2010 limits our ability to capture the full life-cycle impacts under our reduced-form approach. Instead, we project labour market profiles until retirement using observed earnings until 2010 and age-specific averages for participation, unemployment risk, benefit replacement rates, and life expectancy. We then use these profiles to predict pension benefits according to a defined set of rules (the same for both treatment and control groups) plus the mechanical points-for-care for the treated group. This yields an estimated reform-induced increase of 326,000 NOK (7.96%) in total pension wealth among treated women. Taken together, our results suggest that policies compensating unpaid care through pension entitlements have the potential to raise women's pension wealth without meaningfully weakening their attachment to the labour market when applied far enough from retirement.