

The Effect of Retirement Pensions on Fertility: Evidence from a Natural Experiment in Brazil

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Abstract

To identify the link between the generosity of public pensions and declining fertility rates, this study uses a considerable exogenous change of eligibility criteria, coverage and benefit levels for rural workers in Brazil. Using data from the Brazilian National Household Survey (PNAD) and applying difference-in-differences methods, we show that more generous retirement pensions lead to declining fertility rates.

We identify a treatment effect of -1.2 percentage points of the probability that a female rural worker give birth to a child. This corresponds to a decrease of the childbearing probability of about 9% as a result of the reform and to a decrease of 15% in the childbearing probability difference between female rural and urban workers. The fertility response is significantly sharper among female rural workers aged 30-44, i.e. who are in the middle and late phases of their fertility cycle. Further, we observe that the fertility response becomes gradually stronger after the reform.