B2: Extend pension credit protection to informal caregivers

Full pension credit protection has dramatically different effects across countries: it raises informal care by 9.35 percentage points in Italy but only 0.86 percentage points in Germany. What matters is not how generous the policy looks on paper, but how much pension income caregivers would otherwise forgo.

Recommendations:

- **Extend pension credit protection for periods of reduced labour market participation due to informal caregiving.** Caregiving periods should continue to generate pension entitlements as if caregivers had remained in employment, thereby reducing the long-term pension penalty associated with family care.
- **Target pension-credit reforms where pension entitlements are most sensitive to employment interruptions.** Current evidence suggests that such reforms are likely to have the largest impact in France and Italy, where pension protection generates a stronger behavioural response than an equivalent cash subsidy. In Germany and Sweden, direct caregiving allowances currently appear more effective.
- **Link policy design to the value of pension rights at risk.** The effectiveness of pension-credit protection depends on how much future pension income caregivers would otherwise forgo. Policymakers should therefore calibrate expectations and policy parameters to country-specific pension replacement rates and regularly reassess them as pension systems evolve.
- **Assess a range of accrual scenarios before implementation.** The results presented below compare two benchmark cases, no pension accrual and full pension accrual. Actual reforms are likely to lie between these extremes, implying that the estimated effects should be interpreted as upper-bound impacts rather than precise forecasts.

Why this matters

When adult children reduce paid work to provide informal care, they lose more than current income. They may also lose future pension entitlements, as most pension systems link retirement benefits to lifetime earnings and contribution histories. Some countries, including Germany and France, already provide pension credits or related pension protection for caregivers. This recommendation addresses the case for extending such protection and identifies the countries where the effects are likely to be greatest, in *Policy Recommendation B6* we discuss broader measures to reconcile caregiving with paid work and limit the loss of earning and contributions.

The headline numbers hide a real story

The BB-Future models allow us to compare two benchmark scenarios, one where caregivers do not accrue any pension entitlement while reducing work to provide care, and another where caregivers retain full pension entitlement despite reducing work. The difference in informal care provision between both scenarios is large, but varies sharply by country:

Country	Status quo informal care share	Effect on informal care share (full protection)	Pension replacement rate
Italy	70.8%	+9.35 pp	82.6%
France	28.6%	+4.98 pp	71.9%
Sweden	8.7%	+2.88 pp	74.5%
Germany	27.2%	+0.86 pp	55.3%

Table 1: Status-quo informal care share, change in informal care share under full pension protection for caregiving periods, and each country's replacement rate. Source: Barczyk, D., M. Kredler, F. Yang (2026).

These numbers should be interpreted with caution, as countries do not start from the same baseline. Status quo informal care use ranges from 8.7% in Sweden to 70.8% in Italy, a more than eight-fold difference. Consequently, the percentage-point effects reported above reflect not only behavioural responses to pension protection, but also very different underlying care systems. Italy's larger effect is therefore partly a response to the policy itself and partly a reflection of the fact that informal care was already the dominant mode of care provision before any reform. As a result, concluding that "pension protection works ten times better in Italy than in Germany" would overstate what the table actually shows.

Why the response is so uneven

A higher pension replacement rate increases the value of pension protection by raising the amount of future retirement income at risk when caregivers reduce paid work. This mechanism is the main explanation for the cross-country differences reported above. Italy's particularly large response, however, also reflects a compositional effect. The households at the margin between informal and formal care tend to have relatively high-income children, and because the value of pension protection rises with earnings, the policy generates especially strong incentives among the households most likely to alter their care arrangements. While this mechanism helps explain Italy's outsized response, it should be regarded as a country-specific amplification effect rather than a general explanation for cross-country differences.

A moving target: replacement rates are a policy choice, not a fixed input

Table 1's replacement rates are current figures, not fixed features of each country's pension system. Additional outputs from the BB-Future models on PAYG design show that Italy, Poland and Sweden currently run defined-contribution (DC) systems, in which pensions adjust downward as contributions are held fixed. On the current five-country[1] trajectory under continued DC, the average PAYG replacement rate falls from around 47% to around 32% by 2070. France, by contrast, currently runs a defined-benefit (DB) system, where the replacement rate is protected at the cost of rising contributions. This means that Italy's high replacement rate in Table 1, which justifies prioritising Italy, reflects where its pension system stands today, not necessarily where it will still stand once its DC trajectory has played out further. *The country-level rates used above, and the five-country average trajectory just cited come from different exercises and different metrics, so they should not be treated as the same series or averaged together. This recommendation's country prioritisation should be revisited as more recent replacement-rate data becomes available, rather than treated as fixed.*

Pension protection and cash subsidies are not interchangeable

To further test the findings above, the BB-Future models were used to compare full pension protection with a flat €100 monthly informal-care subsidy. Pension protection has a larger effect than the subsidy in France and Italy, but a smaller effect in Germany and Sweden. Neither instrument consistently outperforms the other across all four countries. Rather, their relative effectiveness depends on institutional and economic conditions, suggesting that pension protection and cash subsidies should be viewed as complementary policy tools rather than direct substitutes.

What the evidence does not tell us

Two important limitations should be stated explicitly. First, **these estimates should be viewed as upper bounds**. The comparison is between zero pension accrual and full accrual, and BB-Future research notes that intermediate options, such as partial pension credits during caregiving periods, would likely generate effects that fall between these two extremes.

Second, **the fiscal cost of extending pension credit protection is not addressed** in the underlying analysis. Unlike a cash subsidy, whose costs are immediately visible in annual budgets, pension credit protection creates long-term liabilities that materialise through higher pension expenditures in future decades. Consequently, this recommendation should not be interpreted as cost-neutral relative to a direct subsidy simply because it may be behaviourally more effective in some countries.

[1] France, Germany, Italy, Poland and Sweden.

The analysis in this document is based on the following BB-Future sources:

- Barczyk, D., M. Kredler and F. Yang (2026) 'Pension benefits for informal caregivers', BB-Future Digest 13, 14 August, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/08/BB-Future-Digest-13_14082026.pdf
- Horton, H. (2026) 'The state of the care gap in Europe', BB-Future Digest 5, 19 June, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/06/BB-Future-Digest-5_19062026.pdf
- Koo, D. (2026) 'Defined-benefit or defined-contribution: what happens to caregiving?', BB-Future Digest 18, 18 September, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/09/BB-Future-Digest-18_18092026.pdf