Transcript of Treatment Video (English translation):
(Not) Thinking about the Future: Inattention and Maternal Labor Supply

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Duration: 4:04 minutes

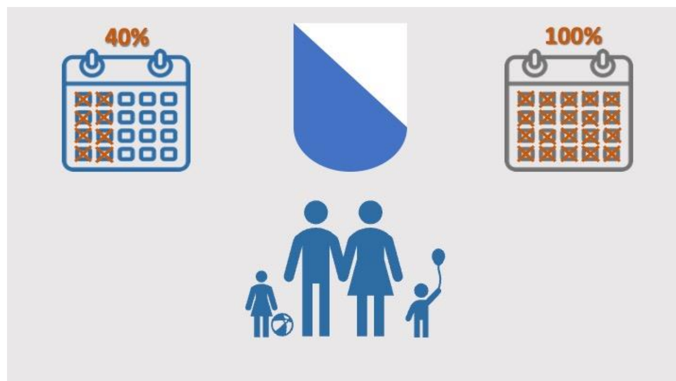
Deciding how much to work can be a difficult decision for mothers.

One important aspect in these considerations is how your employment level will affect your family's budget - not just while the children are young, but also in the long term.

Of course, there are many other factors at play, but looking at your finances can help you make a well-informed decision.

Let's accompany Anna and Reto in their deliberations!

Anna and her husband Reto live in Zurich and have two children aged five and three. Anna works as a primary school teacher with an employment level of 40%. Together, the couple is considering whether Anna should increase her employment level to full-time for the next school year.



What would this decision mean financially?

If Anna works full-time in the next school year, she will earn CHF 10,600 per month. After deducting social security contributions, taxes, and the costs of external childcare there is only a relatively small additional amount left over at the end of the month – and significantly less time with the children.

Anna and Reto ask themselves whether the low monthly income is really worth Anna working full-time.

But is that the whole story?

Anna and Reto next calculate how Anna's long-term income and pension savings would develop if she continued to work 40% compared to full-time employment.

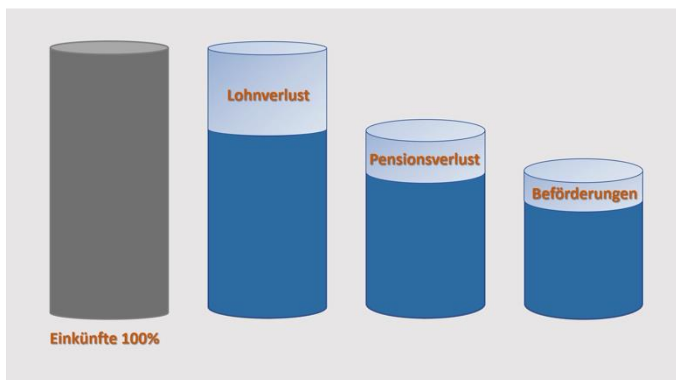
It may seem extreme that Anna will stick to an employment level of 40% in the long term. In fact, many women in Switzerland find it difficult to significantly increase their employment level again after a long period of time.

Anna's reduced employment level has three main financial consequences:

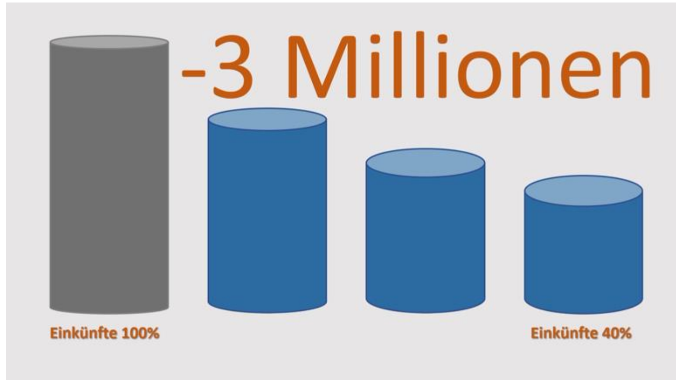
First: Anna's loss of earnings over her working life. This is the difference between her total wage income when working full-time and the total wage income if she worked 40% instead.

Second: Anna's lost pension savings. This is the lost capital in Anna's second pillar and comes from lower pension contributions and lower interest growth when Anna earns less.

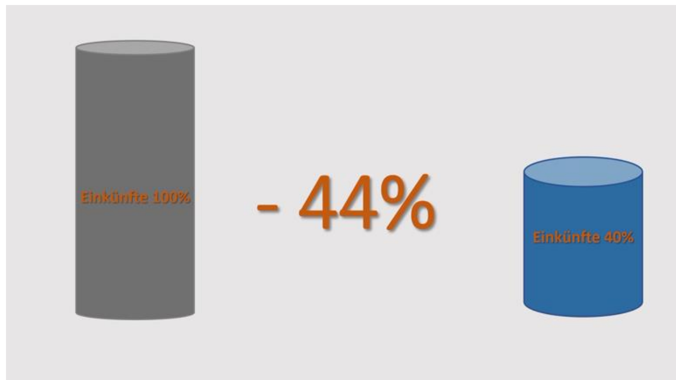
Third: Anna's lost salary growth. Reto and Anna conservatively estimate that Anna will at least once receive at paygrade promotion more quickly if she works full-time.



Adding up all these figures up to Anna's retirement, the difference between full-time and 40% employment amounts to 3 million CHF.



In other words, Anna would lose almost half of her potential income.

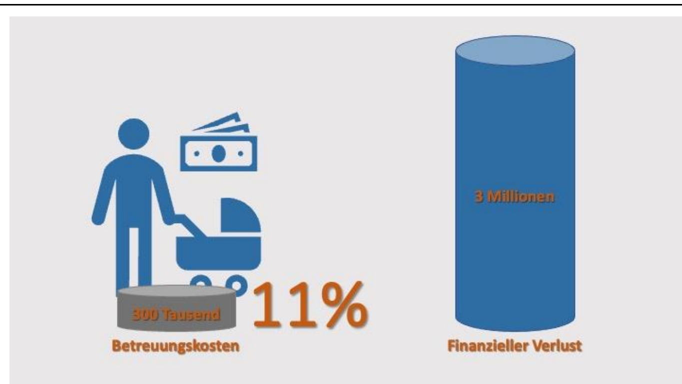


Anna also shares with Reto her concerns that a low employment level poses a long-term financial risk, especially for HER. If Anna calculates her own monthly retirement pension – independently of Reto – she will only receive CHF 3,800 each month instead of CHF 6,600 if she were to work full-time.

With a low employment level, Anna will be financially more dependent on Reto. If due to unexpected events in the future Anna is suddenly solely responsible for her finances, she could find herself in a financially precarious position.

But what about the higher childcare costs that Anna and Reto considered earlier?

The total expenses for external childcare until her two children are grown up would be higher if Anna worked full-time. However, compared to the additional income due to full-time work, the care costs only amount to 11%.



Like Anna and Reto, your family may be facing similar decisions at the moment. Being aware of the long-term costs of a reduced employment level can help you make a well-informed decision. Ultimately, of course, the best decision is the one that works well for you and your family.