



The direct impact of maternity benefits on leave taking: Evidence from complete fertility histories

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ABSTRACT

Maternity leave policies have important effects on several labour market outcomes of women, and are specifically designed to reduce gender differences in the various dimensions of working life and to contrast the negative consequence of fertility decisions. By making use of a unique data set which contains complete work and fertility histories for different European countries, combined with features of maternity leave schemes across countries and over time, we look at the effect of maternity leave benefits on job interruptions after each successive childbirth. The main result of the paper is that maternity leave legislation in Europe effectively increases job protection and female labour market attachment: a more generous paid maternity leave increases the number of weeks employed but not at work, but reduces the number of weeks spent out of the labour market.

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1. Introduction

Economic theory suggests that, because of the specialization effect, the responsibility for childcare falls on women hence reducing their labour supply (Becker, 1985). As a result mothers are more likely to experience gaps in their career or even leave the labour market for good. The provision of maternity leave benefits and their design is the crucial policy instrument a government can use in order to reduce gender differences in the labour market due to fertility and childcare. Maternity leave legislation affects most dimensions of labour market experience of women after maternity, i.e. wage level and growth, career prospects, labour market attachment, employability, and so on. Nevertheless the direct target

of the legislation is the period immediately after or around childbearing: whether new mothers are given the right to take a period of leave from work and the possibility to return to the same job at the same conditions afterwards, and whether they are given some income support during maternity leave. This is the reason why we focus our attention on the effect of maternity leave schemes on the length of job interruption at each maternity over the lifecycle: any effect on other labour market outcomes is mediated by the time spent at home for child caring.

The present paper contributes to the literature in two ways: first, we are able to split job interruptions after childbearing into period in which women are employed but not at work, and periods in which they are out of labour force. Our main result is that more generous maternity leave schemes induce women to lengthen the periods protected by maternity leave schemes and to shorten periods spent out of labour force. The second contribution comes from the cross-country nature of the data at hand. Women decisions about job interruptions at childbearing depend on maternity leave policies but are also influenced by cultural factors: the sociological literature has paid

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particular attention to the effect of gender role and family attitudes as well as work values on women's labour market participation (see for example Thornton, Alwin, & Camburn, 1983; Kiecolt & Acock, 1988; Burt & Scott, 2002). In order to account for both, we use the third wave of the Survey of Health, Ageing and Retirement in Europe (SHARE), known as SHARELIFE, which is a retrospective survey where a representative sample of the 50+ population of thirteen European countries reports their complete life histories, with details about each employment and maternity episode. Individual data are then matched by year and country to the maternity leave legislation information available through the "Comparative Maternity, Parental, and Childcare Leave and Benefits Database" (Gauthier, 2011). With these data we have enough variation in policies and cultural traits along time and across countries to retrieve relevant policy implications. From that perspective, our analysis suggests that maternity leave policies seems to effectively target the objective they are designed for, since they increase female labour market attachment.

The rest of the paper is organized as follows: Section 2 reviews the recent literature on maternity leave and more specifically on job interruption at childbirth. Section 3 describes SHARELIFE data while Section 4 illustrates the characteristics of maternity leave provisions across Europe and the policy database we use. Section 5 details the estimation strategy, while empirical results are presented and discussed in Section 6. Finally, Section 7 offers a discussion on limitations and policy implications of the analysis.

2. Literature review

Several authors addressed the life-cycle joint decisions of labour supply and fertility: in some cases fully fledged dynamic stochastic models have been developed (see for example Adda, Dustmann, & Stevens, 2011; Attanasio, Low, & Sanchez, 2008; Del Boca & Sauer, 2009), in other cases a "reduced form" approach has been followed (e.g. Del Boca, Pronzato, & Pasqua, 2009; Han, Ruhm, & Waldfogel, 2009; Ruhm, 1998). Finally, changes in policies have been exploited to study the effects of maternity leave on labour market outcomes (Klerman & Leibowitz, 1997, 1999; Rossin-Slater, Ruhm, & Waldfogel, 2011). The determinants of women's decisions about education, family formation, fertility and labour market participation have been a long standing focus also in the sociological literature. Gender role and family attitudes have been proven to have strong consequences for labour market outcomes, as well as for fertility. Thornton et al. (1983) found that these attitudes are developed at young age and are strongly affected by parental education and religious affiliation. Other authors (see Burt & Scott, 2002; Kiecolt & Acock, 1988) found that the presence of a working mother during adolescence influences gender role attitudes towards a more egalitarian view. More recently, Kreyenfeld (2010), using the German Socio-Economic panel, provides evidence of postponement of parenthood due to uncertainty on job career: women who feel more insecure about their job and their career prospects tend to postpone the first child birth.

Klerman and Leibowitz (1997) provide a simple framework to analyse the effect of the introduction of unpaid maternity leave in the labour market (starting from a situation where maternity provisions are completely missing). The model they propose departs from a standard spot labour market model for women and acknowledges the existence of enduring employment relations. In such a market when a woman decides to stay away from work she has to quit her job losing firm-specific human capital and bearing the costs of searching for a new job. The net present value of future earnings, quitting and re-entering the job-market, is likely to be lower than what the women would have realized without interruptions. Child care has a positive marginal effect on mothers' utility, therefore women are willing to have children and experience a period out of the labour force. As children grow old, the utility from childcare falls and the shadow price of leisure raises inducing mothers to search again for a job. Tastes for childcare and expected wage offered after childbearing determine the length of interruption.

Unpaid maternity leave offers new mothers the opportunity to exit the labour force for a given period of time and return to the labour market at the same wage they were paid before interruption. The implication of Klerman and Leibowitz model is that the effect of unpaid maternity leave on the extensive margin, i.e. on the probability of experiencing a job interruption at childbearing, is unambiguous: the introduction of maternity leave can induce some women, which would otherwise have worked continuously, to leave the labour market for a certain period. By contrast, the effect of unpaid leave on the intensive margin (i.e. the length of interruption), is ambiguous and it depends on tastes for child caring and labour market opportunities. This is clear in a comparative statics framework: a fraction of women with high tastes for child caring without maternity leave would have a long interruption. The introduction of maternity leave increases wage after maternity if the interruption is shortened to a given threshold. The shadow price of leisure over and above such a threshold increases above the reservation wage, thus inducing those women to reduce the length of job interruption. On the other hand, women with low tastes for child caring or with higher human capital without maternity leave would not quit job at maternity, or would stay out of labour force for a very limited period. The introduction of maternity leave reduces the cost of job interruptions shorter than the maximum length set by the policy. Therefore, shadow price of leisure for period shorter than the statutory length declines, inducing women with low tastes for child caring to lengthen their interruption.

The empirical evidence on the effect of unpaid maternity leave points to a moderate impact on labour supply: Klerman and Leibowitz (1997) find no statistical evidence of an effect on length of the interruption, and the same authors in a second paper (1999) find no effect of the legislation on the probability of changing employer before and after maternity-leave. Han and Waldfogel (2003) also analyse the introduction of unpaid maternity leave in US at the beginning of the 90s by making use of a different data source. They conclude unpaid maternity leaves have

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