



Contents lists available at ScienceDirect

## Advances in Life Course Research

journal homepage: [www.elsevier.com/locate/alcr](http://www.elsevier.com/locate/alcr)



# Economic instability and mothers' employment: A comparison of Germany and the U.S.

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### ARTICLE INFO

#### Article history:

Received 18 March 2015

Received in revised form 27 July 2015

Accepted 23 September 2015

Available online xxx

#### Keywords:

Mothers

Employment career

Life course

International comparison

Event history analysis

### ABSTRACT

Do economic fluctuations change the labour market attachment of mothers? How is the reentry process into the labour market after childbirth dependent on the country context women live in? Are these processes affected by occupational status? We address these questions using data from the National Longitudinal Study of Youth and the German Life History Study. Event history analyses demonstrate that in Germany and the United States, mothers who work in high occupational status jobs before birth return more quickly to their jobs and are less likely to interrupt their careers. During legally protected leave periods, mothers return at higher rates, exemplifying that family leaves strengthen mothers' labour force attachment. Economic fluctuations mediate this latter finding, with different consequences in each country. In the United States, mothers tend to return to their jobs faster when unemployment is high. In Germany, mothers on family leave tend to return to their jobs later when unemployment is high. The cross-national comparison shows how similar market forces create distinct responses in balancing work and care.

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## 1. Introduction

The impact of childbirth on women's employment is mediated by the welfare state regime in which mothers have to negotiate employment reentry processes. Reentry processes depend on a number of micro and macro level factors, which operate at the same time and influence each other. Micro level factors include mothers' socio-economic background, access to childcare and individual preferences regarding work and family. Macro level factors include the availability of family leave, access to paid leave, and the economic situation on the labour market. Specific combinations of both micro and macro level factors may shape mothers' return to work after childbirth differently within a certain welfare state setting and between different welfare state settings. For instance, first findings on the latest recession in the U.S. imply that employment of women and minorities is most at risk (Boushey, Davenport, Moses, & Boteach, 2010) and at the same time mothers were found to be drawn into the labour market (Mattingly & Smith, 2010). These opposite trends may or may not be the outcome of the same political strategy: marginal welfare state support, combined with a liberal labour market in the United States. Many Western European countries, in contrast, have adopted extensive policy packages to meet challenges of economic

fluctuation and employment risk in recent decades. The trend in Europe to expand caring time policies, such as maternity and parental leaves, has been identified as a governmental strategy to fight unemployment by making labour supply more flexible (Morgan, 2009; Grunow, 2006; Ellingsæter, 2000). The main argument is that by offering working women a wider range of work-family balance options, expanded leave policies spread available employment across more people, thereby reducing unemployment. If such policies were effective, we would expect recessions to affect women's employment and unemployment indirectly through leave utilization and time out durations of mothers. Specifically, more women would utilize family leaves during recessions, and time out durations would have to be longer in order to yield the politically intended effects. However, this link between the economic cycle and time out durations of mothers in the European countries has never been established empirically. From an individual rational choice perspective, it is also unclear why mothers would stay on leave longer when the economy is low. We argue that such choices need to be seen in context of the welfare state and the available family policies. In general, family policies have been found to both increase mothers' labour market attachment and, paradoxically, enforce mothers' role as homemakers by increasing gender inequality in the labour market (e.g., Mandel & Semyonov, 2005; Mandel & Semyonov, 2006; Ruhm, 1998; Sørensen, 1983; Waldfogel, 1997). This body of cross-sectional research casts doubt on the functioning of family leave policies and the role of state intervention in private matters. A cross-sectional view on family leave undervalues two interrelated

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features of any stratification system: social class differences, which translate into women's individual positions in the labour market, and the welfare state. Longitudinal comparative research has shown that a strong interrelationship between individual incentives and national level opportunity structures leads to asymmetries in the long-term impact of events, such as family formation (DiPrete & McManus, 2000). These long-term effects are difficult to separate from short-term effects in a cross-sectional analysis. Even though cross-national longitudinal research is becoming more widespread (i.e. Blossfeld & Hofmeister, 2006; Aisenbrey, Evertsson, & Grunow, 2009), the role played by parental leave policies in mitigating – or exacerbating – the impact of economic turmoil in a certain social welfare policy context is still empirically unclear. Given the immense cost of European paid parental leave policies and other public transfer mechanisms, it is important to gain greater clarity about the effects of existing policies.

This article seeks to contribute to closing this research gap in several ways. First, by studying how new mothers in western Germany and the U.S. – two distinct contexts with respect to the “welfare triangle” (Esping-Andersen, 2002) – combine work and family, we aim to contribute to the small but growing body of research that focuses on the social context of mothers' time out after birth<sup>1</sup>. We selected Germany and the United States because these countries display significant differences in national welfare policies and labour markets, yet both range among the world's largest economies, with comparable economic turmoil during the period under study (cp. McManus & DiPrete, 2000). Second, we study whether and how the availability of family leaves in a country mitigates the effects of social class and economic recessions on mothers' time out duration. Thereby we provide empirical evidence to the ongoing scholarly debate about the boon and bane of family leave provision<sup>2</sup>.

The event of giving birth is especially salient because it connects women's employment to specific national family policies, namely maternity and parental leaves. Our focus on new mothers also has a methodological advantage for cross-national research because we compare women in similar stages of their life course. Earlier comparisons tend to lump all working age women in a country together, thereby mixing up country-specific developments of female labour force participation, educational expansion, occupational upgrading and family policy changes. Our approach separates these forces so that effects of specific policy changes and economic cycles can be traced. Empirically, we measure the impact of the economic situation and legal availability of leaves on mothers' actual time away from work after giving birth in western Germany and the United States. In particular, we investigate whether mothers' usage and duration of time out varies depending on economic fluctuations. By using harmonized longitudinal life course data from the National Longitudinal Survey of Youth (NLSY) and the German Life History Study (GLHS), we test several hypotheses as to how the two types of welfare states foster distinct responses by new mothers to economic recession.

## 2. Conceptual framework

We frame the social forces at work from a rational choice perspective (Coleman, 1990), assuming the timing of return to the labour market after childbirth as a rational decision towards

“maximizing welfare” (Becker, 1992). A rational choice perspective assumes specific institutional settings influence individuals' decisions on the micro level. In our case, a specific country context, the availability of parental leave, the economic situation, but also a certain class location, can influence the decision on when to return to the labour market (Mandel & Shalev, 2009). Within the rational choice framework, we look at mothers' agency as context dependent choices about timing of return to the labour market. On the one hand, the rational decision about timing can be driven by the mother's own individual traits and preferences as well as institutional opportunities and constraints. On the other hand, mother's agency can be influenced by the employer, who makes a rational decision and suggestion to the mother about when it is best to return to work, thereby enacting own agency by using mothers on leave as a labour reserve.

Describing new mothers as a potential labour reserve, we extend earlier theoretical attempts to describe the female workforce as part of the “reserve army of labour” (reviewed in Acker, 1980), thereby linking new mothers' labour supply to the specific role played by national institutions in mediating the fluctuating demand for workers (Morgan & Zippel, 2003). The national institutional context should furthermore account for different degrees of within-country diversity in mothers' responses to economic recession, in particular social class. We see our comparative study of mothers' time out durations in the German and U.S. context in the tradition of Kalleberg and Rosenfeld (1990), who argued that observed differences in how women and men actually combine work and family reflect national variation in institutions, labour markets, and policies. We focus on the historical period from the early 1980s to the early 21st century. Thereby, we compare Germany and the U.S. at a time when female employment is the norm but mothers' roles in society are contested, as is illustrated by the distinct family policies available in both countries (Misra, Budig, & Moller, 2007; Aisenbrey et al., 2009). We assess whether the contexts of Germany and the U.S. involve different types of mothers' agency during a recession.

## 3. Family leave policies in Germany and the U.S.

Paid family leave can be regarded as a policy measure responding to two major challenges in industrialized societies: cyclical fluctuation on the labour market and workers' needs to balance work and family obligations. While the latter function of family leave has dominated scholarly discussion in recent years, the former function received very little attention during the last few decades. Most notably, policy researchers have argued that rising unemployment helped build coalitions in Europe for policies that would reduce women's labour supply. German family leave policies have been described as mirroring this trend, while an opposite development of family policies can be seen in the United States (Morgan & Zippel, 2003). Hence, family leave policies in the two countries are very different, with Germany scoring much higher with respect to eligibility, duration, and compensation, compared to the United States. An analysis of parental leave schemes in 21 “high income economies” found the U.S. to be the only country lacking a nationwide financial compensation scheme for mothers on leave (Ray, Gornick, & Schmitt, 2009). The first national option for parental leave was introduced in 1993, with the Family and Medical Leave Act (FMLA). The FMLA requires that employers with 50 or more employees provide 12 weeks of leave to mothers who have been employed at least 1250 h in the previous 12 months. Because of these restrictions, less than half (45%) of the female labour force are eligible (Waldfoegel, 2001). In stark contrast to European maternity leave policies, the FMLA leave is unpaid. Mothers in high prestige occupations and mothers with higher education are more likely to have access to the FMLA and/or to additional employer-specific

<sup>1</sup> Since our data cover the time period before German reunification and because our contextual arguments explicitly refer to the situation in western Germany, we limit our analysis to western Germany (the former FRG). We use the terms Germany and western Germany interchangeably.

<sup>2</sup> We use the term family leave as leave policies differ greatly among the countries, but also because our focus in this article is on time away from work, an activity status that may extend beyond the legal parental leave period (cp. Aisenbrey et al., 2009).

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