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The effectiveness of policies that promote labor force participation of women with children: A collection of national studies

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ABSTRACT

Numerous countries have enacted policies to promote the labor force participation of women around the years of childbearing, and unsurprisingly, many research articles have been devoted to evaluating their effectiveness. Perhaps more surprisingly, however, six such articles were submitted independently over several months to *Labour Economics* and subsequently made it through the normal review process. These articles are collected in the Special Section that follows. This article provides additional background to facilitate the understanding of the policies that are evaluated in the Special Section articles and, more importantly, a discussion of what can be learned from the articles as a collection. Taken together, the articles are quite informative in demonstrating how the effectiveness of policies can vary across different national contexts and how this variation itself can be usefully examined with the standard theoretical framework.

1. Introduction

Policymakers and researchers have been interested in the determinants of female labor force participation (LFP) for decades. Given the costs of childbearing and of caring for young children and often deeply entrenched gender roles, women face impediments to realizing their labor market potential that men do not. It is therefore not surprising that these costs – and policies designed to alleviate them – have become a focal point in this discussion.

These costs and policies have varied considerably both across countries and over time. The presumable outcome of this variation is reflected in Fig. 1, which plots the ratio of female to male LFP for 25 to 54-year-olds – an age range typical for bearing and rearing children – for a collection of OECD countries between 2000 and 2014.[1] The figure shows substantial variation across countries in the LFP rates of women in this age range, particularly early in the period. In 2000, for instance, LFP rates among female 25 to 54-year-olds in Japan and Spain were less than 70% of those of their male counterparts; in Denmark, by contrast, relative female LFP stood at over 90% at this time. Over the past decade and a half, the across-country variation has diminished substantially. By 2014, many countries that were initially lagging behind Denmark – not just Japan and Spain, but also the Netherlands, Canada, France, and Germany – have largely converged.

While this convergence likely has many explanations, it is notable that each of these six countries expanded benefits for young families over the last several decades as well. These reforms to family policy have varied across countries and have been wide-ranging in scope, encompassing expansions of guaranteed paid leave around childbearing, increased subsidies for childcare, and the provision of early education for children of preschool age (children ages 3 to 5 for our purposes here). By 2011 (the most recent year with data available), the average country in this group of six spent about 1.8% of its GDP on these programs, up from about 1.5% in 2000 and 1.2% in 1990 (OECD Social Expenditure Database 2014). While a central goal of these programs has been to promote healthy child development, another important goal has been to make it easier for women to combine work and family obligations.

The labor supply effects of these reforms are the subject of the articles in the Special Section of this edition of *Labour Economics*. These papers were not submitted in response to a call for papers, but rather were independently submitted by the various authors over several months. All articles adopt a transparent reduced-form identification strategy, with one article (Geyer et al., 2015) gaining additional insights through more structural methods. While most of the articles focus on fairly short-run labor supply effects of a given policy change, one article explicitly tackles the very difficult question of long-run labor supply effects (Haeck et al., 2015).

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[1] Using the relative female LFP rate is intended to abstract from differences across countries in the LFP rate for males and females alike.

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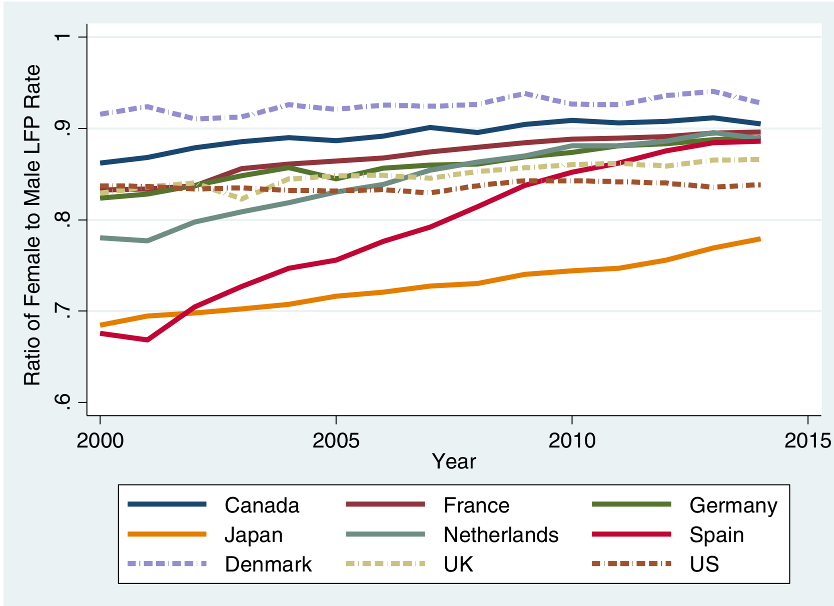

Notes: Authors' tabulations based on OECD labor force participation data (downloaded 9 July 2015).

Fig. 1. Ratio of female to male LFP for 25–54-year-olds for select OECD countries, 2000–2014.

This article provides some additional background to facilitate the understanding of the policies that are evaluated in the Special Section articles and, more importantly, a discussion of what can be learned from the articles as a collection. We begin by providing an overview of the policies that they evaluate, highlighting the variation in policy "bundles" across countries. We next describe the theoretical effects of policy changes, with an emphasis on how the policies might interact with one another and with the pre-existing female LFP rate. We then provide an overview of the articles themselves before concluding with some speculation about the sources of variation in findings across countries and what they imply for the direction of future research.

2. Overview of the policies

As described above, the articles in the Special Section of this issue evaluate three different types of policies that have the potential to affect the labor supply of mothers with young children: leave policies, subsidized childcare, and formal preschool. We begin by describing each of these policies and then consider their potential interactions.

2.1. Leave policies

Leave policies, broadly speaking, provide new mothers (and sometimes fathers) time off from work to care for infants without job loss and usually with some extent of income replacement. Such policies exist in some form in all OECD countries. In addition to promoting the health of new mothers and their children, leave assists parents in managing employment obligations when young children are present.[2] In some countries, distinct policies target different familial stages (pregnancy, newborn care, and later childcare) and different caregivers (the mother and the father), whereas other countries have adopted more integrated policies.

Despite the breadth of these policies, they can be usefully broken down into four types. The first is maternity leave, which is employment-protected leave granted to a woman around the time of childbirth. Almost all OECD countries pair this employment-protected leave with income support payments. The second type is paternity leave, which is employment-protected leave granted to fathers around the time of childbirth. Paternity leave is usually also accompanied by income support payments, but tends to be far shorter than maternity leave. The third type is parental leave, which again is employment-protected leave, often accompanied by income support payments, granted to parents to care for older infants.[3] The fourth type is home care leave, which again is employment-protected leave, but follows parental leave. When available, home leave can extend the time in which parents care for a child for another year or two, but is generally not accompanied by income support. Home leave is much less common than the other types of leave among OECD countries.

Table 1 provides information about the generosity of *paid*, employment-protected leave programs in 2014 averaged across the 33 OECD countries and for the nine OECD countries included in Fig. 1 – the six countries represented in the Special Section and three countries that have been analyzed in previous studies, the United States, the United Kingdom, and Denmark. On average, OECD countries provide 17 weeks of paid maternity leave, accompanied by an income support payment that replaces 77.7% of a woman's gross earnings (i.e., an earnings replacement rate of 77.7%). On average, women may then take an additional 36.6 weeks of paid parental and home care leave at a 45.8% replacement rate. Paid leave reserved for the father, either through paternity leave or parental leave, is much less generous, covering on average 9.0 weeks of leave at a replacement rate of 64.2%.

With the notable exception of the United States, each of the individual countries listed in Table 1 provides some form of paid leave.[4]

[2] This section draws heavily on OECD (2015). See that excellent article for a more complete discussion of the relevant policies and how they interact, as well as a detailed description of these policies for OECD countries.

[3] Parental leave is often in addition to maternity and paternity leave and, in some cases, completely integrated with the two. In many cases, parental leave is "sharable" between the two parents in terms of claiming and/or timing.

[4] The United States federally mandates 12 weeks of unpaid leave through the Family and Medical Leave Act, which many states have chosen to expand. In addition, six states and the District of Columbia provide for some sort of paid maternity leave.