

THE ECONOMIC CONSEQUENCES OF
FAMILY POLICIES: LESSONS FROM A
CENTURY OF LEGISLATION IN
HIGH-INCOME COUNTRIES

INTRODUCTION



The rise in the female work force and narrowing the gender gap in schooling and in workplace has been one of the most remarkable changes in the labor market during the past century.



With the goal to achieve in increase population, gender equity and child development by the early 21 century most high-income country start to enacted gender-neutral parental leave policies .



CHALLENGE

However, some people warn that family policy may become a long-term barrier to womans career due to lost work experience and higher costs to firms who hire women of childbearing age.

There are 2 main challenges that family policy faced

1. Family legislation is complex
2. determining cause-and-effect relationships



HISTORICAL BACKGROUND

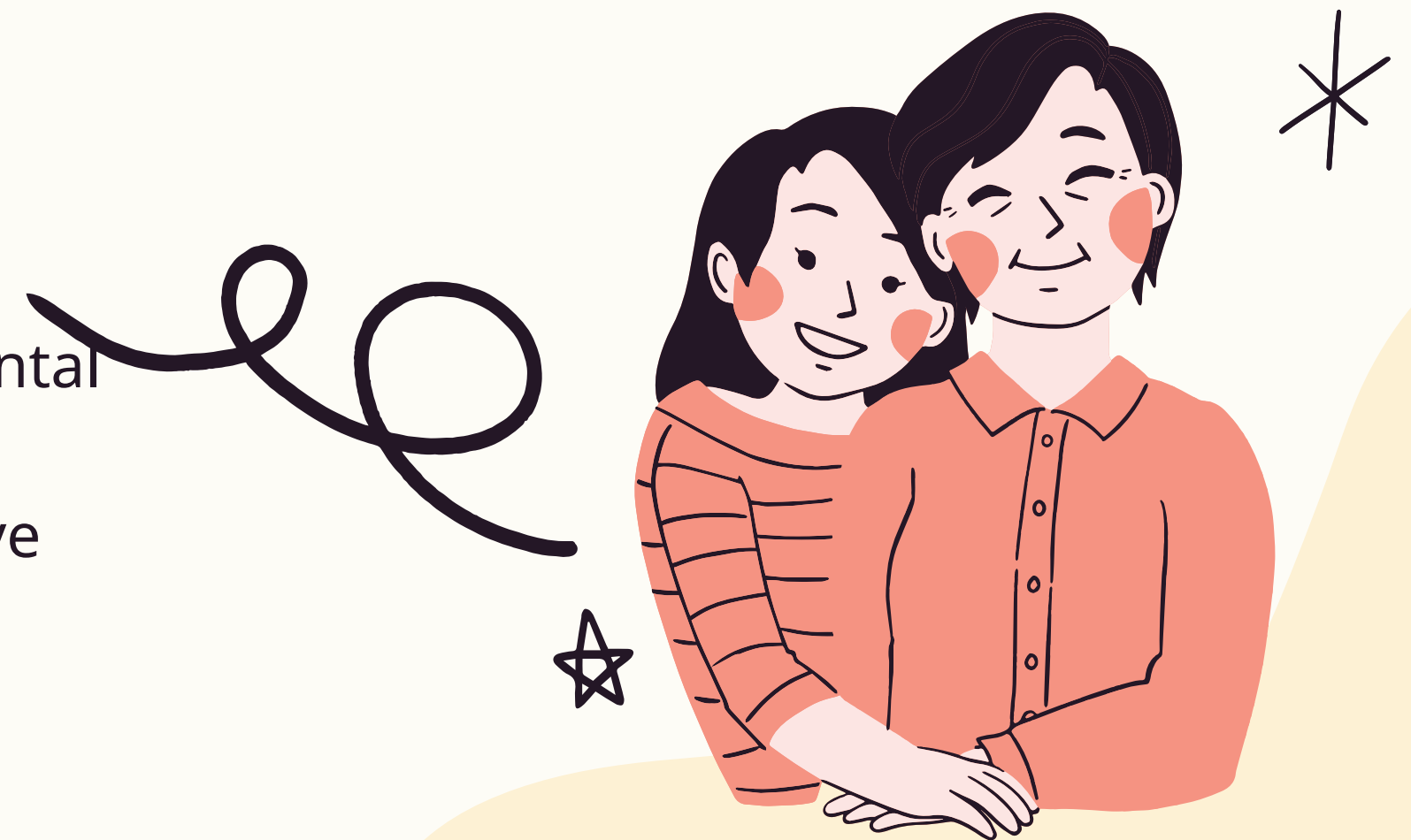
Many countries may have some form of parental leave policy however the path to policy adoption are different across the countries

- Since the 1840s, Britain and Switzerland have led the way in this trend by imposing particular restrictions on female work shifts.
- From the mid-nineteenth century, practically all US states eventually enacted legislation limiting married women's employment in general or in specialized professions
- Later in the century, Germany, Sweden, Austria, Belgium, the Netherlands, Denmark, and Switzerland enacted clear legislation for (mainly unpaid) maternity leave



HISTORICAL BACKGROUND

- In 1919 The International Labour Organization pushed for 12 weeks' leave from work around the time of delivery along with job protection and some financial support.
- In 1950 family policy laws in several European countries frequently appeared to be geared to reaffirm women's domestic roles.
- The late 1960s and early 1970s saw significant modifications in maternity leave entitlements
- In 1996 The EU Directive on Parental Leave established rights to at least three months of parental leave for childcare reasons
- The 2010 Parental Leave Directive increased leave entitlements to four months.



FAMILY POLICIES IN HIGH INCOME COUNTRIES



- Currently, all high-income industrialized countries have paid maternity leave (with the exception of the United States, which has unpaid maternity leave) and provide some financial or in-kind support for child care.

Table 1
Cross-country Variation in Family-Friendly Policies

	<i>Maximum job-protected leave for mothers (weeks)</i>	<i>Total maternity leave (weeks)</i>	<i>Pre-birth leave (% maternity leave)</i>	<i>Total paid leave available to mothers (weeks)</i>	<i>Average payment rate for mothers (% of average, 2014, national earnings)</i>	<i>Total paid leave available to father (% total paid leave for both parents)</i>	<i>Early childhood education and care (% GDP)</i>	<i>Accumulate days off and vary start/end of daily work (% companies)</i>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Spain	166	16	63	16	100	12	0.6	34.07
France	162	16	38	42/110 ^a	44.7	40/33 ^a	1.2	54.29
Germany	162	14	43	58	73.4	13	0.5	62.00
Finland	161.03	17.5	29	161.03	26.5	5	1.1	86.05
Norway	91	13	23	91	50.0	10	1.2	—
Sweden	85	15.6	45	60	63.4	14	1.6	74.18
United Kingdom	70	52	21	39	31.3	5	1.1	46.83
Greece	60.33	43	19	43	53.9	1	0.1	20.60
Japan	58	14	43	58	61.6	47	0.4	—
Australia	52	6	100	18	42.0	10	0.6	—
Canada	52	17	47	52	52.6	0	0.2	—
Denmark	50	18	22	50	54.1	4	2.0	76.91
Italy	47.7	21.7	18	47.7	52.7	0	0.6	39.96
Netherlands	42	16	38	16	100	2	0.9	66.48
United States	12	0	0	0	0	0	0.4	—

- Table 1 summarizes key family policies in a recent cross-section of developed economies, including the United States, Canada, Australia, Japan, and 11 major European countries. All indicators reported are from the OECD Family Database and the Social Expenditure Database, and they refer to the most recent year available, between 2011 and 2015.

- In column 1, countries are organized in decreasing order of the duration of job-protected leave provisions for mothers.
- Surprisingly, cross-country variation in parental leave rights is much greater than variation in other labor market institutions such as the unemployment benefit replacement ratio and the tax wedge.
- In comparison, the variation in maternity leave provisions around the time of childbirth, as shown in column 2, is modest, with most countries ranging between 14 and 22 weeks.
- As shown in column 3, approximately one-third of this must be taken prior to birth. Some countries' bans on working during late pregnancy are most likely a holdover from a time when a larger proportion of jobs, such as many manufacturing jobs in the past, were physically demanding.
- In all countries except the United States, a substantial portion of parental leave is paid, as shown in column 4. Leave benefits are usually funded by a combination of social insurance systems and employee and employer social security contributions.

FAMILY POLICIES IN HIGH INCOME COUNTRIES

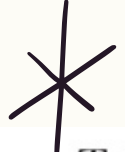


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Sweden	85	15.6	45	60	63.4	14	1.6	74.18
United Kingdom	70	52	21	39	31.3	5	1.1	46.83
Greece	60.33	43	19	43	53.9	1	0.1	20.60
Japan	58	14	43	58	61.6	47	0.4	—
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- The proportion of previous earnings replaced by maternity benefits is on average 52 percent, based on 2014 country-specific average earnings, as shown in column 5.



- According to column 6, paid leave entitlement for fathers is on average 11 percent of total paid entitlement per household. Wherever parental leave is available, entitlement is not entirely transferable between parents (for details, see OECD 2016).
- Column 7 reports data on public expenditure on early childhood and educational care, in cash or kind (or, for brevity, “early childhood spending”).
- The final column of Table 1 displays an indicator of work time flexibility that is only available to EU member countries.

SUMMARY

- When comparing family policies in Table 1, keep in mind that the implementation of parental leave rights and family-related subsidies is frequently accompanied by or follows changes in a country's social norms and attitudes toward gender roles in the home and the market.
- In reality, different countries may adopt, say, generous parental leave for a variety of reasons, and it is unclear whether this is motivated by paternalistic concerns about protecting the "weak" or by gender equality goals.



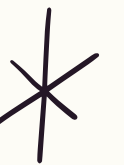
FRAMEWORK



- The majority of family programs are designed to increase female labor supply.
 - Subsidized child care, for example, aims to provide direct alternatives for mother child care.
 - Maternity leave aims to keep mothers in the labor force during temporary disruptions in employment, while also keeping firm-specific or occupation-specific human capital.
- Extended maternity leave, on the other hand, may have negative long-term impacts on female labor supply if it pushes women to stay out of work for long enough durations, or for repeated periods, in a way that prevents them from effectively re-entering employment on the same pre-maternity track.
- Family policies can influence labor demand decisions through at least two mechanisms.
 - If any of the expenses of these arrangements are passed on to employers directly or indirectly, the demand for female labor (particularly for women of child-bearing age) would suffer.
 - if family policies make it easier for mothers to stay in the labor force and their increased labor market attachment is incorporated into employers' beliefs, the extent of statistical discrimination (if any) against women would be reduced, with positive effects on labor demand for women.
- The change in the gender wage ratio as a result of family policy is theoretically ambiguous in a competitive labor market with imperfect substitution of inputs, depending on the relative shifts in labor supply and labor demand and the setting in which such shifts occur.
 - For example, if equal pay law effectively prevents a decline in female salaries, measures that raise the cost of recruiting women may result in a decline in female employment at constant wages.
- Similar impacts can be anticipated in the context of union contracts or legally enforceable minimum wages. Collective wage bargaining in most nations considered establish gender-neutral, industry-specific salary levels. If such floors are set higher than equilibrium salaries, the majority of the effect of family legislation will be seen in gender inequalities in employment rates.

The case of in-work government

increase in female labor supply leading to an increase in employment and a fall in wages paid by employers (unless such wages are sticky downward).



summary of framework



the introduction of family policies might be expected to lead to an increase in female employment and possibly a fall in female relative wages, depending on wage elasticities of labor demand and supply



Cross-Country Evidence

Ruhm (1998)

examined the effect of parental leave on female employment and wages during 1969-1993 in nine EU countries short periods of paid entitlement of around three months lead to a 3 to 4 percent rise in female employment rates,

Thévenon and Solaz (2012)

broadly confirm Ruhm's findings on a cross-section of 30 countries observed between 1970 and 2010. Using data on a sample of 17 high income OECD countries

Blau and Kahn (2013)

find that gender gaps in both employment and wages shrink with parental leave rights, the generosity of benefits, the right of part-time work, and equal treatment legislation

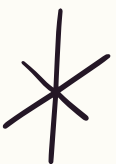
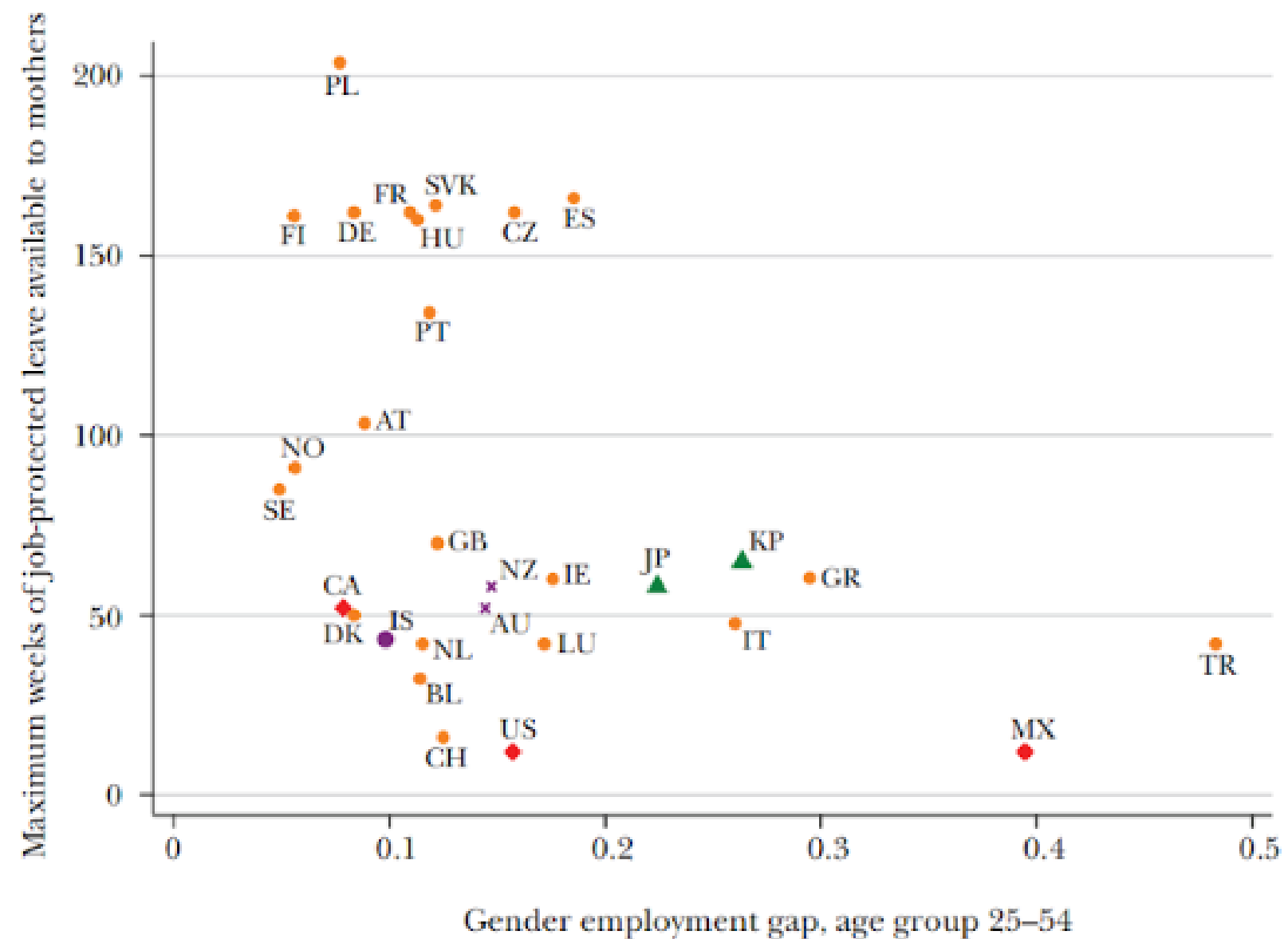


Figure 2
Employment Gap and Maximum Length of Job-Protected Leave for Mothers



CORRELLATION BETWEEN POLICY

The first two choice policy a correlation between maximum weeks of leave available to mothers and total paid leaves available to mother have a negative correlation with gender gap in employment.

In figure 2 Financial coverage of parental leave are also negatively correlated to rate of fertility but this correlation are done by just 4 country in our sample with low fertility and generous leaves provision by remove 4 of these country the correlation between fertility rate and the length of parental leaves will be small.

The next two policy choice are average payment to mother as a share of average earning and paid leave to fathers are not associated with any outcome variable.

Final two policy are spending on early childhood care and index of workplace flexibility are positively correlated with female employment and negatively with employment gap. And only spending on childhood care are positive to fertility rate.



FURTHER CORRELATION

Table 3
Family-Friendly Policies and Women's Outcomes

	<i>Female employment rate</i>		<i>Employment gap</i>		<i>Earnings gap</i>		<i>Fertility rate</i>	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Maximum weeks of job-protected leave	0.113*** (0.019)	0.063** (0.029)	-0.050*** (0.018)	0.023 (0.022)	-0.011 (0.033)	-0.210*** (0.033)	0.002 (0.001)	-0.001 (0.001)
Maximum weeks squared/100	-0.078*** (0.010)	-0.062*** (0.014)	0.043*** (0.010)	0.012 (0.011)	0.016 (0.016)	0.108*** (0.016)	0.001 (0.001)	0.001** (0.001)
Percentage of total leave that is paid		-0.037*** (0.008)		0.029*** (0.006)		0.006 (0.008)		0.002*** (0.000)
Average payment rate		-0.036*** (0.011)		0.027*** (0.008)		0.012 (0.019)		0.000 (0.000)
Early childhood education and care		3.613*** (0.903)		-1.587*** (0.564)		-2.852** (1.258)		0.270*** (0.024)
Constant	43.955*** (1.561)	47.007*** (2.016)	41.954*** (1.913)	37.892*** (2.497)	44.709*** (0.936)	52.367*** (1.144)	2.810*** (0.117)	1.753*** (0.057)
R ²	0.914	0.921	0.931	0.944	0.943	0.967	0.718	0.692
Mean of dependent variable	54.8	55.1	20.6	21.0	23.4	23.7	1.9	1.7
Observations	1,026	667	1,026	667	545	340	1,325	806
Sample period	1970–2014	1970–2010	1970–2014	1970–2010	1970–2013	1970–2010	1970–2014	1970–2010
Number of countries	30	22	30	22	30	22	30	22

Looking into further correlation, skill group the result show that less-skilled are female and country with flexible working arrangement received more wage but correlation with employment outcomes are consistent with skill distribution.

Measuring employment rate has a problem with parental leave with country a leave for T month are “employed” but in other country with less leave than T month will be “nonemployed”.

The result in first two columns confirm Ruhm’s nonmonotonic relationship between duration of parental leave and female outcome in column 2 female employment rate rise with job-protected parental leave and female employment rate falls with percentage of total paid leave and rise with early childhood spending.

Column 3 shows gender gap in employment rates with effect of parental leave are almost zero in column 4.

Column 5 and 6 shows earning gap measure as gender difference in annual earning for full time worker with column 5 show closing earning gap in the first 8 month of parental leave is very tiny but in column 6 it is significance.

Column 7 and 8 shows effect of parental leave on fertility is monotonic which is consistency with Shim’s finding in conclusion spending in family benefit and duration of child paid for mother increase the total fertility rate.



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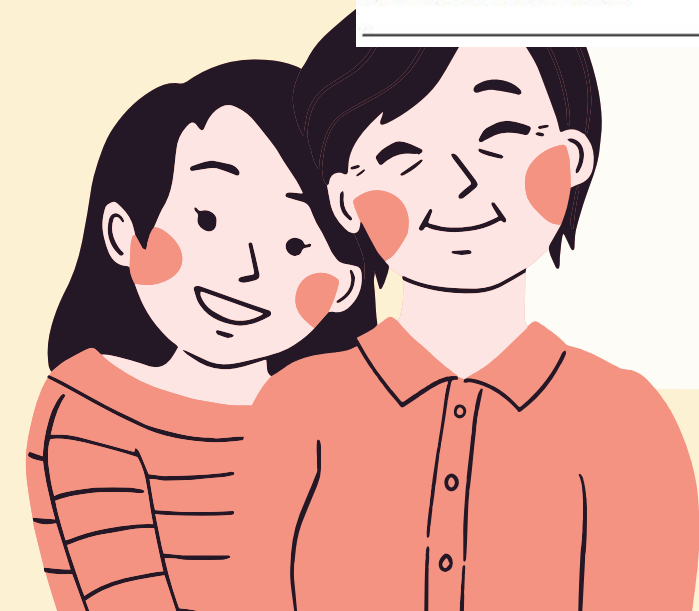
The possible explanation of results in column 6 are obtained on a sample of countries with a lower average incidence of binding union contracts than those column 5 and may indicate that wage are relatively more flexible

Overall, coefficients on parental leave donate stronger effects on earning gaps in column 6 more than column 4. Implies that wage gaps are closing for a wide range of parental leave durations.

Column 6 shows evidence of relatively strong effect of early years spending on closing earning gaps than on employment gaps in column 4 implies that wage gaps are also closing for a wide range of parental leave durations.

Column 7 and 8, the effect of parental leave on fertility is also nonmonotonic, but quantitatively this is negligible throughout means that fertility decisions are not responsive to parental leave unless leave is also adequately paid.

Early childhood spending on family benefits has correlation with fertility, 1% increase on GDP spending associated with 0.2 extra children per woman. implies that public spending on family benefits and the duration of paid child related leave for mothers is significantly associated with an increase in the fertility rate.



FURTHER CORRELATION

Table 4
Family-Friendly Policies and Gender Gaps by Educational Attainment

	<i>Less than Upper Secondary</i>		<i>Upper Secondary, non-tertiary</i>		<i>Tertiary</i>	
	<i>Female employment rate</i> (1)	<i>Earnings gap</i> (2)	<i>Female employment rate</i> (3)	<i>Earnings gap</i> (4)	<i>Female employment rate</i> (5)	<i>Earnings gap</i> (6)
Maximum weeks of job-protected leave	0.164** (0.083)	-0.112 (0.152)	0.097 (0.060)	0.062 (0.114)	-0.011 (0.046)	0.232** (0.107)
Maximum weeks squared/100	-0.171*** (0.059)	-0.257** (0.130)	-0.097* (0.054)	-0.122 (0.081)	-0.054* (0.030)	-0.138* (0.078)
Constant	47.872*** (3.274)	62.487*** (5.852)	63.132*** (2.013)	50.854*** (4.537)	79.560*** (1.736)	39.626*** (4.955)
R^2	0.946	0.840	0.956	0.883	0.921	0.758
<i>Mean of Dependent Variable</i>	46.6	44.3	65.7	40.0	78.7	42.6
Observations	492	300	504	300	504	300
Sample period	1997–2013	1997–2013	1997–2013	1997–2013	1997–2013	1997–2013
Number of countries	30	29	30	29	30	29

Consider heterogeneous policy effects by educational attainment, due to limited availability of outcome data results in the smaller sample size. In this report, there is no report the results of fertility. The rate is report in overall population only.

The findings suggested in moderate job protected leave entitlements up to about one year in our estimates are associated with higher female employment while not having much correlation with fertility. However, beneficial effects are driven by low-skill subsample.

The effects are consistent with a pattern of progressive labor market during long periods of absence combined with negative feedback effects on employers' belief about work attachment. For college-educated women, longer parental leave seems associated with wider earning gaps.

The returns of job specific experience is plausibly higher than for the less skilled, and skilled women have more to lose from missed opportunities for career advancements.

The indicator that associated with more equal gender outcomes is spending in early childhood education and care and the availability of cheap substitutes to maternal care encourages female labor supply, with positive, rather than negative, effects on the accumulation of actual experience.



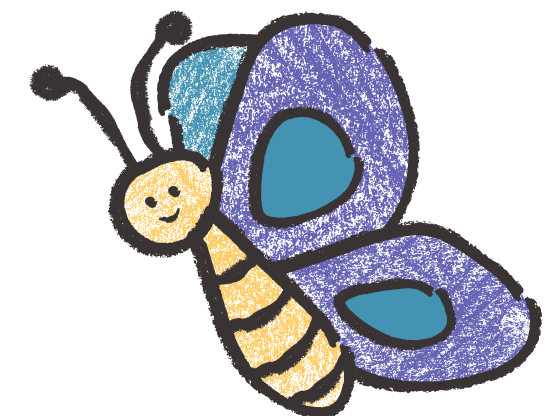
Micro Level Studies

Maternity and Parental Leave

- The extended duration of Parental leave i.e Austria (1990) and Sweden (1995)
- The extended duration of maternity leave i.e Germany (1979 and 2007) and Norway (1977 and 1992)

Subsidized Childcare

- Canadian province of Quebec introduced subsidies for 4 years old in 1997
- Norway expansion on subsidized childcare in 1975



Micro Level Studies *

In-work Benefits

- Provide tax credits to low-income workers that have children
- Create positive effects of the EITC on the labor supply (more participation on labor market)
- For Example, In UK case, Working family tax credit can evaluate labor supply effectively especially in lone mother workrarte

Muliplier Effects

- The legislation on family policys may be affect policy take-up
- Outcomes between tratement and control groups would yield downward-biased estimate of policy impact
- In Norway, they introduce “daddy month to promote gender equality and identify peer effect in the take-up rate of parental leave also



Comparing Between Macro and Micro studies



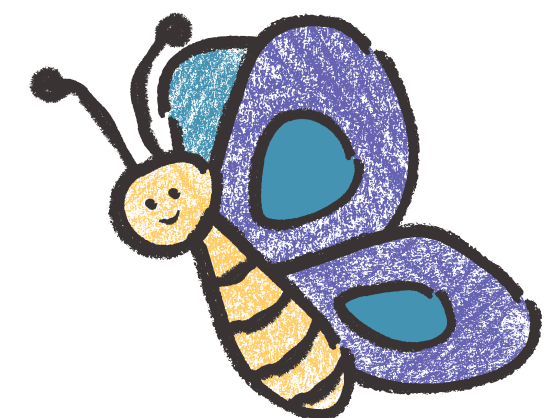
Comparing Between Macro and Micro studies *

Micro-data

- Tends to find that parental leave mostly delays return to work
- No discernible effect on employment rates in the long run
- Underestimate the impact of policy reforms

Macro-data (Cross-Country Studies)

- Benefits of maternity leave may be overestimated in cross-country studies
- Cross-country studies often provides joint perspectives on various policy
- This policies can be used as a tool to reduce gender inequality effectively



Conclusion *

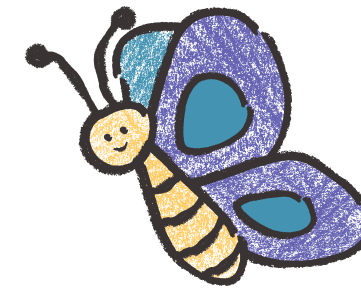
We can conclude that in cross-country studies found that having **more positive effects** on female employment than micro-level studies, especially in short leave durations. On the other hand, longer entitlement have more negative effect.

The best policy to reduce gender disparities seems to be "**early childhood spending**" (both macro and micro data) and "**in-work benefits**" (in micro data). Making it easier to be a working mother.





THANK YOU *



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