

Parental Leave Policies:

Impact on Labour Market Outcomes

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Context

- Work-family balance is a pressing concern
- Parental leave is gender-neutral, job-protected leave from employment
- Parental leave policies are common, yet no consensus exists
- NI context:
 - NI economy - innovative, inclusive and sustainable
 - Female economic inactivity and employment
 - 10X Economy Theme No. 7

Project aims

➤ Research question:

- impact of parental leave policies on labour market outcomes for men & women

➤ Areas to explore:

- What personal and labour market characteristics influence leave-taking?
- What personal and labour market characteristics influence the length of leave?
- What influences mothers' employment status after leave?
- How has parental leave impacted on earnings as a key labour market outcome?

Welfare perspective

➤ Leave legislation affects three areas of welfare:

1. Health and child development
2. Fertility
3. Labour market outcomes of leavers (primarily women)

Theoretical arguments

- Positive labour market effects:
 - $\uparrow$ L^S before pregnancy
 - continuing labour market attachment
 - $\uparrow$ rates of return to work
 - $\downarrow$ loss of firm-specific human capital
- Predicted positive effects on employment, participation, career development

Theoretical arguments

- Negative labour market effects:
 - artificial career interruptions
 - ↓ probability of returning to work
 - ↓ human capital and productivity
 - ↓ earnings for women
 - less advancement
 - ↓ hours of work
 - lower pensions
 - ↓ labour demand from employers
- Crucial here is the length of leave period

Key issues and debates

- European context:
 - main debate is regarding leave duration
- Literature primarily consists of country-specific studies
- General consensus that leave is negatively associated with wages
- Leave duration:
 - longer leaves are associated with substantial wage reductions
- Women employed part-time face a greater penalty

Summary of literature

- Wider policy context of stimulating family formation & employment
- Motherhood coincides with years of core economic activity
- Key lesson: importance of policy objective and design
- Importance of leave duration
- No easy answers!

Data

- Dataset: Understanding Society
 - 2010-2021, 12 waves.
 - Available via UK Data service and free of charge for research.
- Nationally representative, longitudinal household survey
 - Health, work, education, income, family structure and social life.
 - NI sample of approximately 2000 households.
 - Couples that had children a priori and a posteriori to the introduction of SPL in April 2015.

Methodology

1) Who is more likely take parental leave?

$$Prob(\text{leave}) = F(\beta_0 \text{age}_i + \beta_1 \text{gender} + \beta_2 \text{education} + \beta_3 \text{marital status} + \beta_4 \text{sector} + \beta_5 \text{area} + \beta_6 \text{pay} + \beta_7 \text{managerial duties})$$

2) Who is more likely to take longer leave?

$$\text{Length of leave} = F(\beta_0 \text{age}_i + \beta_1 \text{gender} + \beta_2 \text{education} + \beta_3 \text{marital status} + \beta_4 \text{sector} + \beta_5 \text{area} + \beta_6 \text{pay} + \beta_7 \text{managerial duties})$$

$$Prob(\text{unpaid leave}) = F(\beta_0 \text{age}_i + \beta_1 \text{gender} + \beta_2 \text{education} + \beta_3 \text{marital status} + \beta_4 \text{sector} + \beta_5 \text{area} + \beta_6 \text{pay} + \beta_7 \text{managerial duties})$$

Methodology

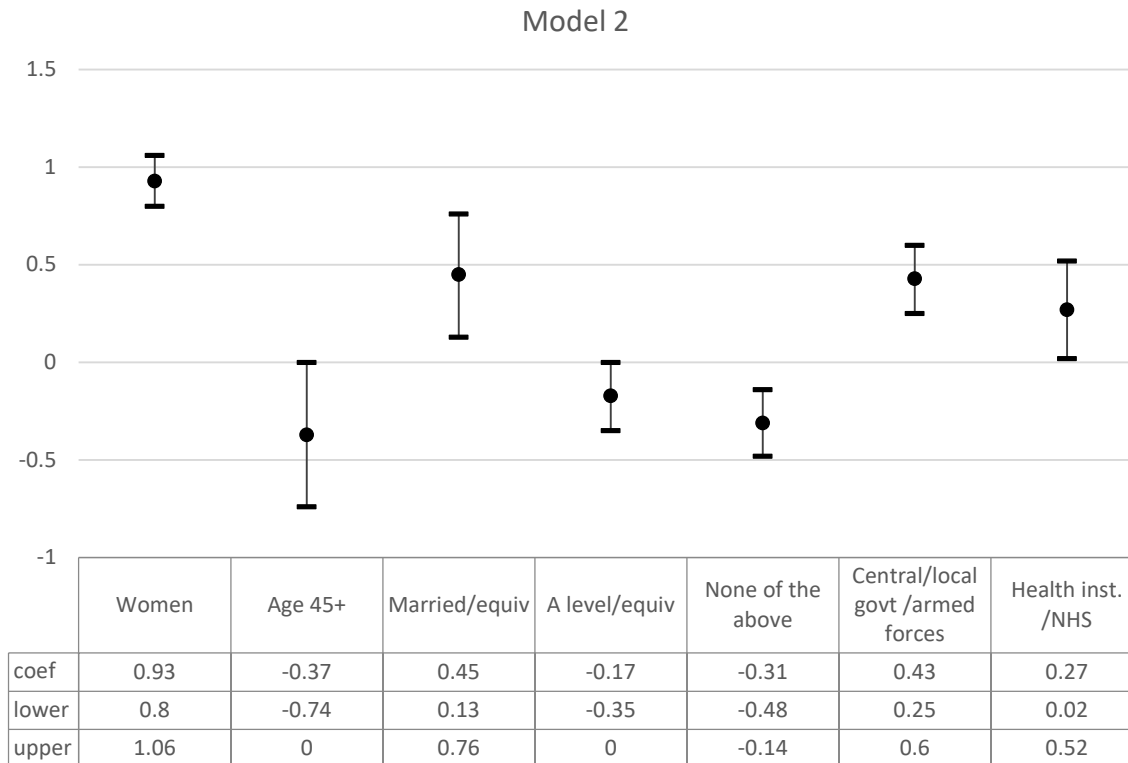
3) What influences mothers' employment status after leave?

$$\textit{Prob (FT to PT)} = F(\beta_0 \textit{age}_i + \beta_1 \textit{gender} + \beta_2 \textit{education} + \beta_3 \textit{marital status} + \beta_4 \textit{sector} + \beta_5 \textit{area} + \beta_6 \textit{pay})$$

4) Does parental leave parents' wages?

$$\textit{Gross Pay} = F(\beta_0 \textit{age}_i + \beta_1 \textit{gender} + \beta_2 \textit{education} + \beta_3 \textit{marital status} + \beta_4 \textit{sector} + \beta_5 \textit{area} + \beta_6 \textit{leave})$$

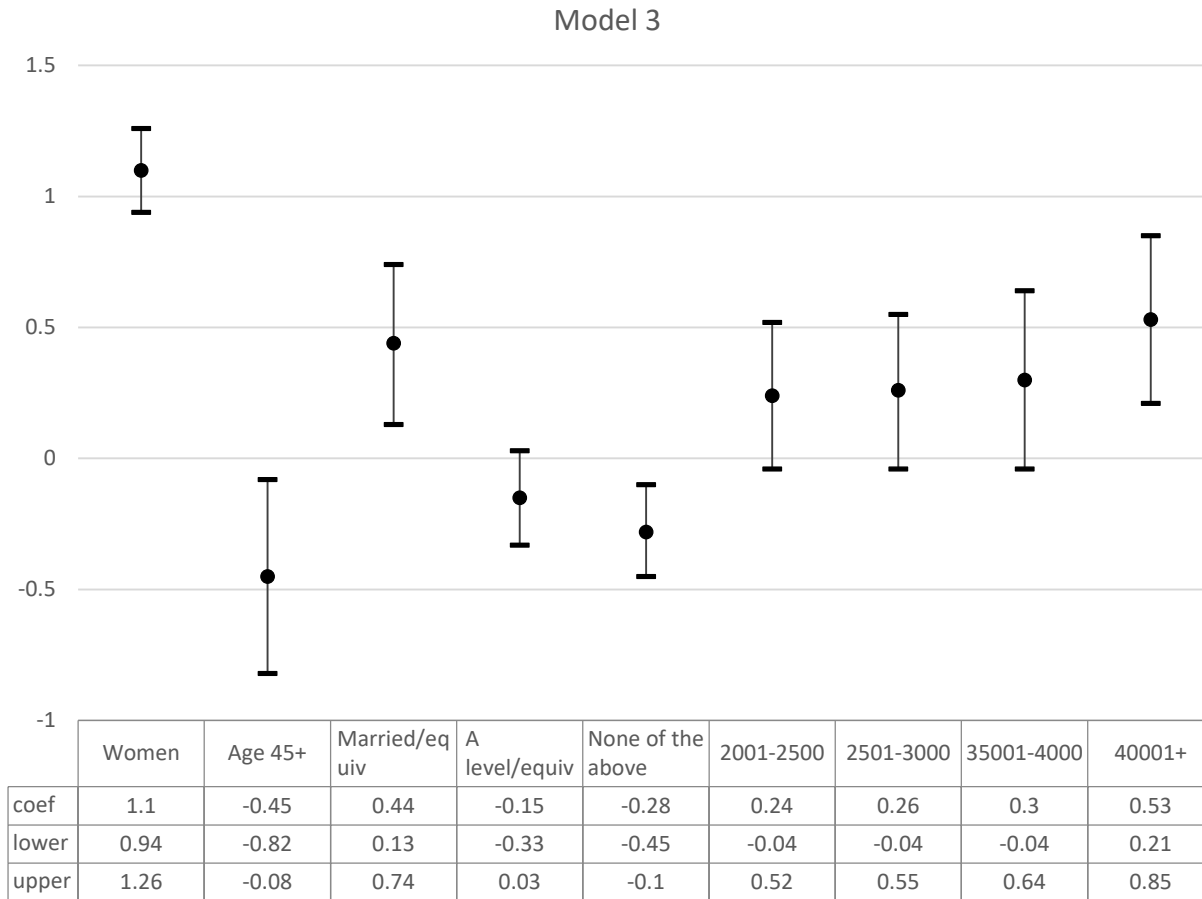
Key findings - probability of taking leave



Higher probabilities for:

- women
- married
- higher educated
- govt & health sectors

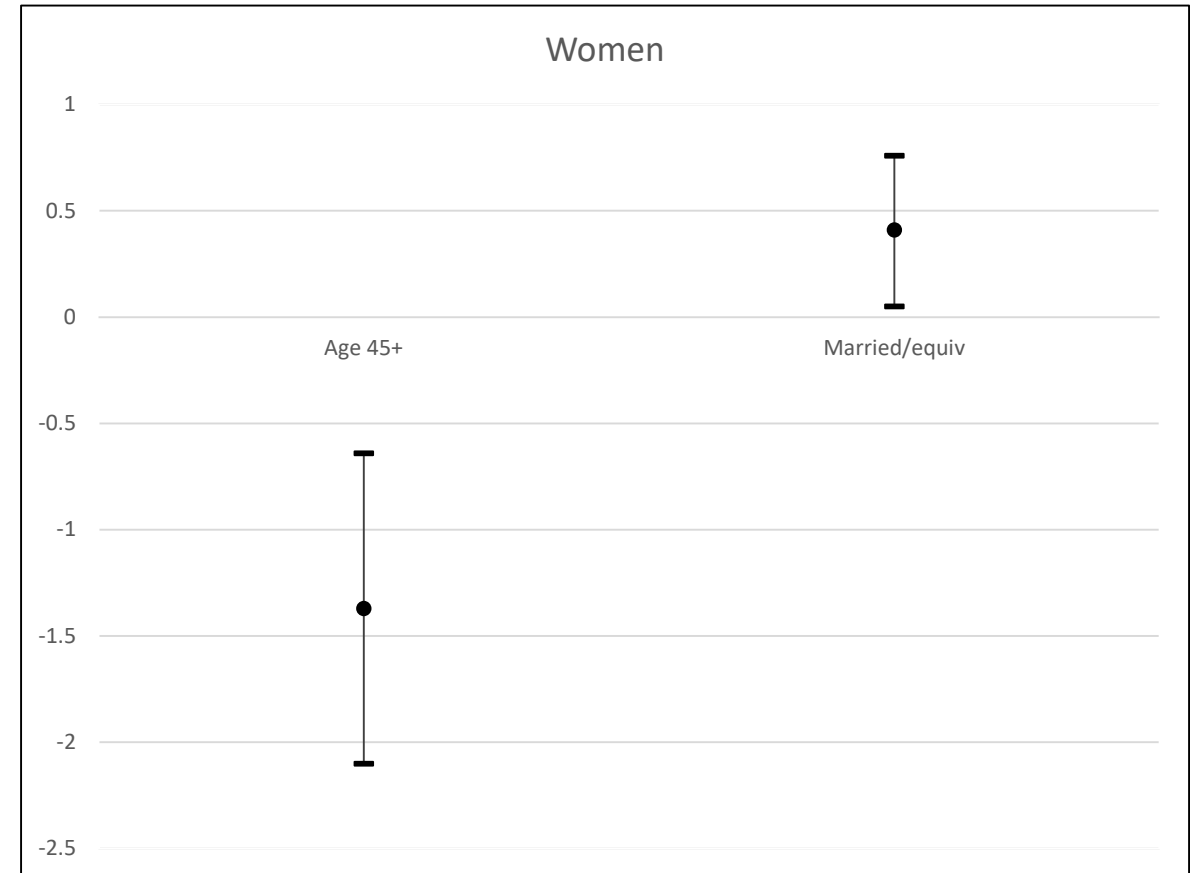
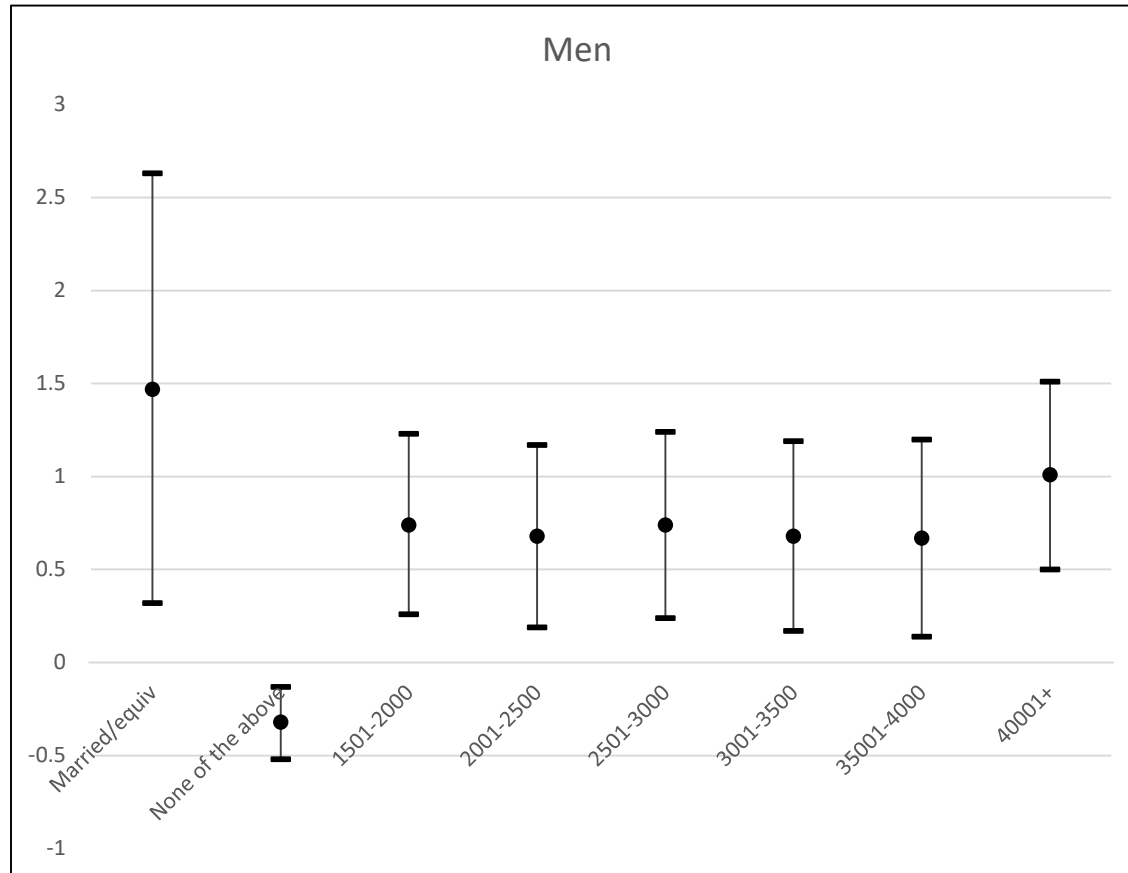
Key findings - probability of taking leave



Higher probabilities for:

- women
- married
- higher educated
- govt & health sectors
- highest earners

Probability of taking leave by gender

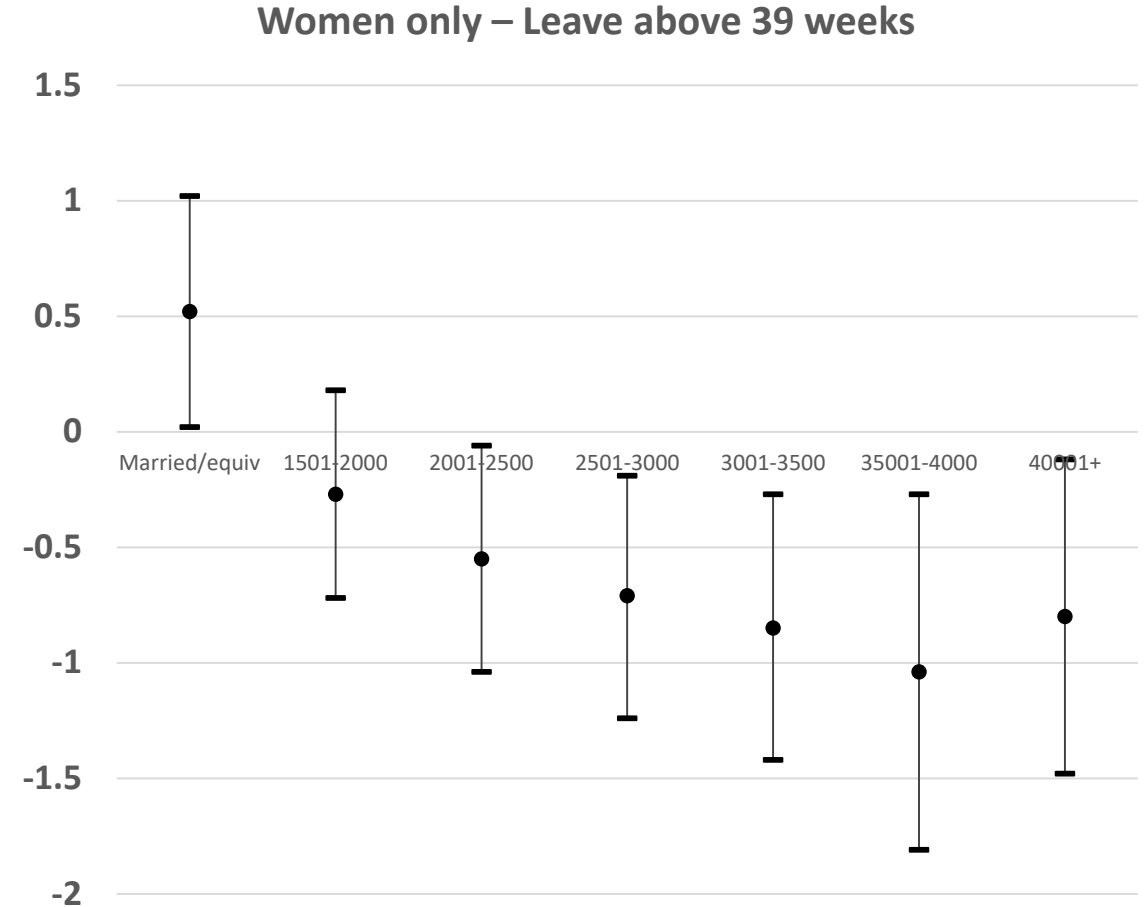


Duration of leave (no of weeks)

- Women take longer leaves
- Married take longer leave
- Higher pay (OC) decreases duration

Unpaid leave for women:

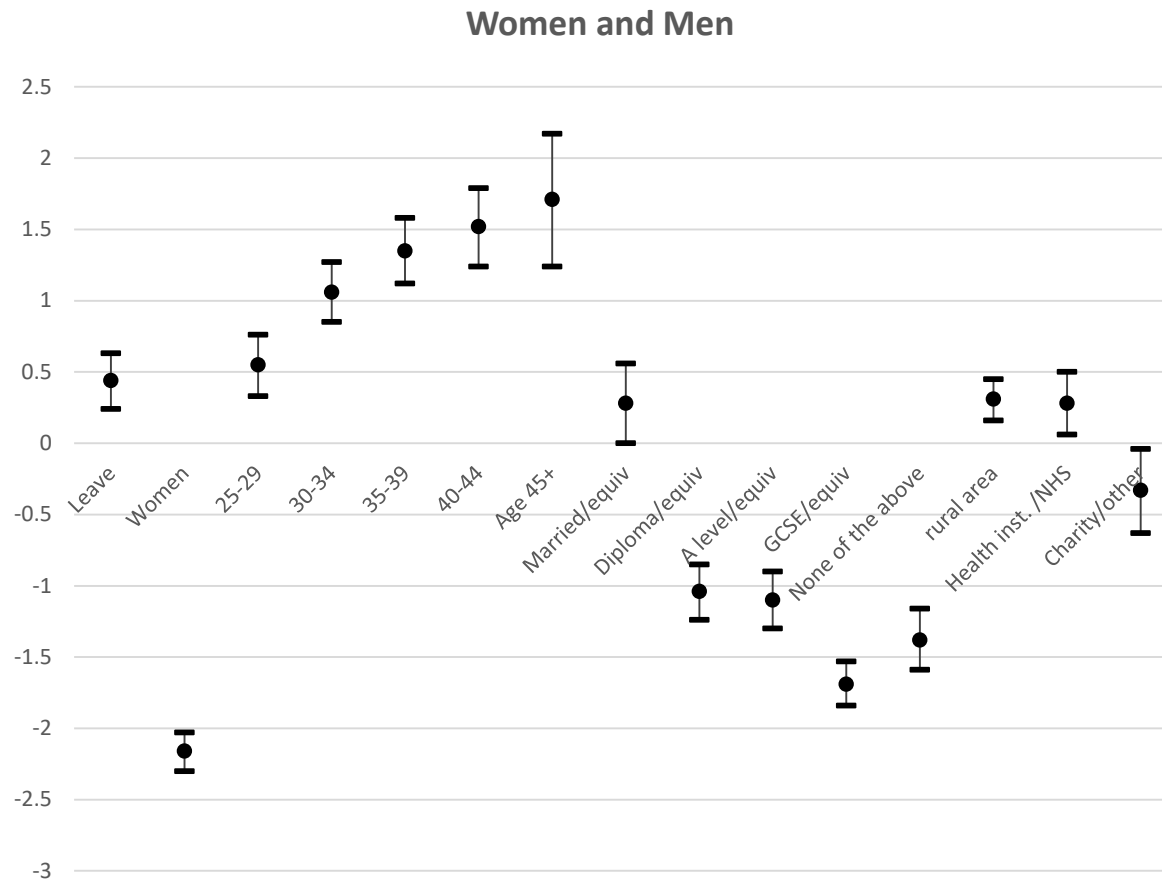
- married
- higher pay decreases likelihood of unpaid leave



Employment status after leave

- Part-time employment is a common strategy for parents to cope with work and family
- What affects the switch from full-time employment pre-birth to part-time employment after leave?
- Women more likely to switch
- Older women less likely to switch
- Interesting result for pay:
 - low earners more likely to switch than lowest earners
 - higher earners less likely to switch to part-time

Effect of parental leave on earnings



How does parental leave affect wages?

Men and women:

➤ positive effect of taking leave

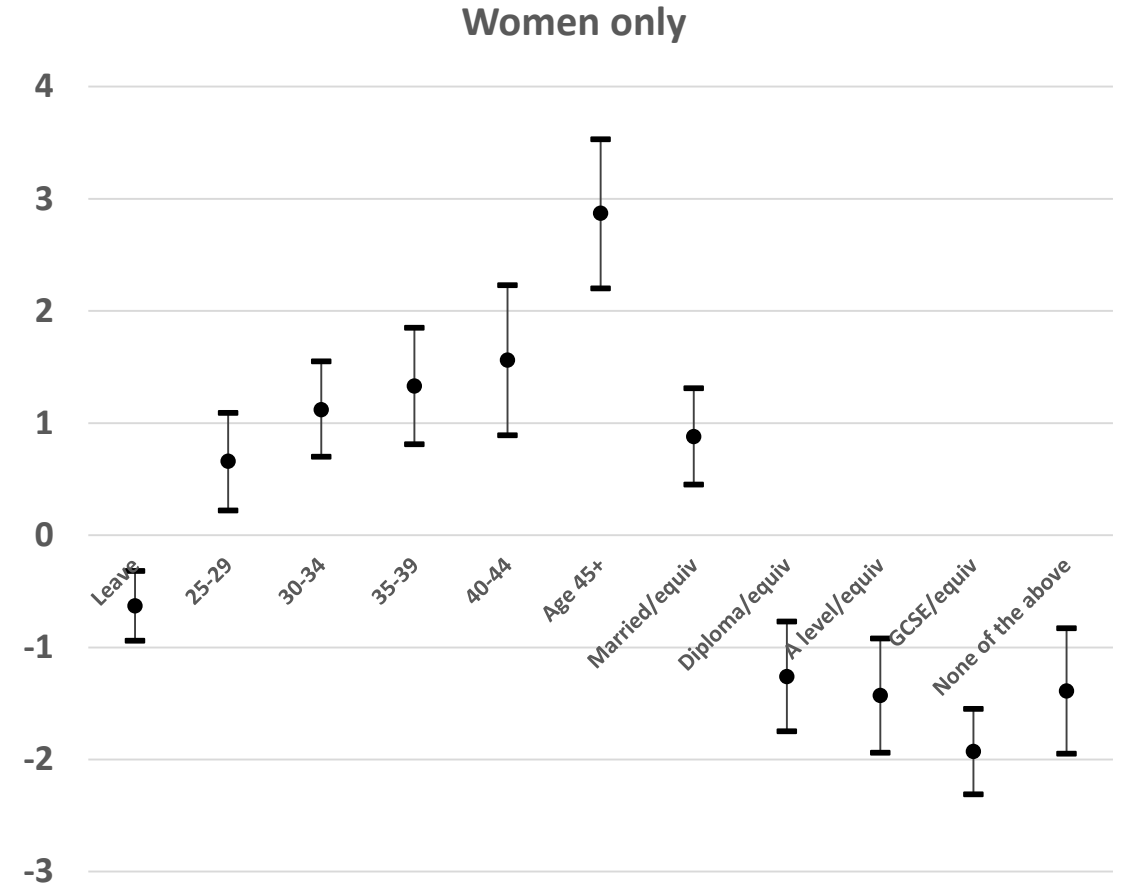
Women only:

➤ no evidence of a wage penalty

Effect of longer parental leave on earnings

Duration leave is crucial in determining effect on wages:

- Negative effect on pay from taking longer leave
- Substantial wage penalty
- Penalties attached to HC deprecation > benefits of LM attachment
- Negative signalling effect

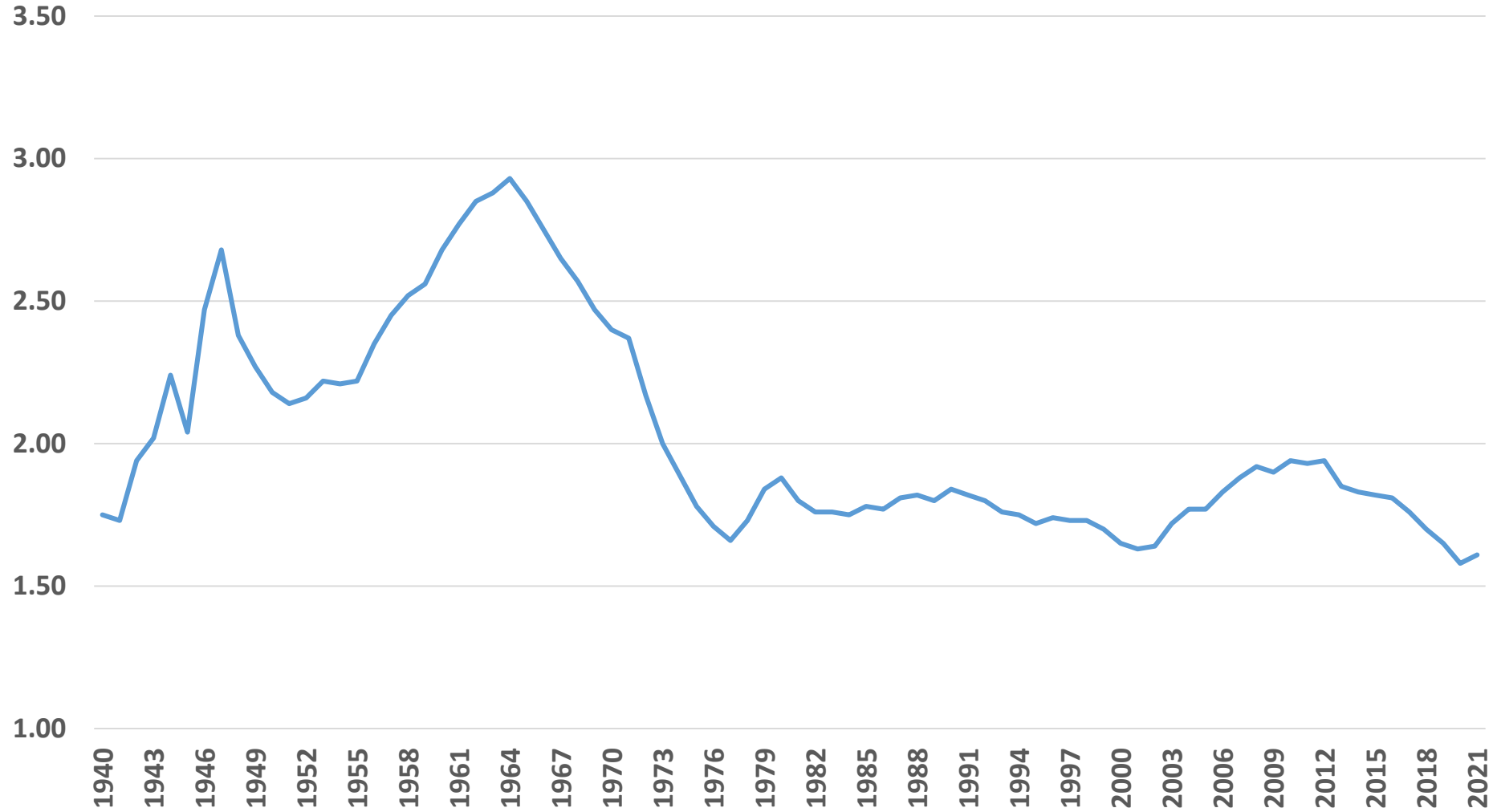


Policy importance

Relevant policy contexts:

1. '10X Economy' for Northern Ireland: inclusivity and sustainability
 - High levels of economic inactivity and lower female employment
 - Policy tool to promote female labour market attachment
 - Facilitate female employment alongside childrearing
2. Ageing population and falling fertility rates
 - Dramatic drop in [fertility rates](#)
 - Replacement rate in the UK
 - Work-family policy to resolve the tension between participation and childbearing

Total fertility rate in the UK



Thank you!