

# Policies to Support Entering and Leaving the Workforce

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Swiss Embassy in Czech Republic

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# The life-cycle



# Bismarck's Social Insurance Idea



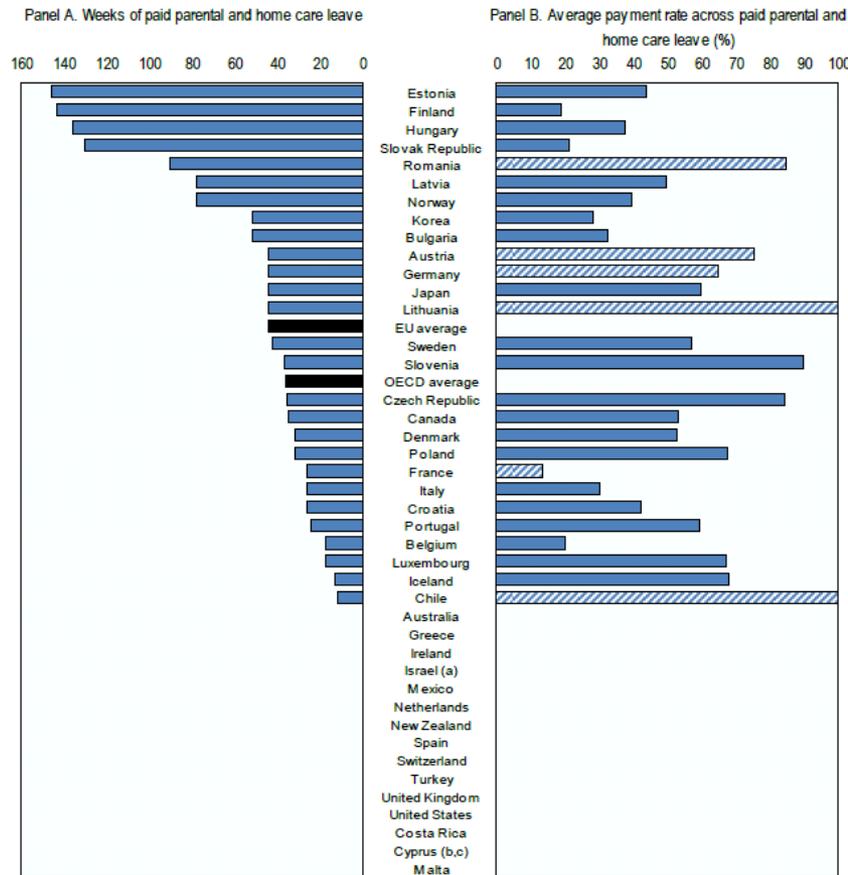
# Work-life balance



# Parental Leave for Mothers vs Fathers

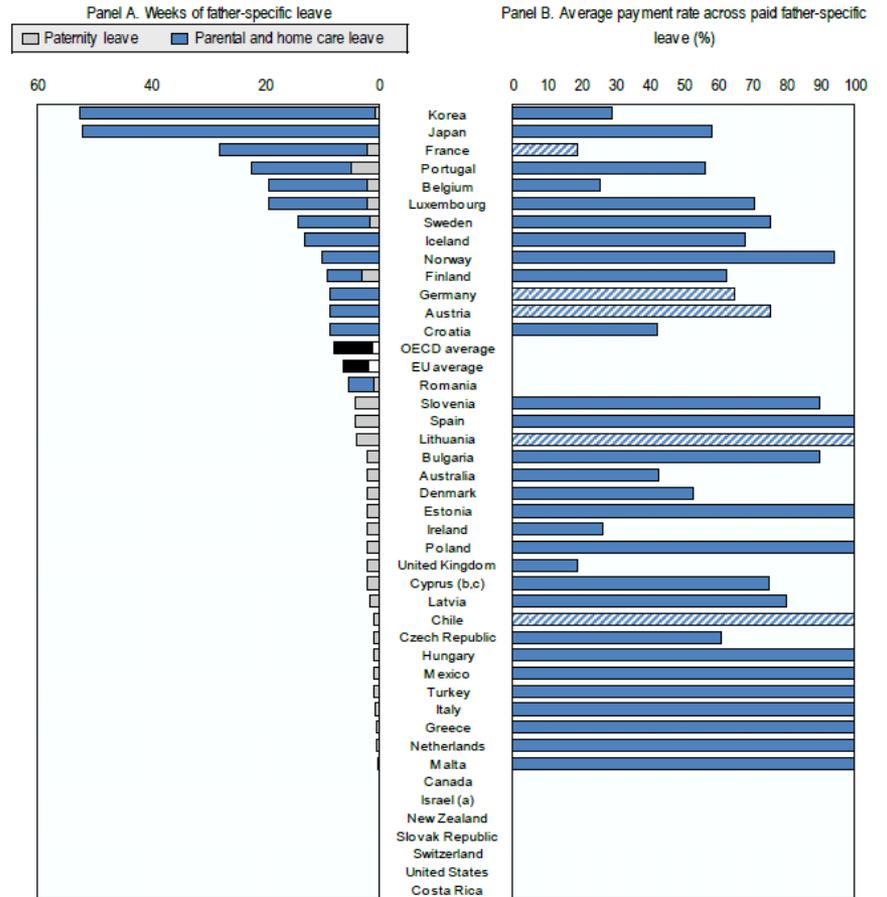
**Chart PF2.1.B. Paid parental and home care leave available to mothers**

Duration of paid parental and home care leave available to mothers, and the average payment rate across paid parental and home care leave available to mothers for an individual on national average earnings, 2018



**Chart PF2.1.C. Paid leave reserved for fathers**

Duration of paid paternity leave and paid father-specific parental and home care leave in weeks, and the average payment rate across paid paternity and father-specific leave for an individual on national average earnings, 2018

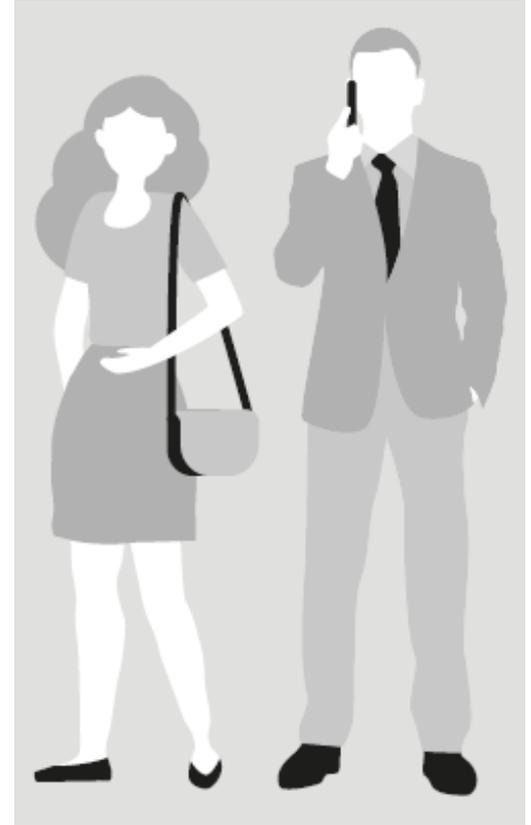


Note: Striped bars indicate payment rates based on net earnings. Data for Chile and Costa Rica refer to 2017. See notes to Table PF2.1.A. a. See note a. to Table PF2.1.A. b. See note b. to Table PF2.1.A. c. See note c. to Table PF2.1.A. Source: See tables PF2.1.C-PF2.1.E.

# Outline

- Parental Leave
- Child-care
- Pension System
- Demand for Social Insurance

# Parental Leave

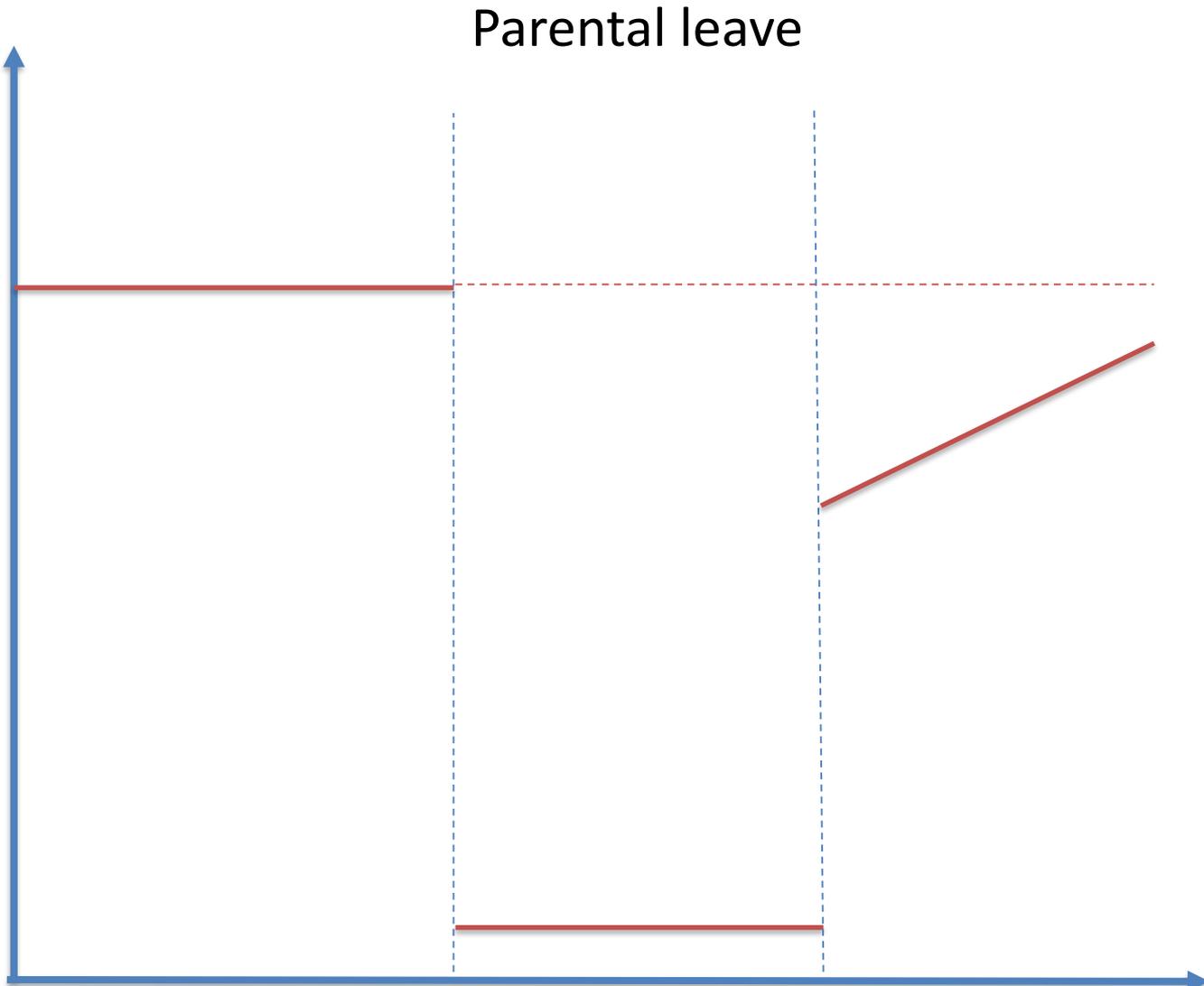


# Parental Leave Objectives

## (e.g. Australian System)

- The objectives of the Paid Parental **Leave** scheme are to:
  - signal that taking time out of the paid workforce to care for a child is part of the usual course of life and work for both parents
  - promote equality between men and women and balance between work and family life.
- The objective of Parental Leave **Pay** is to provide financial support [...], in order to:
  - allow those carers to take time off work to care for the child after the child's birth or adoption
  - enhance the health and development of birth mothers and children
  - encourage women to continue to participate in the workforce.

Employment Rate



Parental leave

Birth of Child

End of Leave

Time

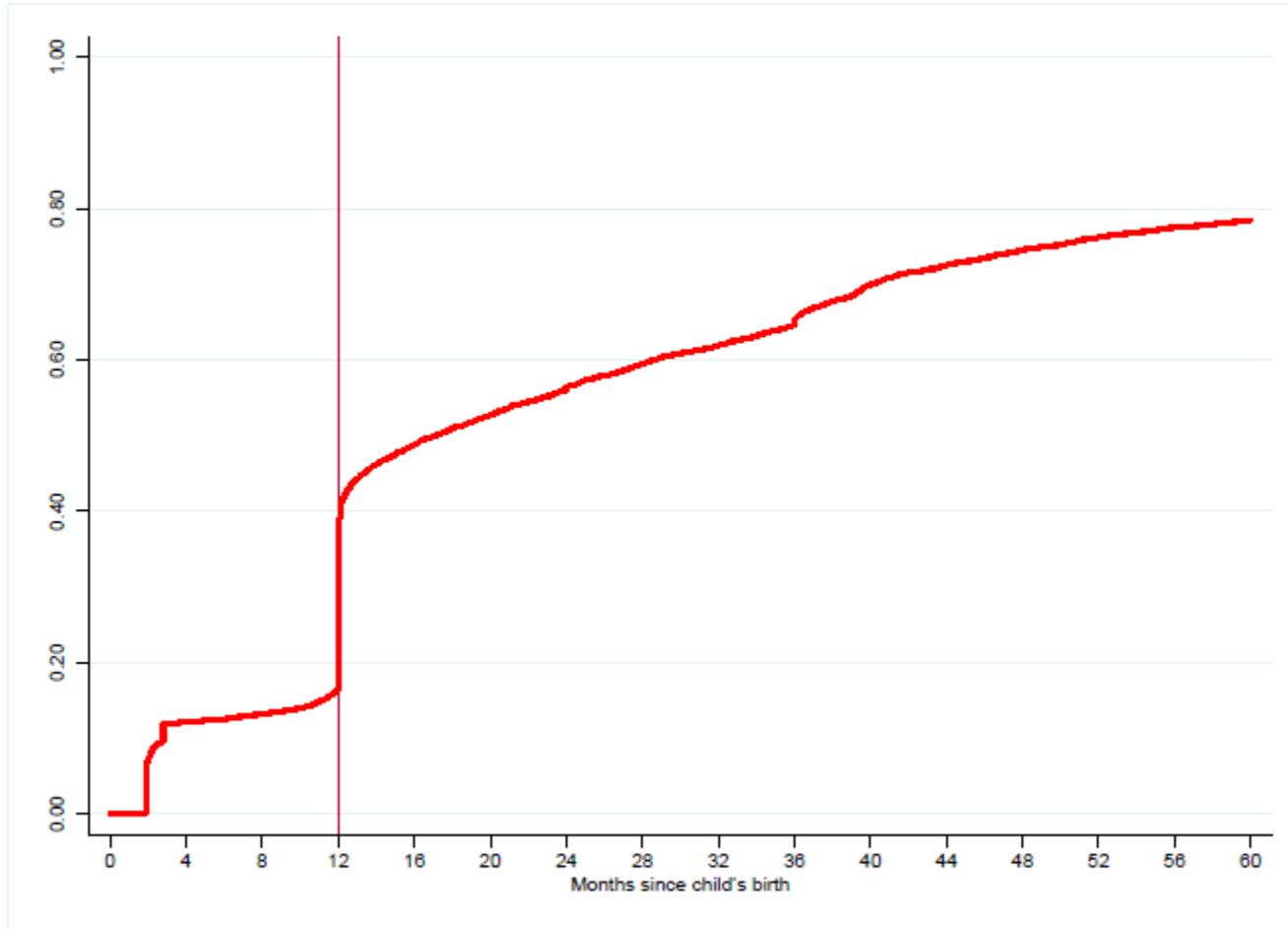
# Return to work

(Lalive, Schlosser, Steinhauer, Zweimüller, 2014)

- How do women on parental leave return to work?
- Parental leave in Austria
  - Benefit: flat cash transfer, about 30% of avg. wage
  - Job protection: return to work guarantee
  - Can be shared but mostly women take it
- Reform
  - until June 1990: 1 year
  - from July 1990: 2 years

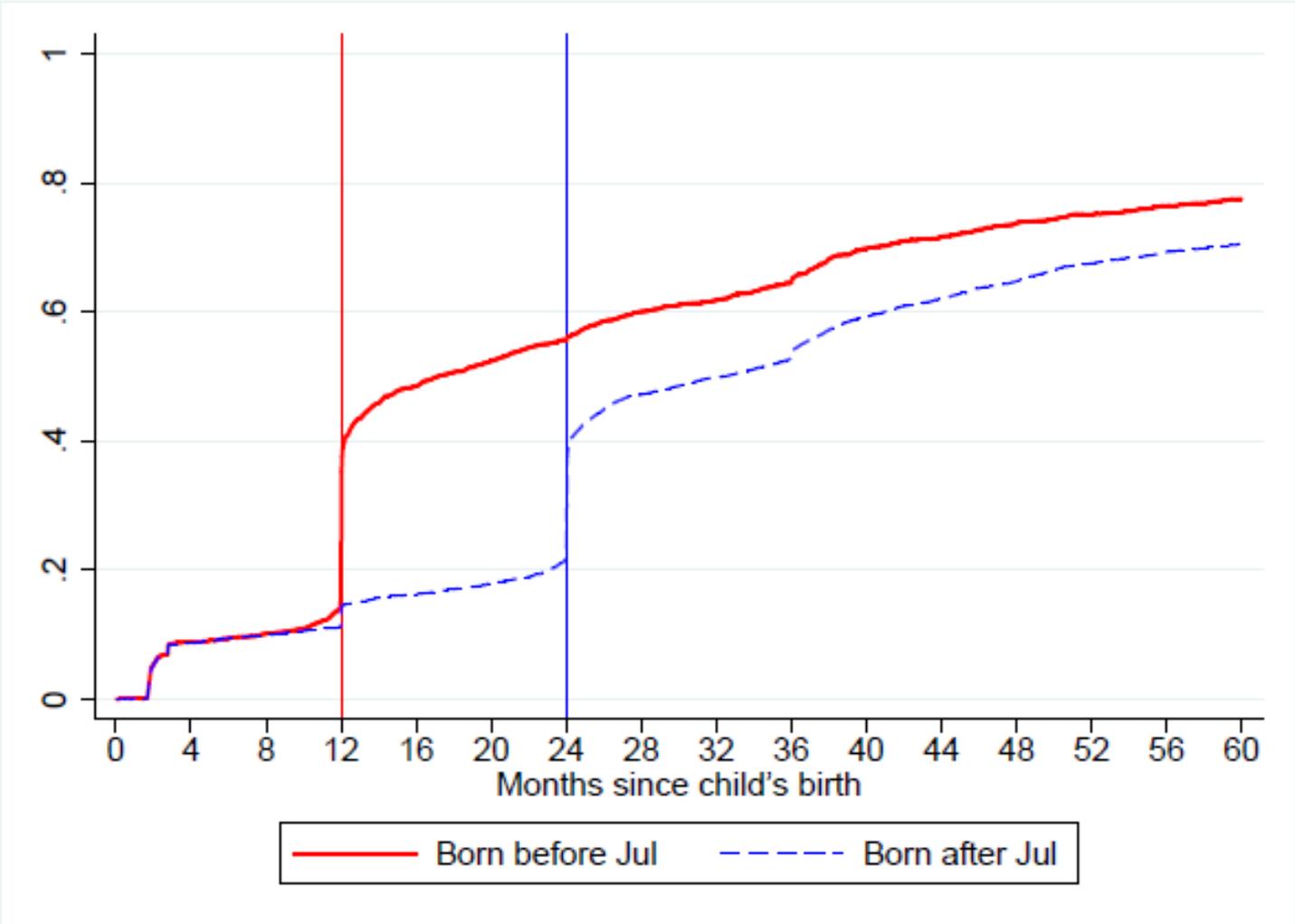
# Return to work

June 1990, all women worked before birth



# Return to work

June vs July 1990



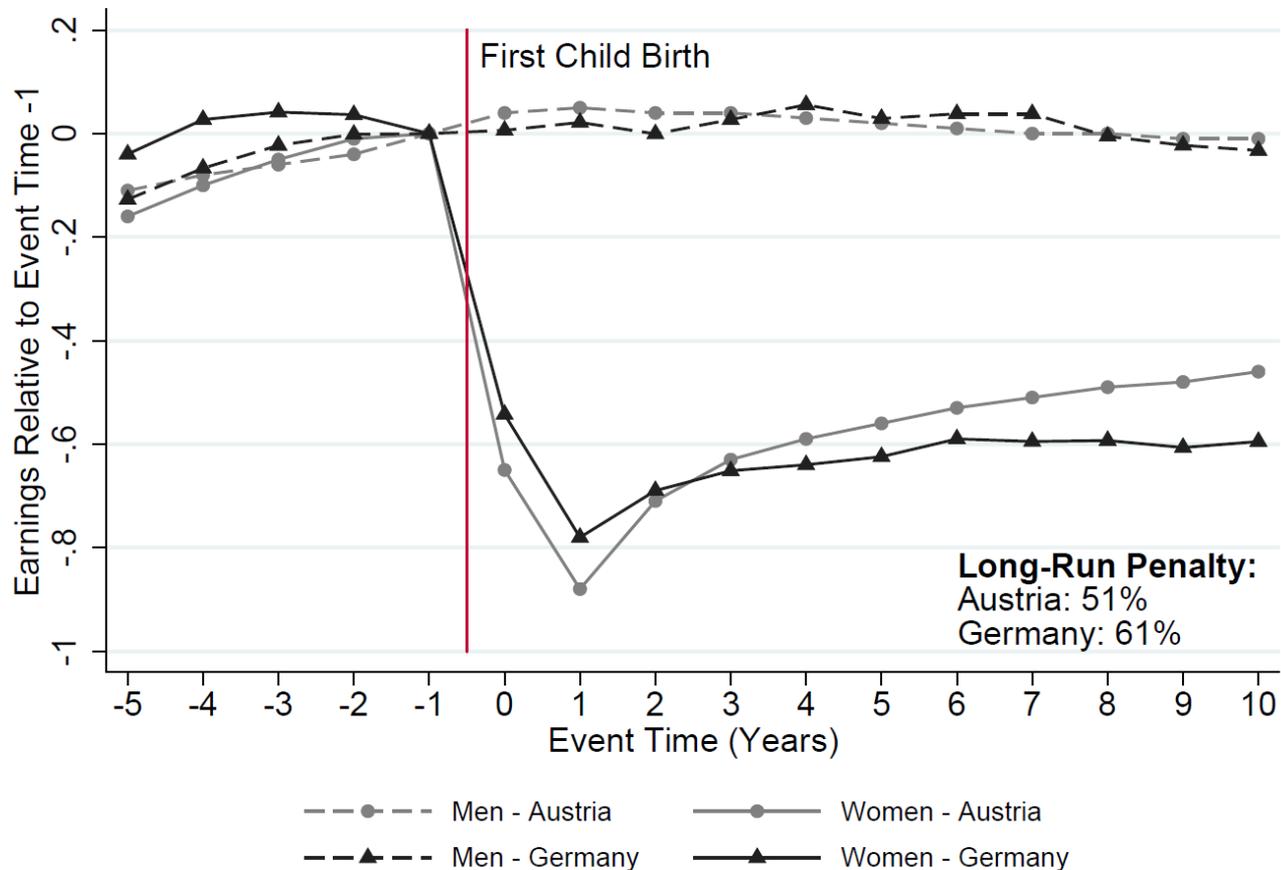
# Employment and Earnings (5 years after birth)

	1990 reform	1996 reform	2000 reform
Employed	-0.004 (0.010) [0.404]	-0.004 (0.011) [0.513]	-0.017 (0.010) [0.486]
Earnings per calendar day	0.550 (0.482) [16.691]	0.351 (0.578) [22.377]	-1.297 ** (0.539) [21.693]
Earnings per day worked (Euros)	1.216 ** (0.561) [41.309]	1.115 * (0.584) [43.624]	-0.670 (0.590) [44.962]
Observations	10815	10514	9103

Notes: This table reports the effects on outcomes measured 5 years after birth.

# German countries

Figure 3: Child Penalties in Earnings in German-Speaking Countries



# Benefits vs job protection

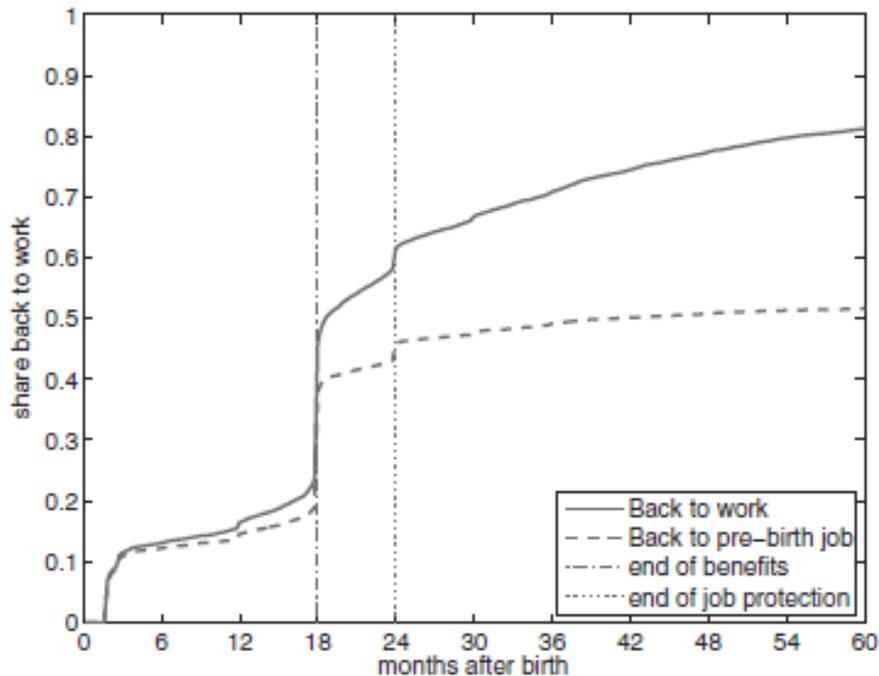
- Reduced form analysis
  - can not disentangle the role of both elements of parental leave
  - (since we always observe both at the same time)
- We still need to understand the separate roles
  - Benefits costly for the government
  - Job protection costly for firms

# Our approach

- Adapt a job search framework to the parental leave context
  - Women are searching for new jobs while on parental leave
  - Include policy elements
- Estimate the model using data with no reform
- Assess how well the model predicts reforms
- Counterfactual simulations

# Fit

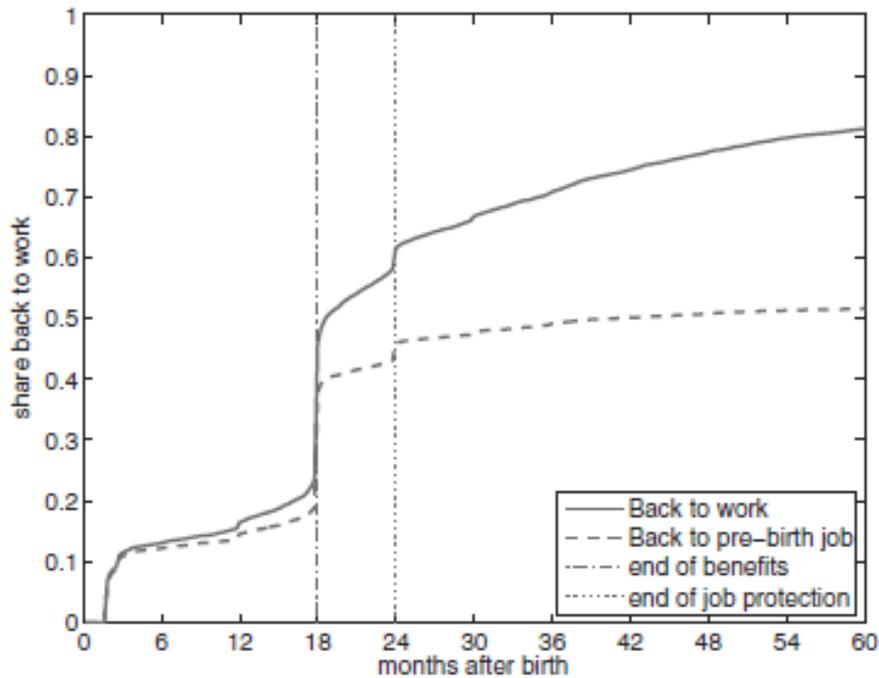
(a) Empirical return to work:



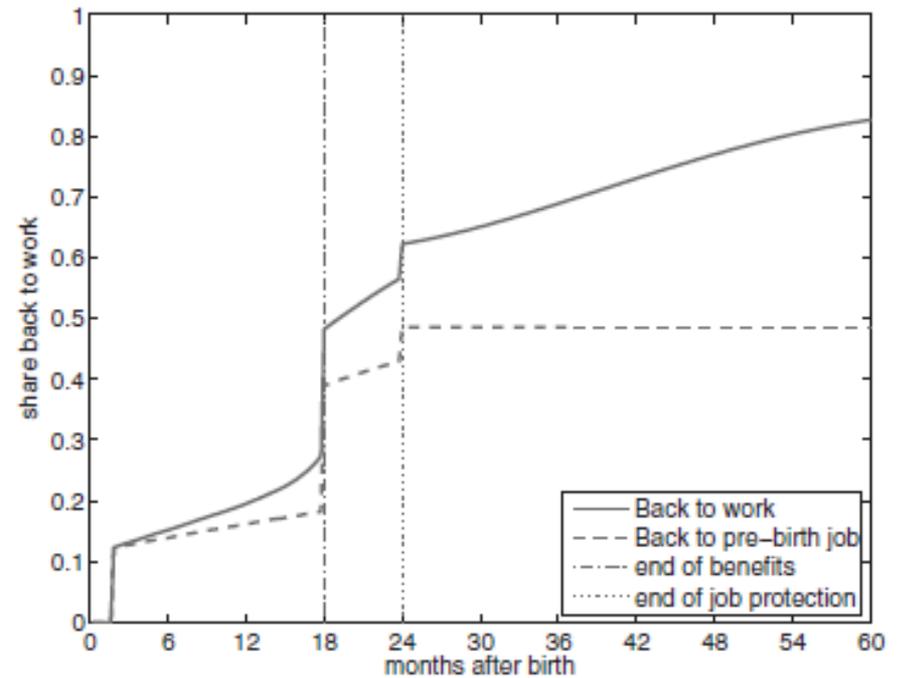
Note: This is the cross sectional return to work profile in the 1996/7 to 2000/6

# Fit

(a) Empirical return to work:



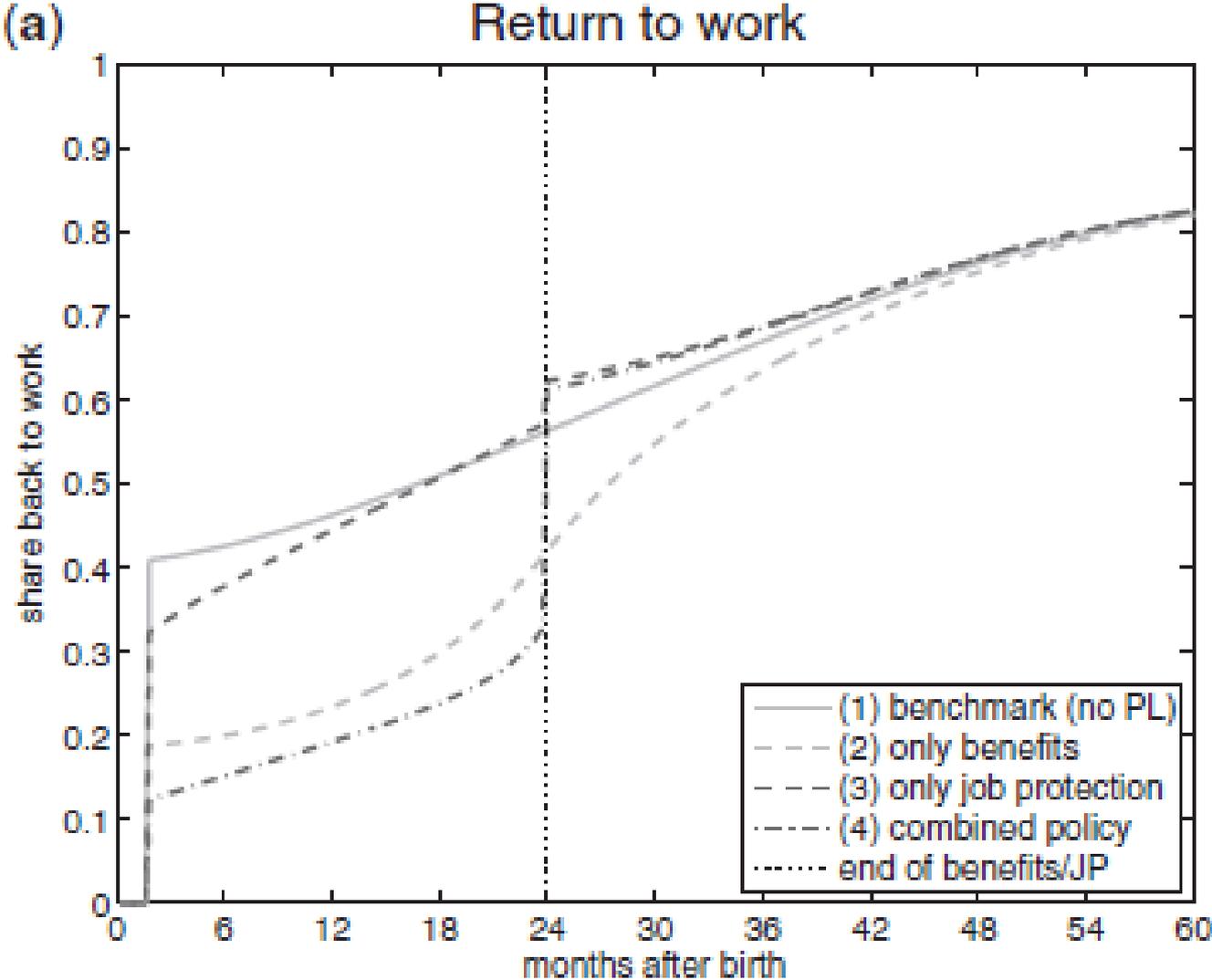
(b) Predicted return to work:



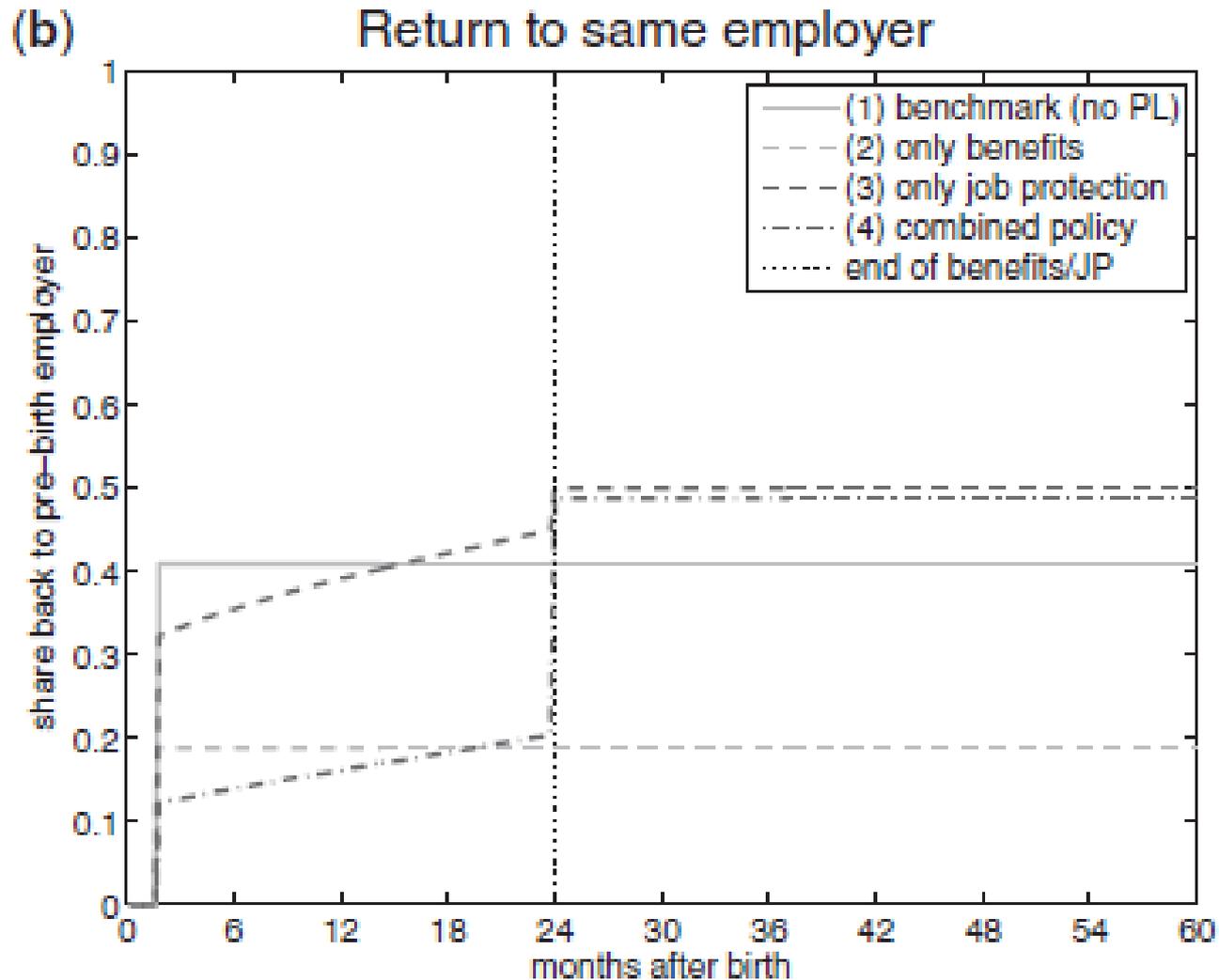
Note: This is the cross sectional return to work profile in the 1996/7 to 2000/6

What Matters?

# Return to work



# Return to Same Employer



# What matters?

- Benefits
    - take-up high but few return to same job
  - Job protection
    - Return to work but take-up is low
  - Benefits and job protection
    - Time for care AND job continuity
- > Both elements complement each other to achieve policy objective

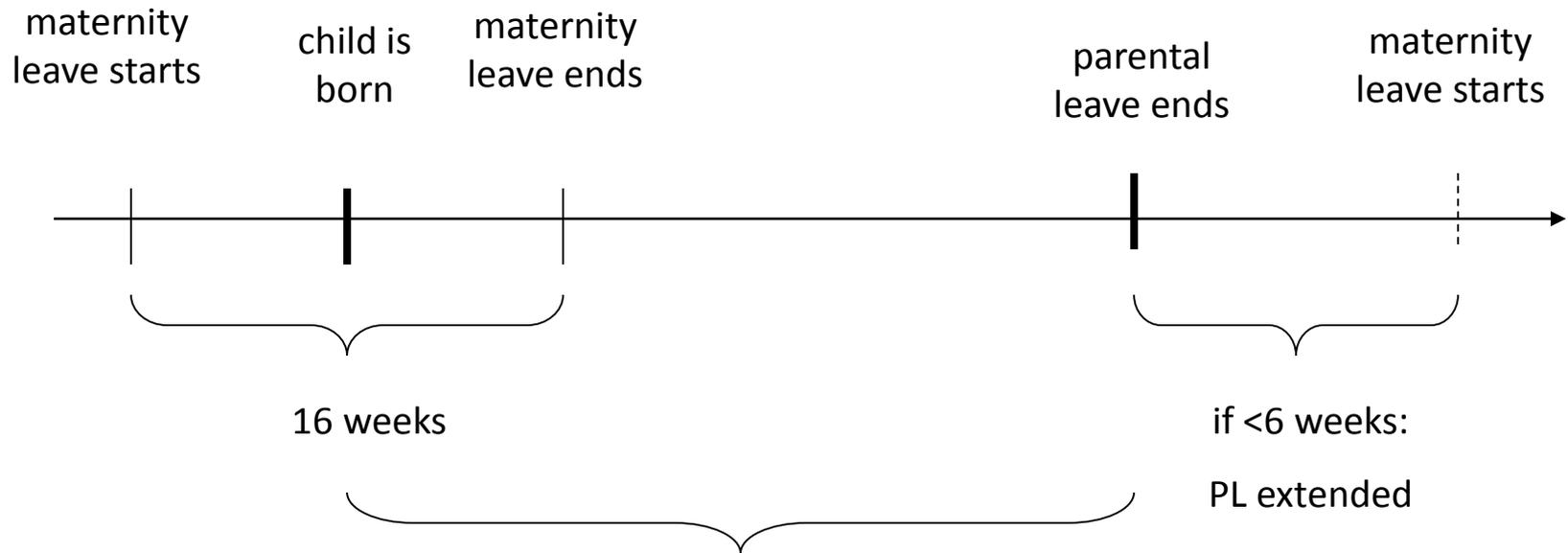
# Parental Leave and Fertility



# Motivation

- Does parental leave reduce the costs of having children?
- Parental Leave
  - facilitates having a child and working
- Focus on second child
  - Automatic renewal
  - Extended leave
- Based on Lalive and Zweimüller, 2009

# Births and Eligibility

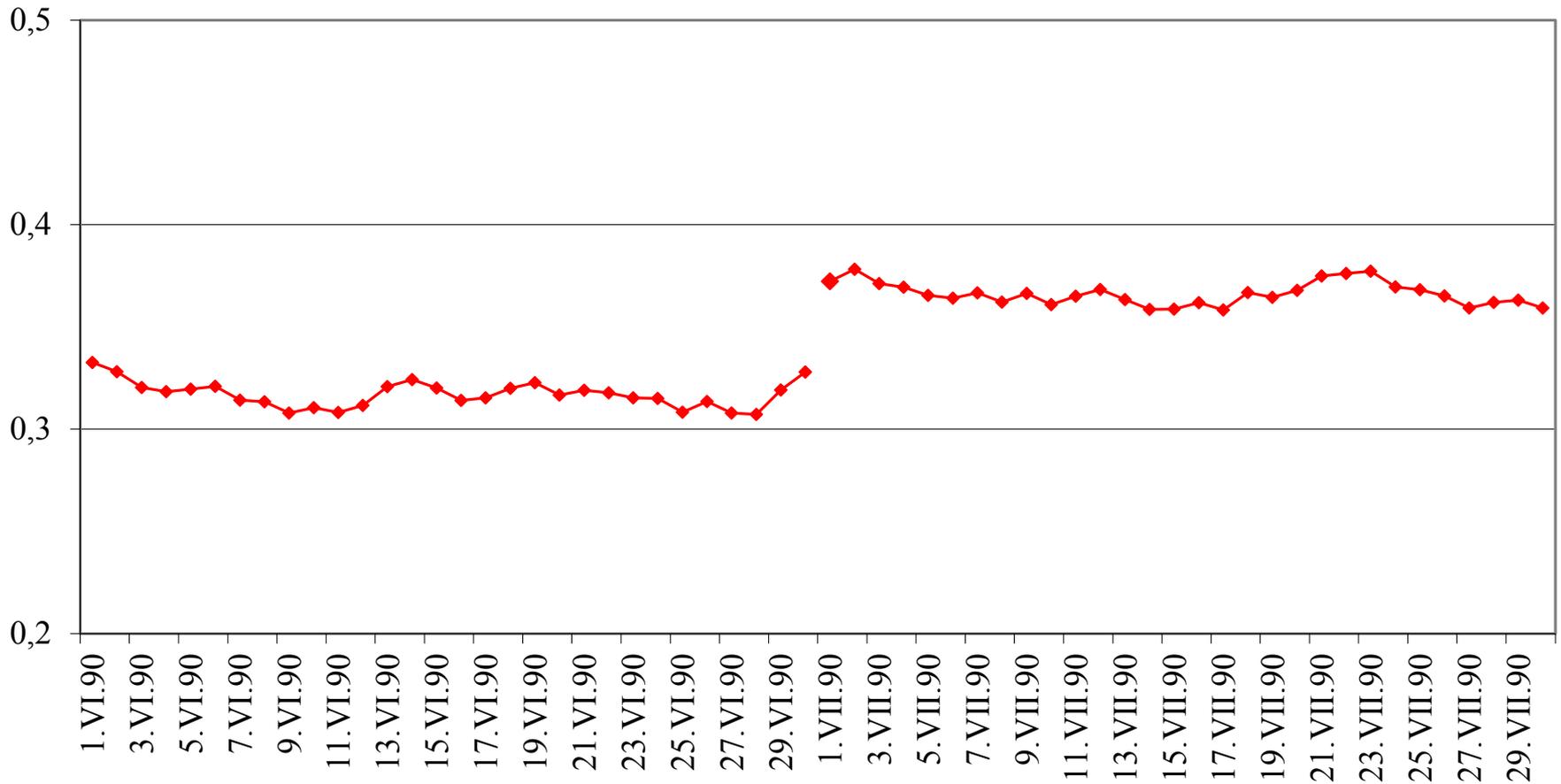


Before July 1990: 12 months

July 1990-June 1996: 24 months

After July 1996: 18 months

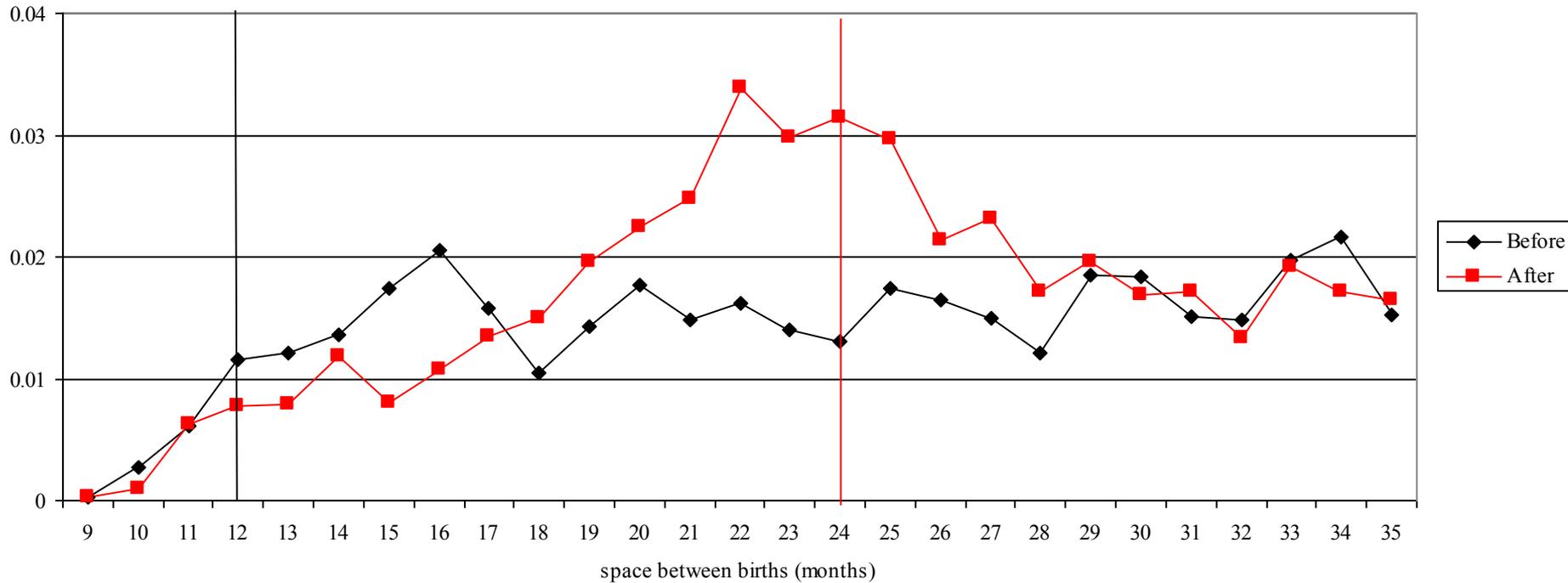
# The Effect on Fertility



Note: This figure shows the probability of having a second child within three years by date of birth of the first child. Moving average (backwards in June, forward in July) 26

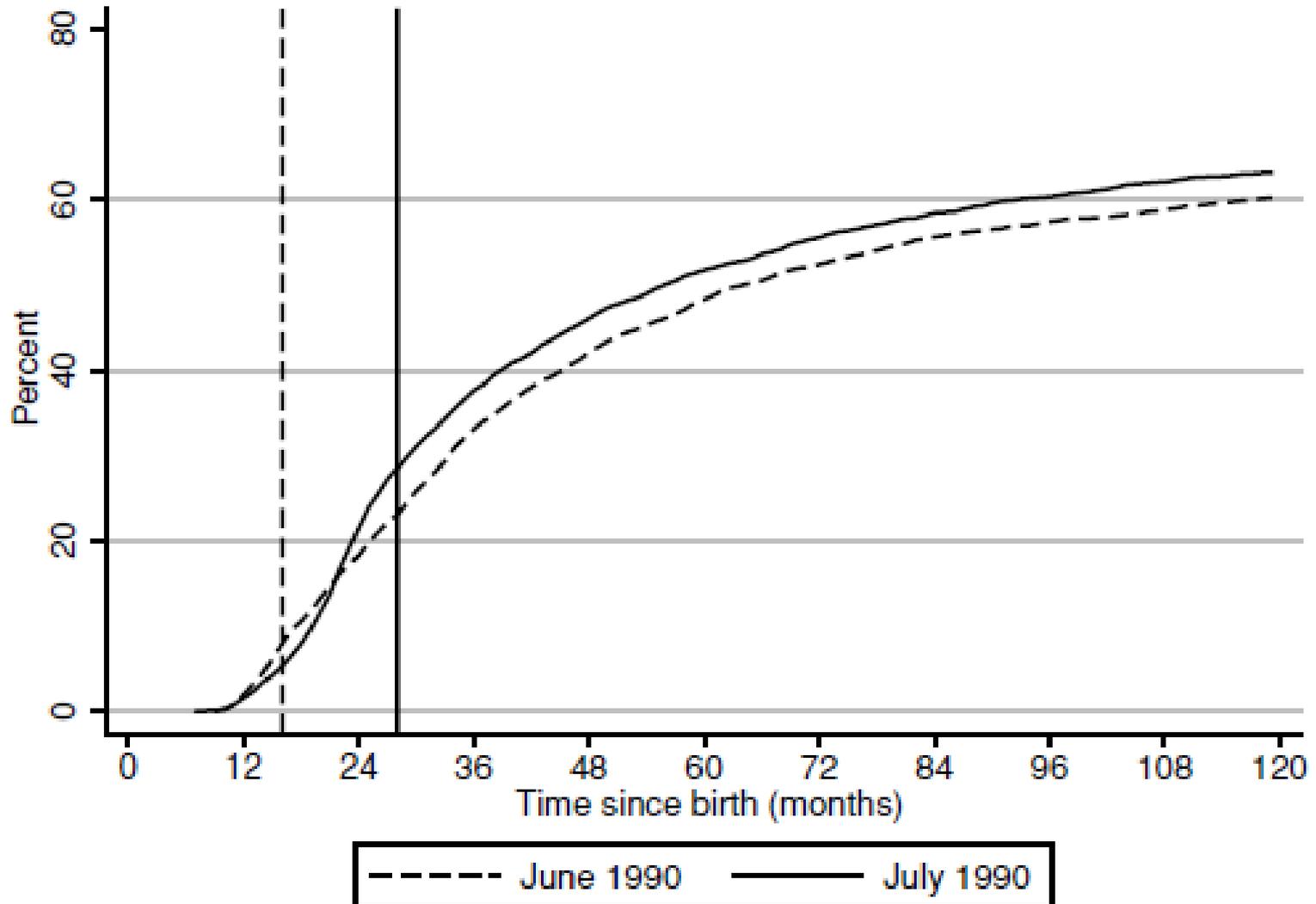
# New Children Born (since previous birth)

Figure 5:  
The Additional Child Hazard when Parental Leave is Extended



# Long-run effect

(% with second child)



# Leave reserved to fathers

- Several countries provide paternity leave
- "Daddy months" may foster attachment to child
- Tentative evidence
  - Sweden, Ekberg et al. 2013: no evidence
  - Germany, Bünning (2015): men with long leaves work more in the household

# Family Leave - Summary

- Parental leave
  - Time for care of newborn
  - Return to previous job
  - No incremental labor market penalty
  - Fertility higher
  - Possibly imposes a cost on firms and new hires
- But the scheme does not
  - generate similar careers between fathers and mothers
  - ensure comprehensive return to work

# Child-Care



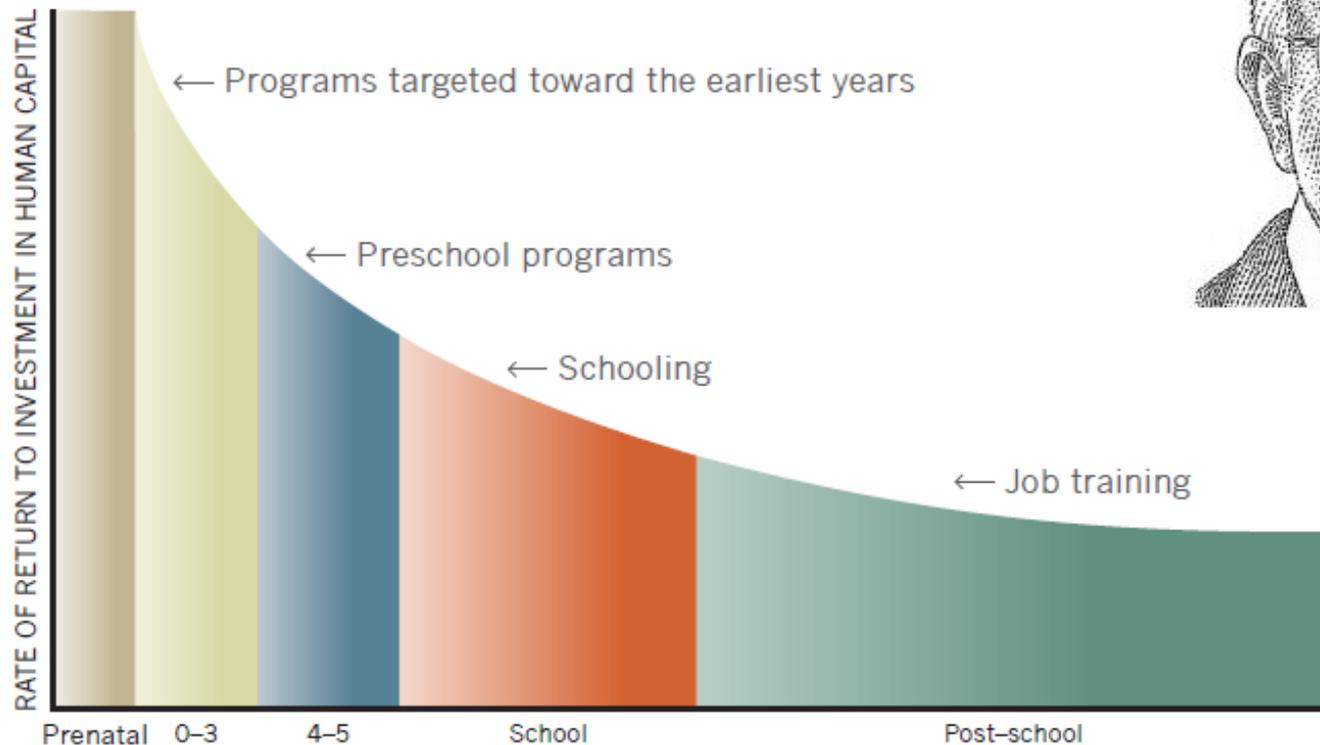
# Objectives

- Child-care offers care to young children
- Valuable to working parents (can continue job)
- Pre-school experience for children
- May affect
  - Child-development
  - Labor force attachment
  - Fertility (through better work life balance)

# Why invest in early childhood?



## Returns to a Unit Dollar Invested

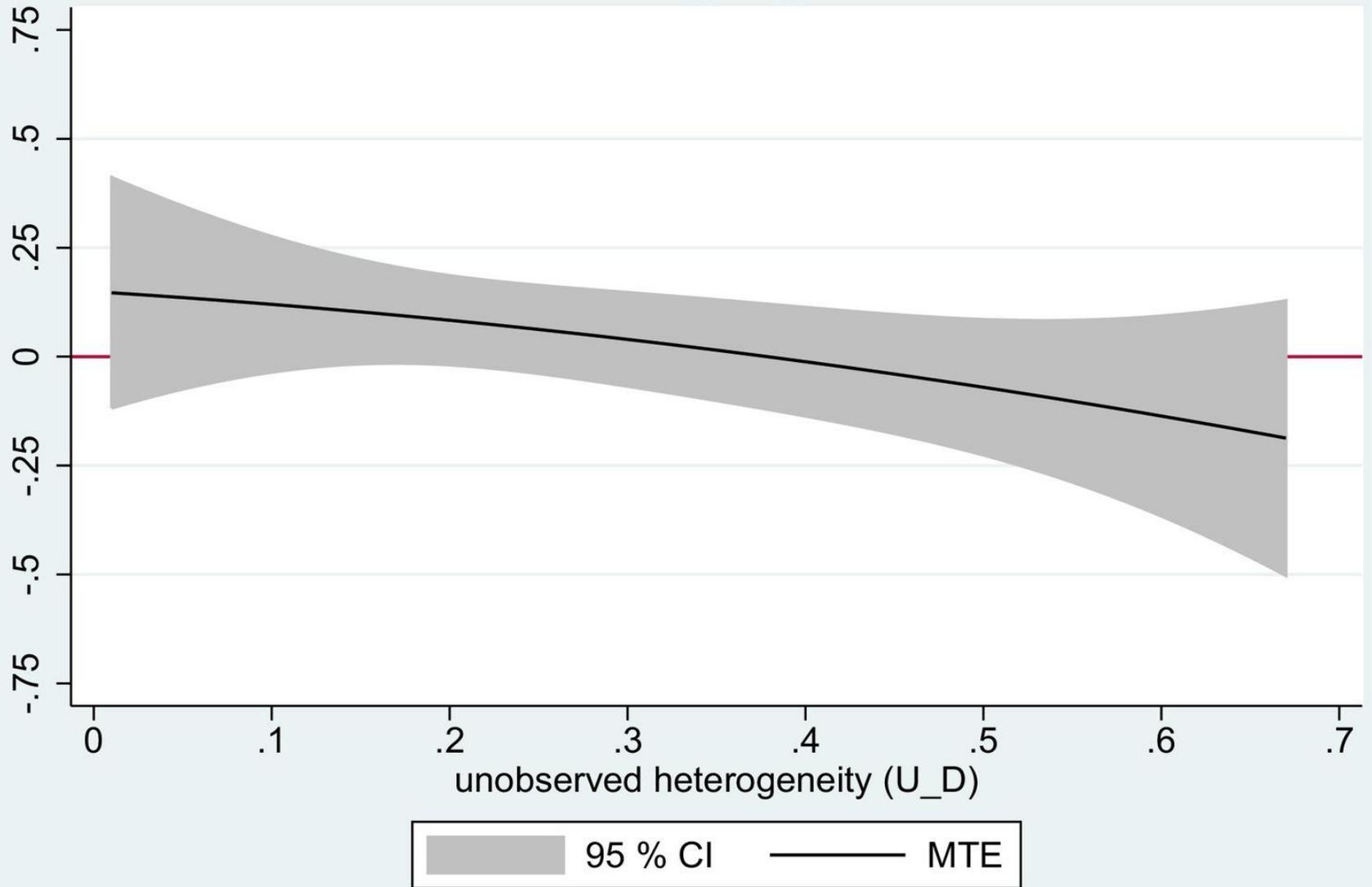


Heckman, James J. (2008). "Schools, Skills and Synapses," *Economic Inquiry*, 46(3): 289-324

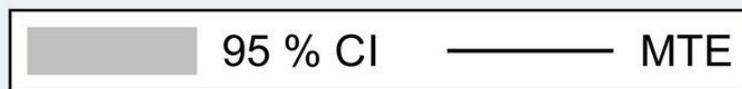
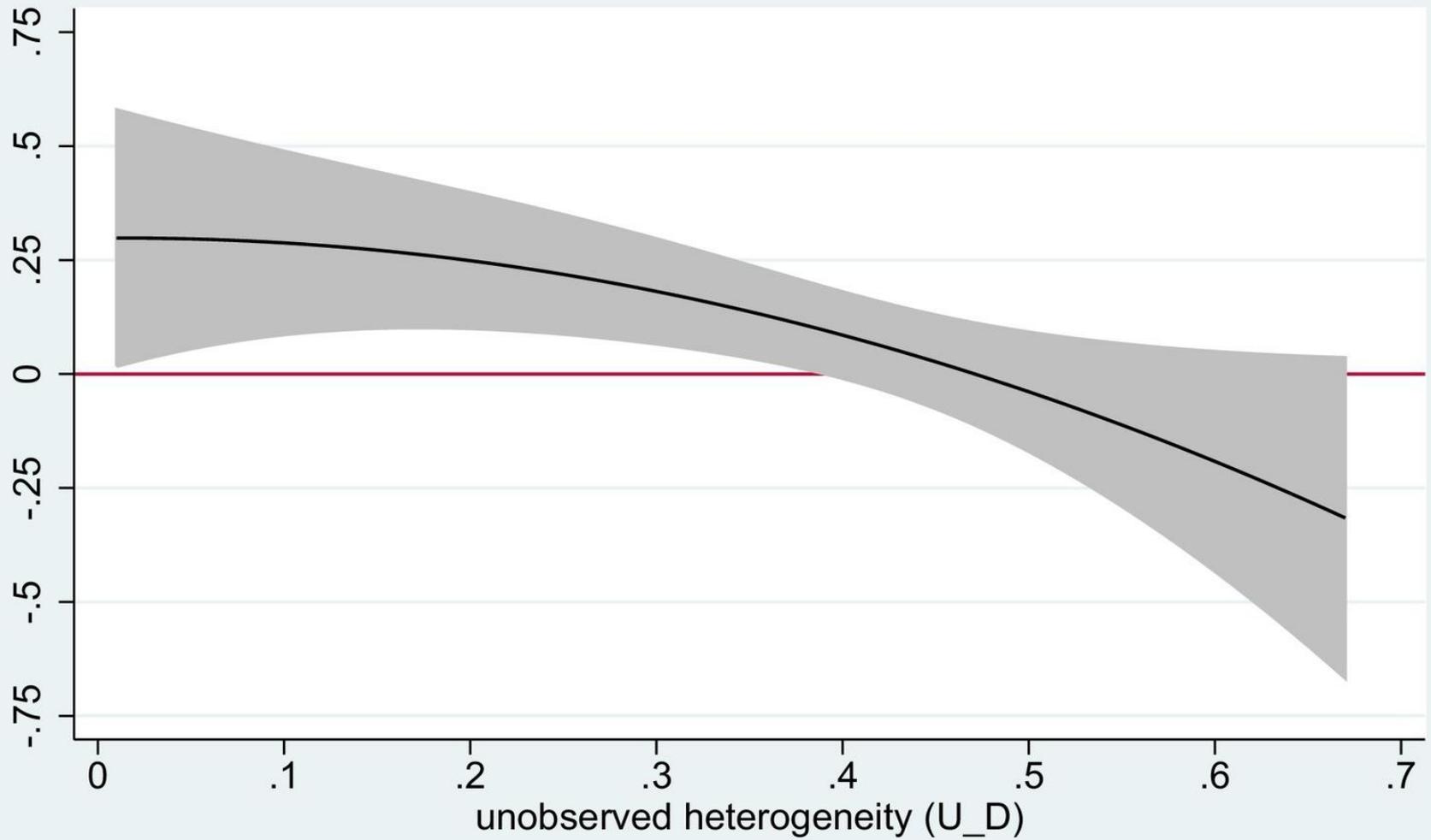
# Child-development (Felfe and Lalive, 2018)

- Child-development
  - Language, Motor, Socio-Emotional Skills
- Germany
  - Expansion of child care
  - Some children "easily" get in, some only when child-care expands
- How does attending child care affect child development?

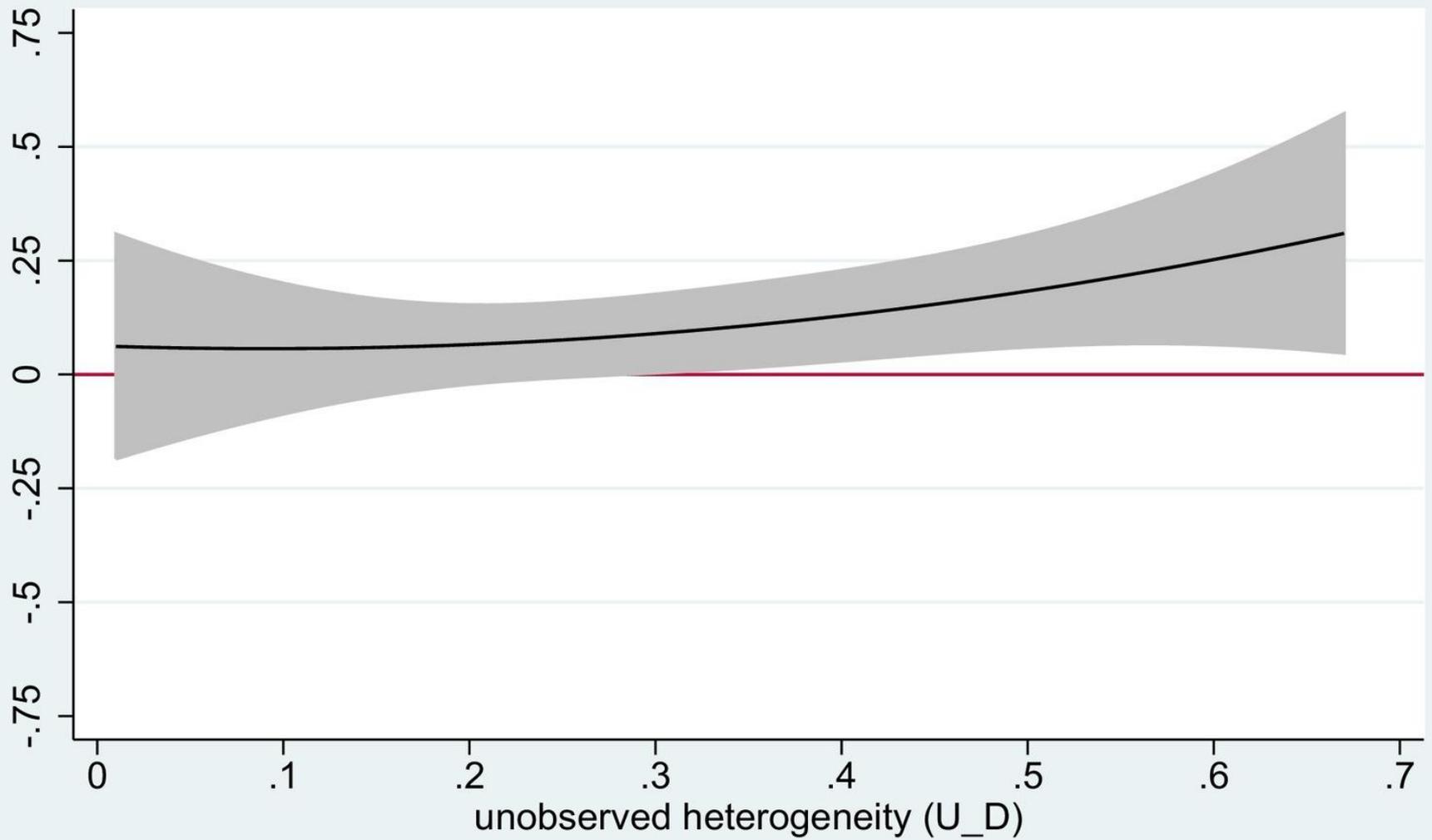
# Language



# Motor



# SocioEmotional



95 % CI MTE

# The Great German Expansion

(Bauernschuster et al. 2020)

- Child-care expansion in Germany
  - from 2005 to 2012
  - guaranteed place by 2012
  - expansion differs by region
- Effects on
  - fertility and
  - labor supply

# Fertility

## (by time since expansion)

Bauernschuster, Hener, and Rainer Child Care and Fertility

997

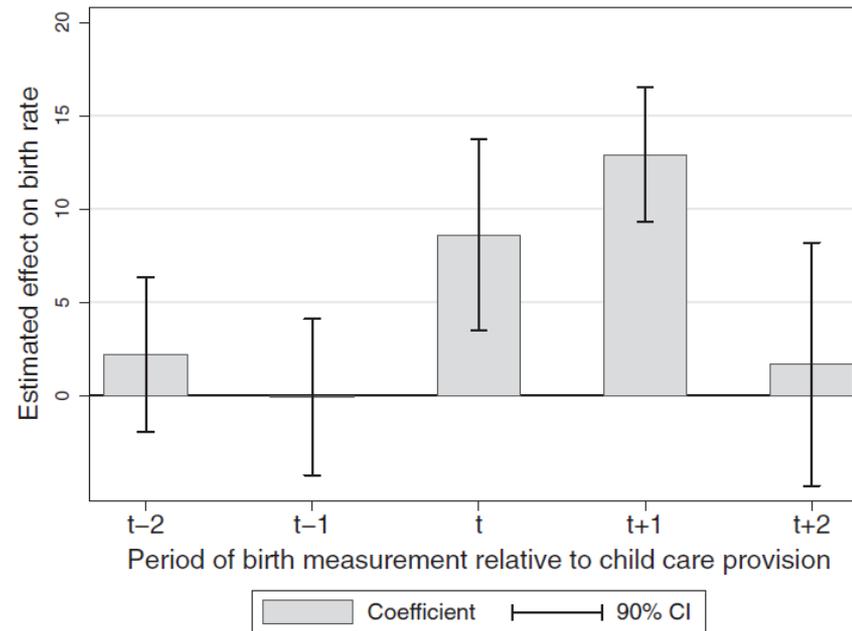
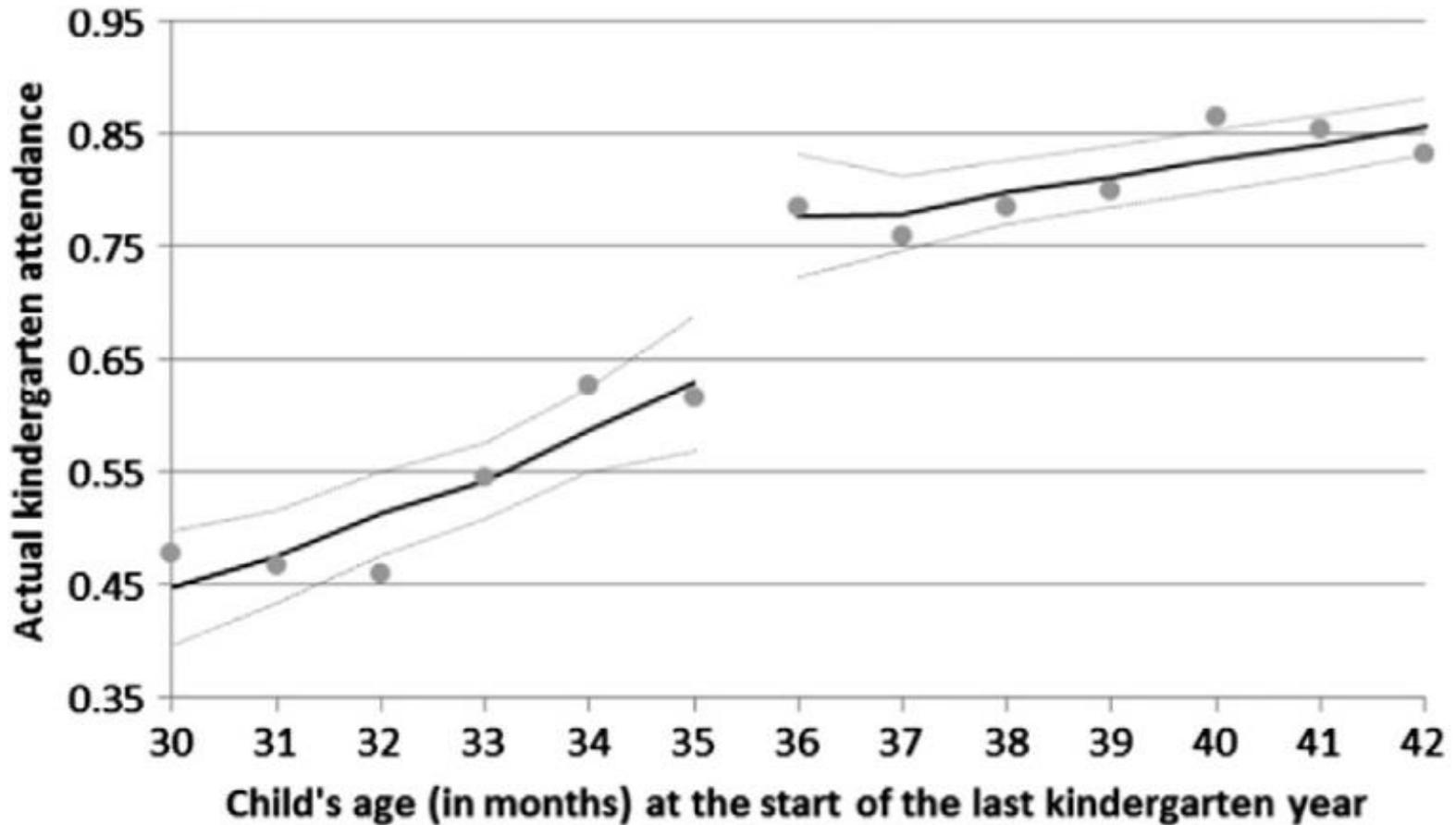
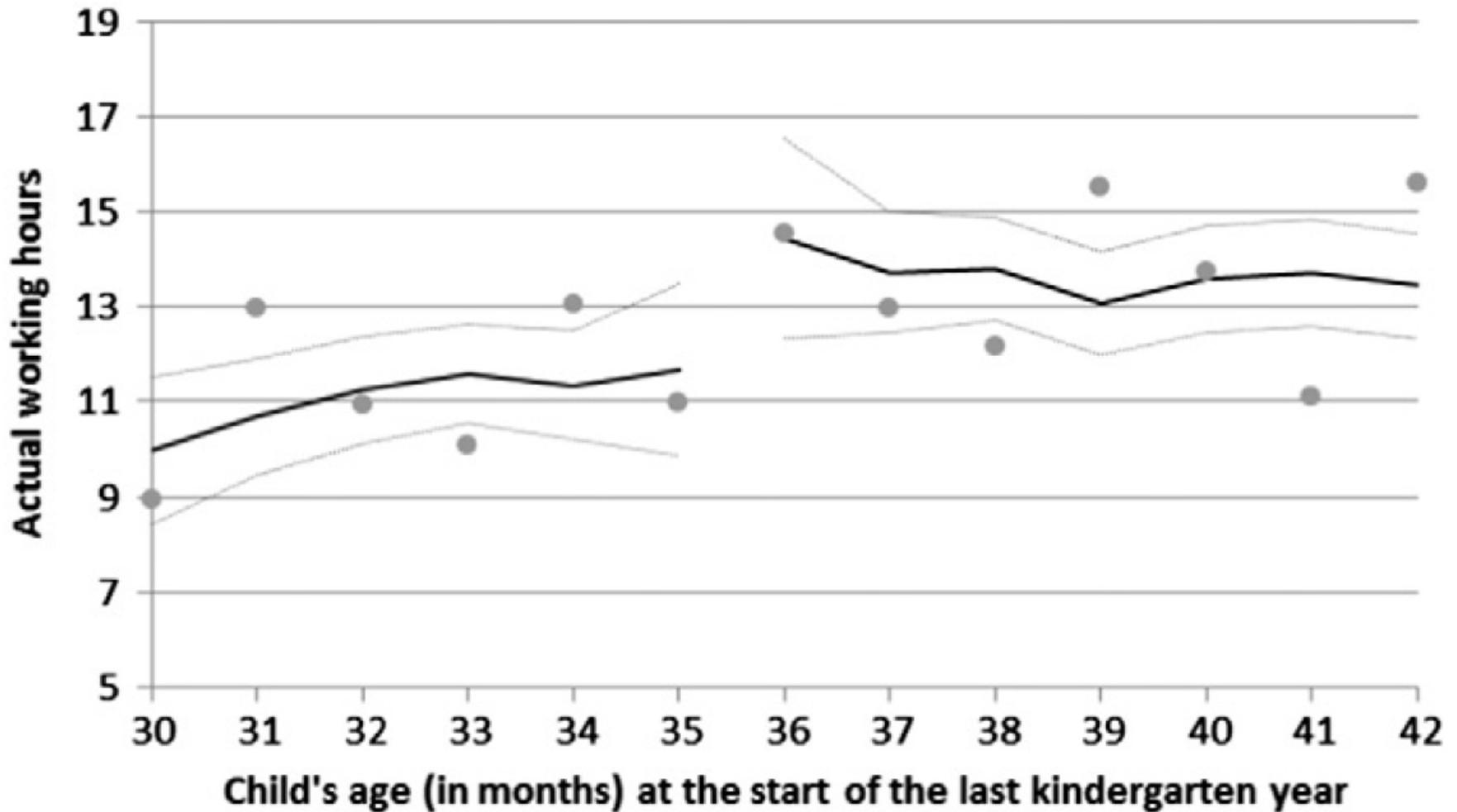


FIGURE 5. Timing of the dependent variable. The bars indicate the effect of child care coverage in period  $t$  on births per 1,000 women in the period according to the  $x$ -axis. Horizontal lines indicate 90% confidence intervals. All five regressions are independently estimated using the generalized DID approach. Control variables including child care coverage are lagged by one year and are included in period  $x - 1$ . Only for  $x - 1 = t$  the control variable child care coverage is identical to the variable of interest child care coverage in period  $t$ .

# Children in Kindergarten

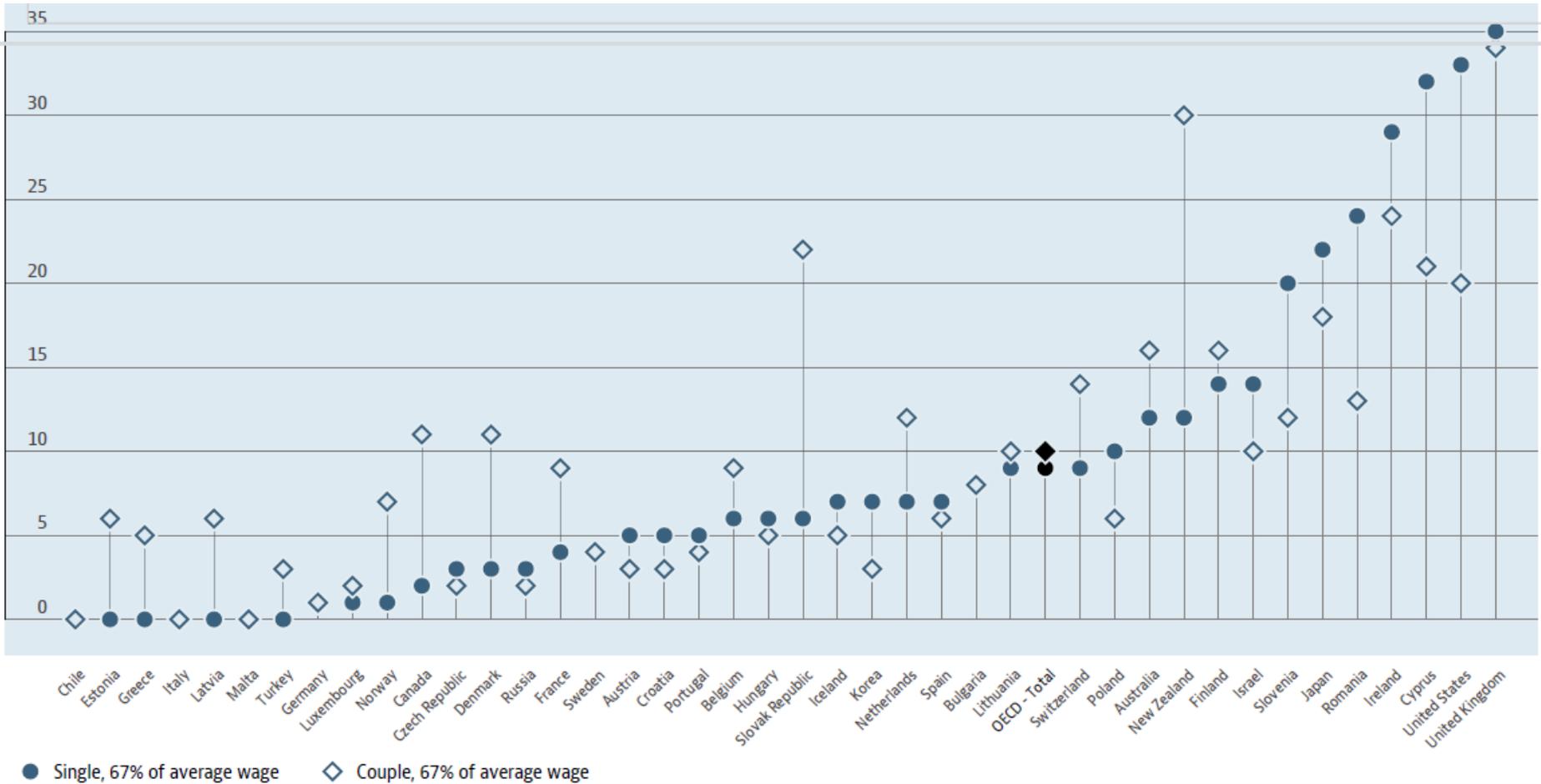


# Weekly work hours of mother



# Policy Challenge

## Net childcare costs



# Child care - Summary

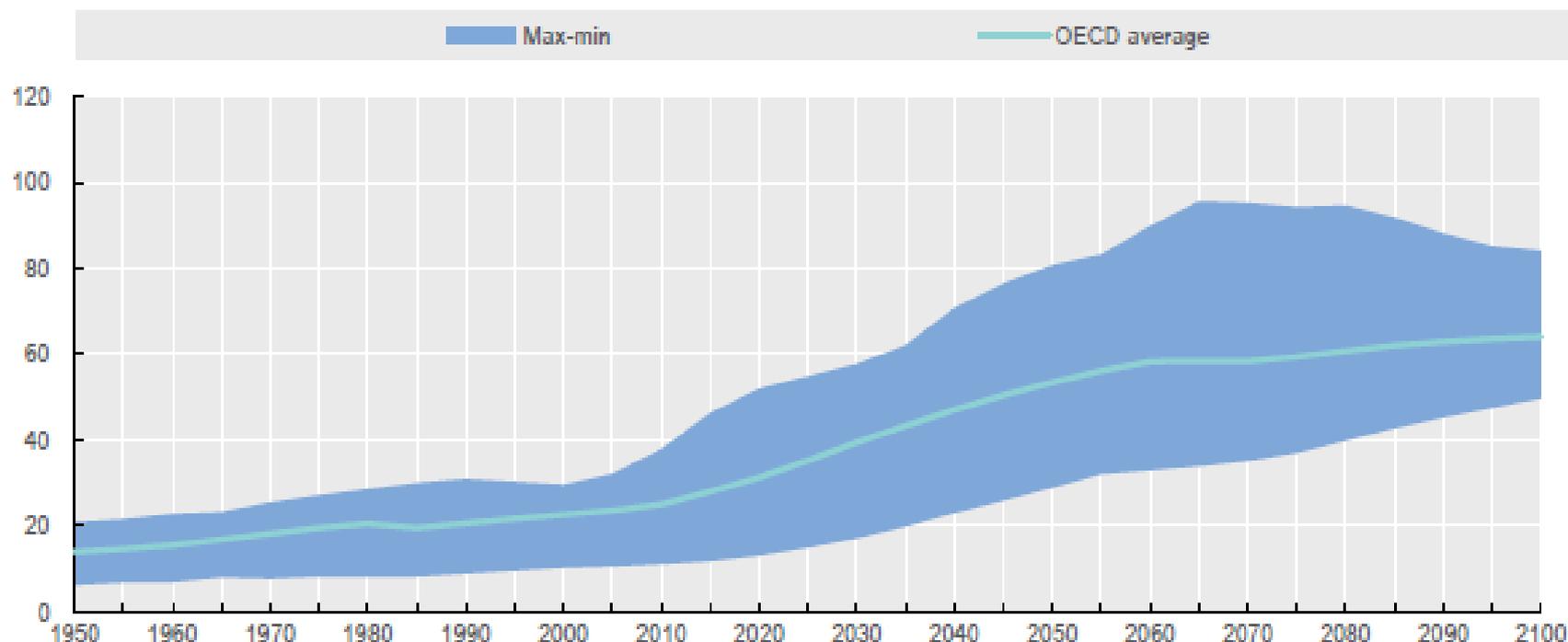
- Expanding child-care improves socio-emotional skills
- Child-care crucial for better work-life balance
- Both short-term, and long-term increases in productivity

# Pensions



# Workers and Pensioners

**Figure 1.1. The rise in the old-age to working-age ratio is accelerating**  
Number of people older than 65 years per 100 people of working age (20-64), 1950-2100



Note: The centre line is the OECD average old-age to working-age ratio. The shaded area indicates the range between the country with the lowest old-age to working-age ratio and the country with the highest old-age to working-age ratio.

Source: United Nations World Population Prospects: The 2019 Revision.

# Questions

- Pensions become unsustainable
- How can we reform the pension system?
- How are people affected by these changes?

# A Swiss Design

Raising the Full Retirement Age for Women  
(Lalive et al. 2020)

Figure: 1997 Reform Cohorts

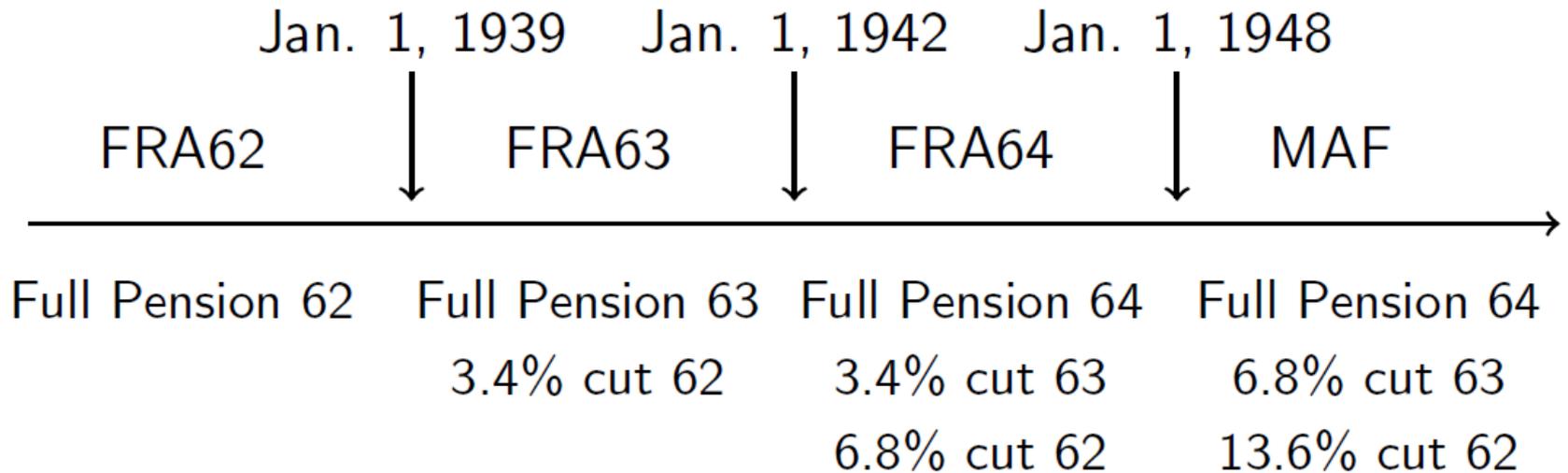


Figure: How the Reform Affects Social Security Wealth

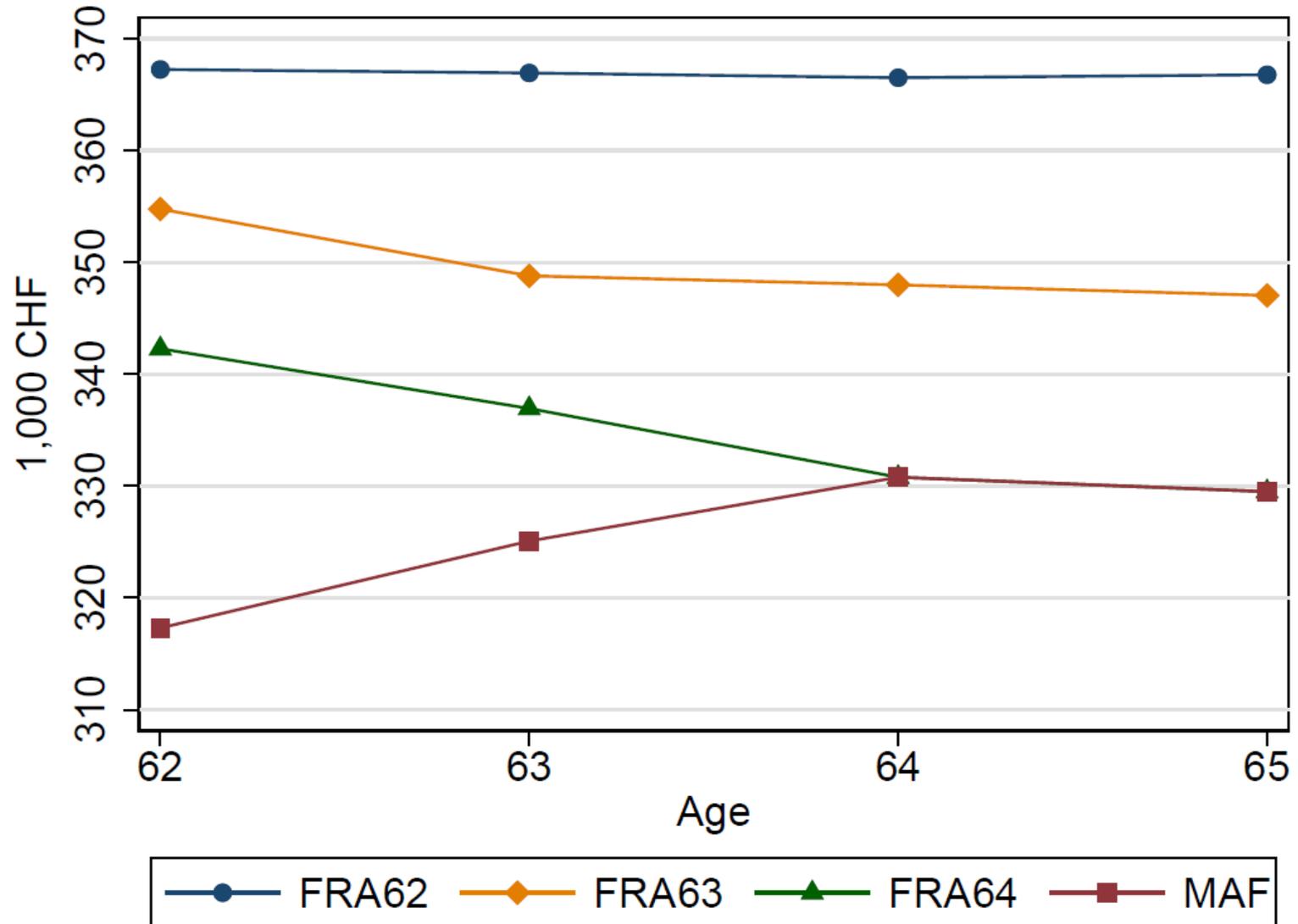
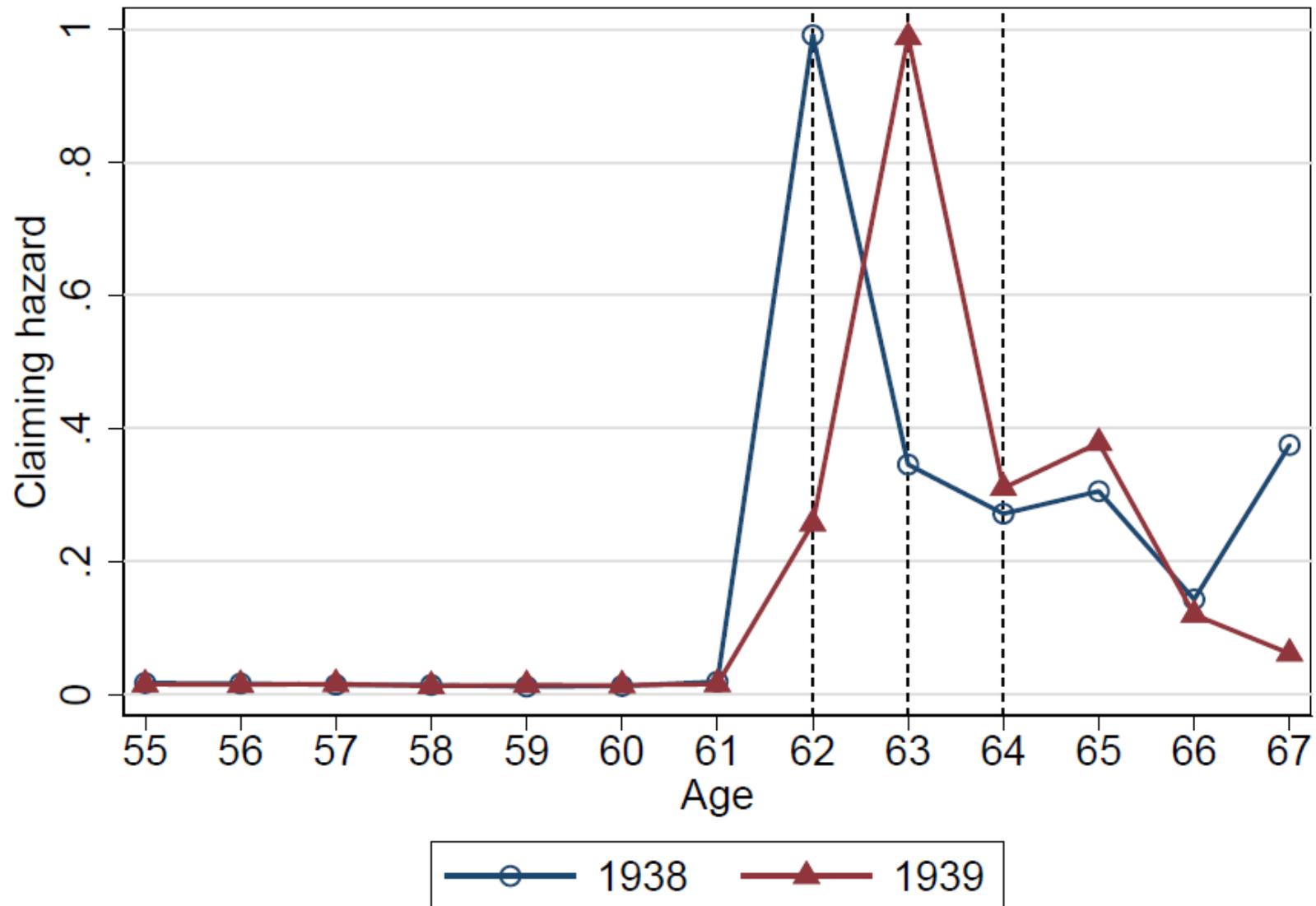
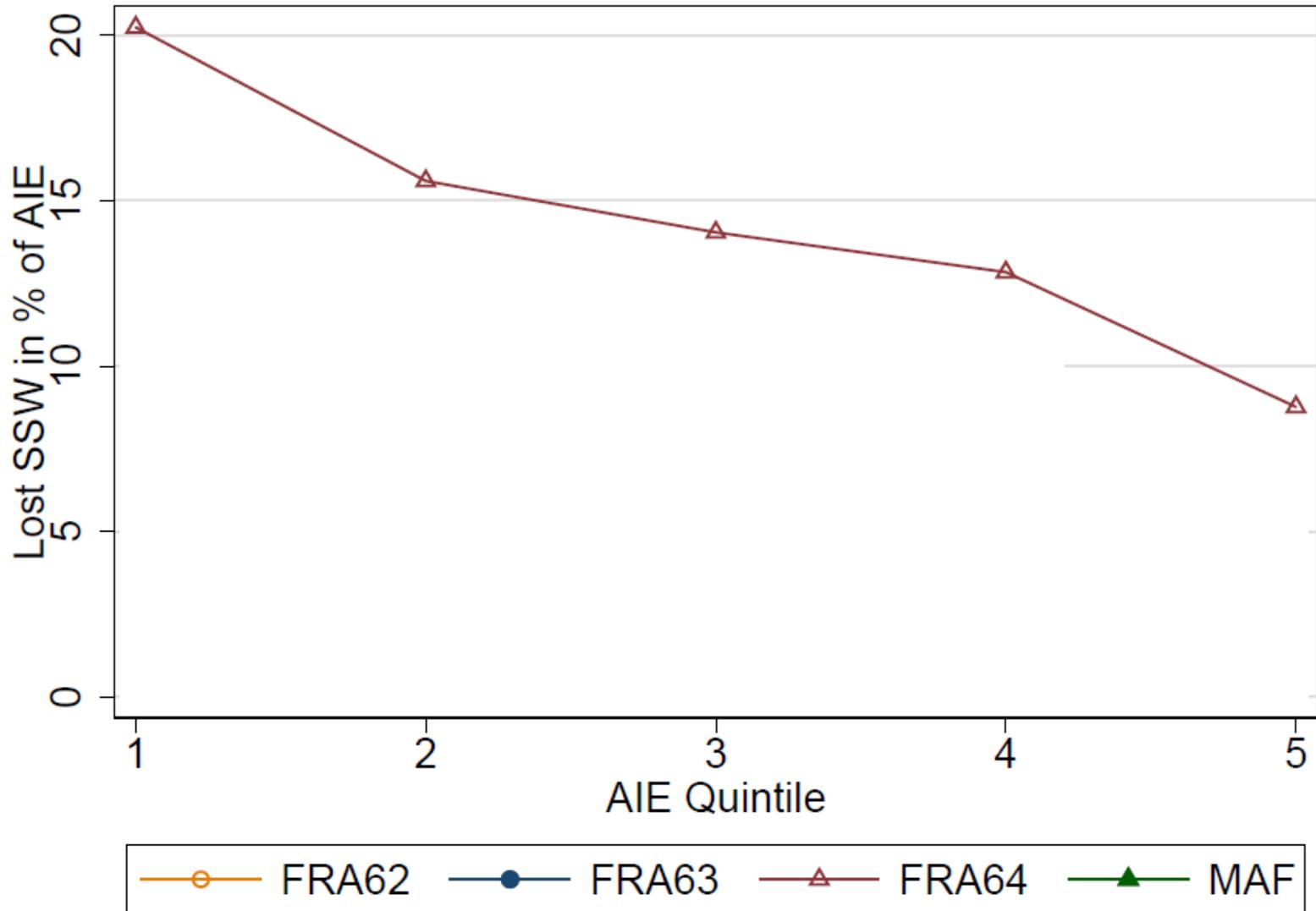


Figure: Effect on Pension Claiming Hazard



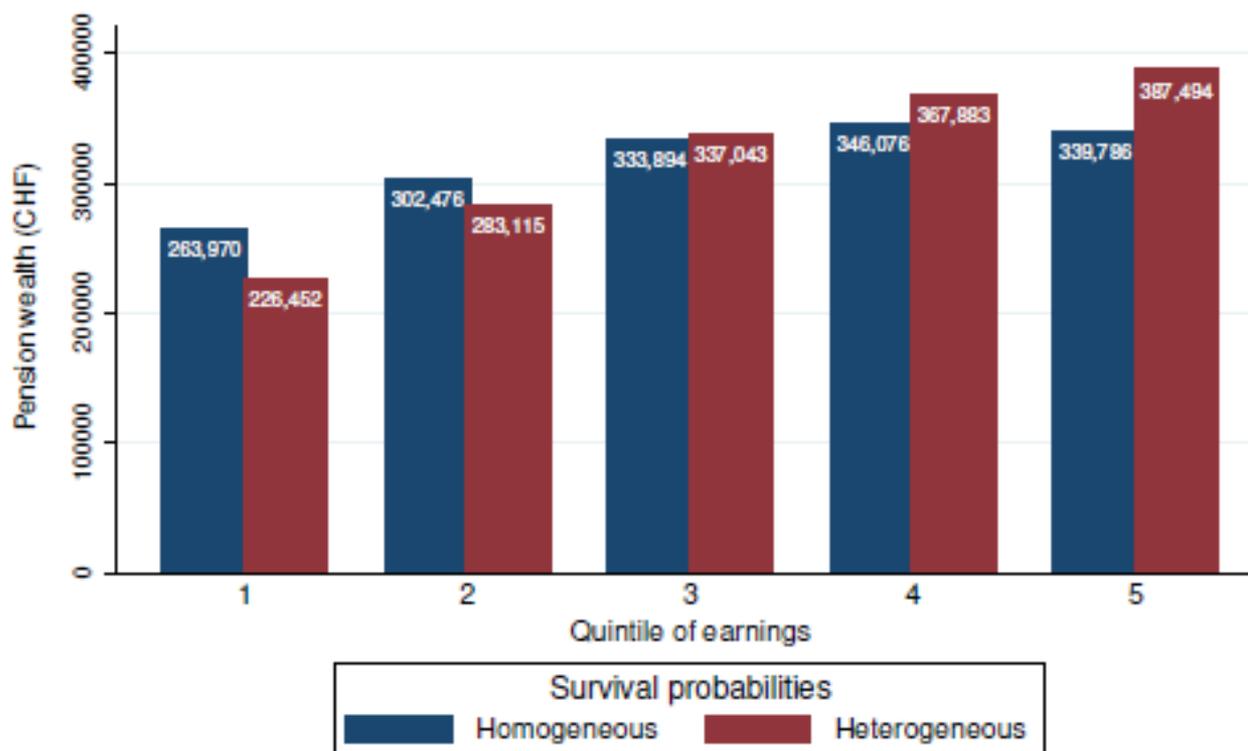
# Unequal losses in SSW



# Inequality in Pension Wealth

(Maxime Moix, 2020)

Figure 2: Mean pension wealth at age 60 for men born in 1940



Notes: This figure shows mean pension wealth at age 60 calculated using our main measure, which is based on the benefit at the claiming age only. The interest rate  $i$  is set to 2%. Because the month of birth of individuals is taken into account in the computation, these measures can be thought of as reflecting pension wealth for individuals born mid-year. Left bars provide results assuming that survival probabilities do not depend on earnings, while right bars provide results assuming that they do.

# Pension Reforms - Summary

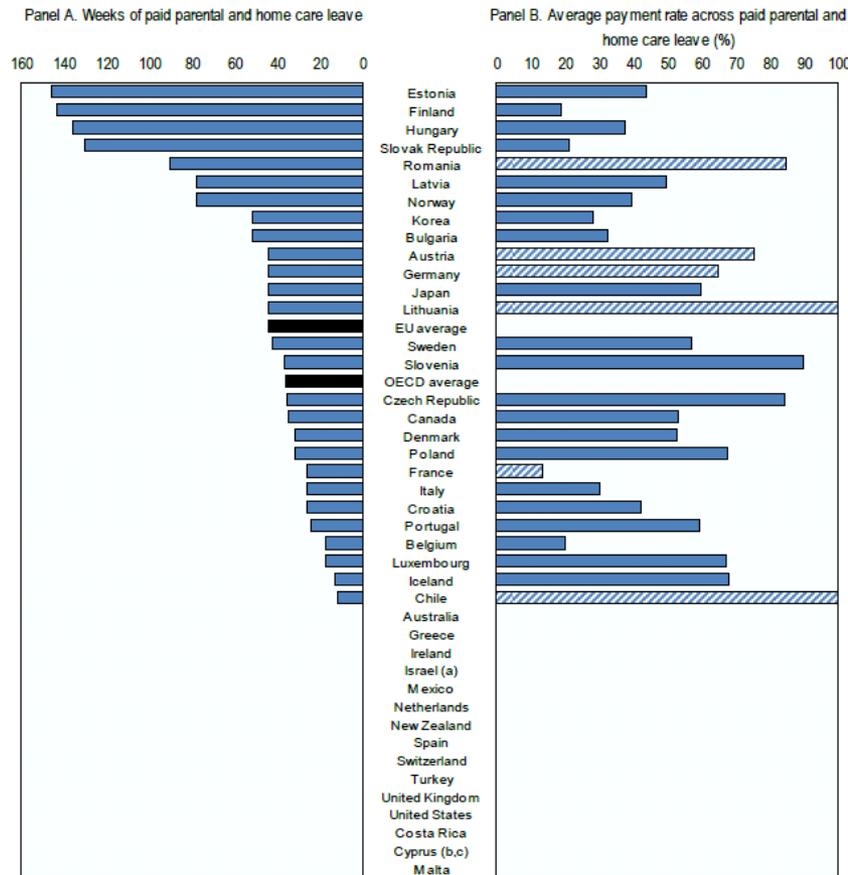
- Financial incentive weaker than statutory age effects
- Substantial proportion of the population acts "passive"
- Pensions amplify inequality in life-time wealth

# Demand for social insurance

# Parental Leave for Mothers vs Fathers

**Chart PF2.1.B. Paid parental and home care leave available to mothers**

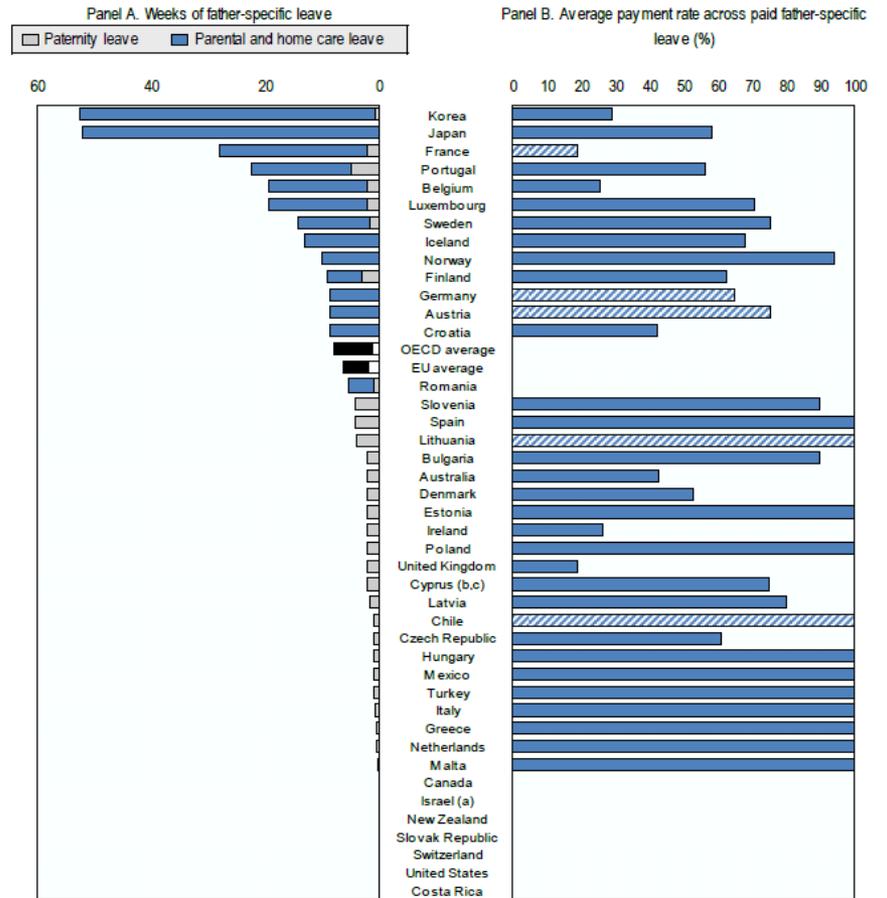
Duration of paid parental and home care leave available to mothers, and the average payment rate across paid parental and home care leave available to mothers for an individual on national average earnings, 2018



Note: Striped bars indicates payment rates based on net earnings. Data for Chile and Costa Rica refer to 2017. See notes to Table PF2.1.A. a. See note a. to Table PF2.1.A. b. See note b. to Table PF2.1.A. c. See note c. to Table PF2.1.A. Source: See tables PF2.1.C-PF2.1.E.

**Chart PF2.1.C. Paid leave reserved for fathers**

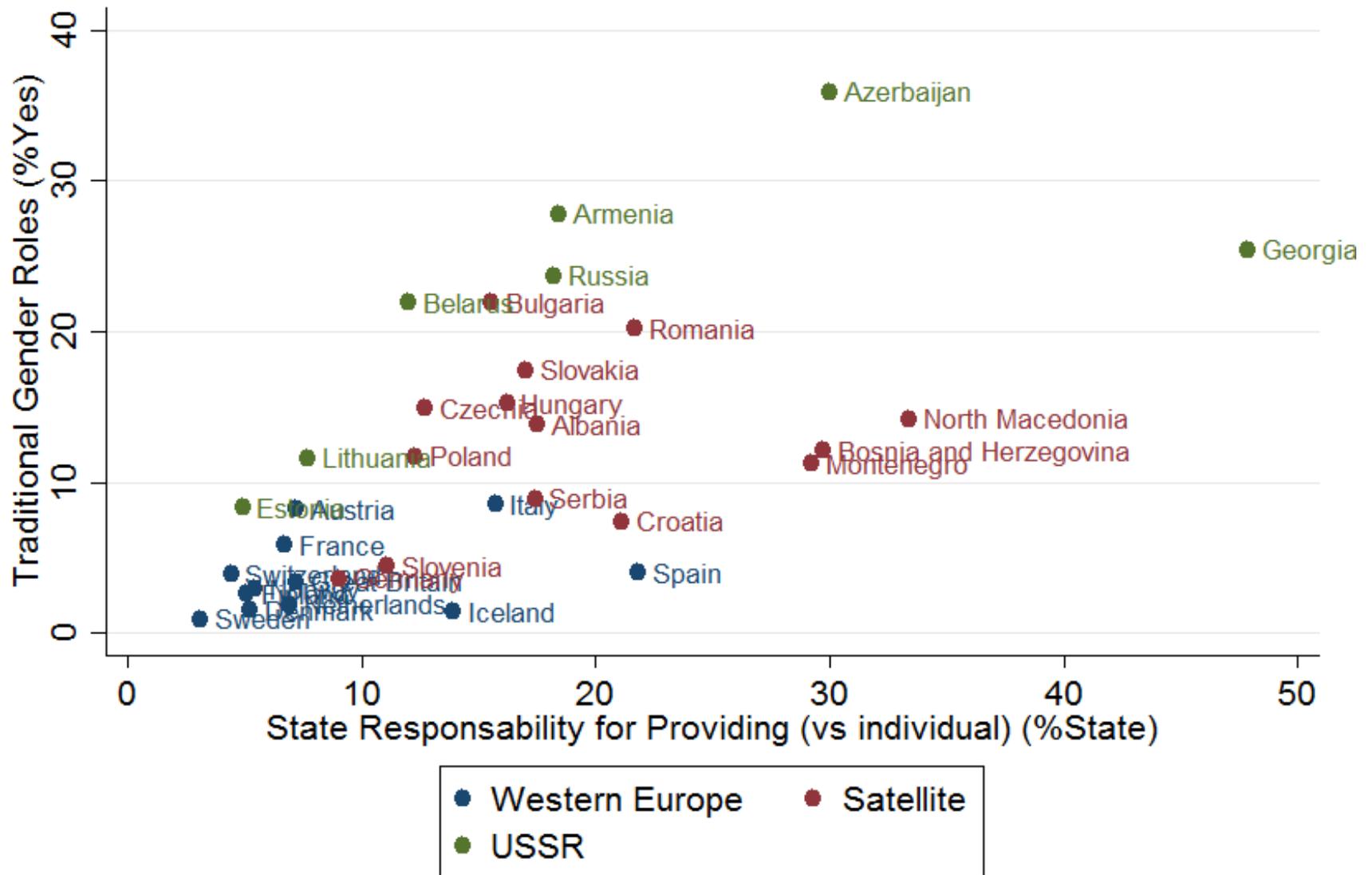
Duration of paid paternity leave and paid father-specific parental and home care leave in weeks, and the average payment rate across paid paternity and father-specific leave for an individual on national average earnings, 2018



Note: Striped bars indicates payment rates based on net earnings. Data for Chile and Costa Rica refer to 2017. See notes to Table PF2.1.B. a. See note a. to Table PF2.1.A. b. See note b. to Table PF2.1.A. c. See note c. to Table PF2.1.A. Source: See tables PF2.1.C-PF2.1.E.

# Why this variety in policies?

- History
  - Who is responsible for providing?
    - State vs individual
    - Soviet Union
- Culture
  - Traditional Gender roles
    - Men at work, women in household
    - Child suffers if mother works



Source: European Values Survey 2017, own calculations.

# Determinants of Social Insurance

## Culture vs Economy

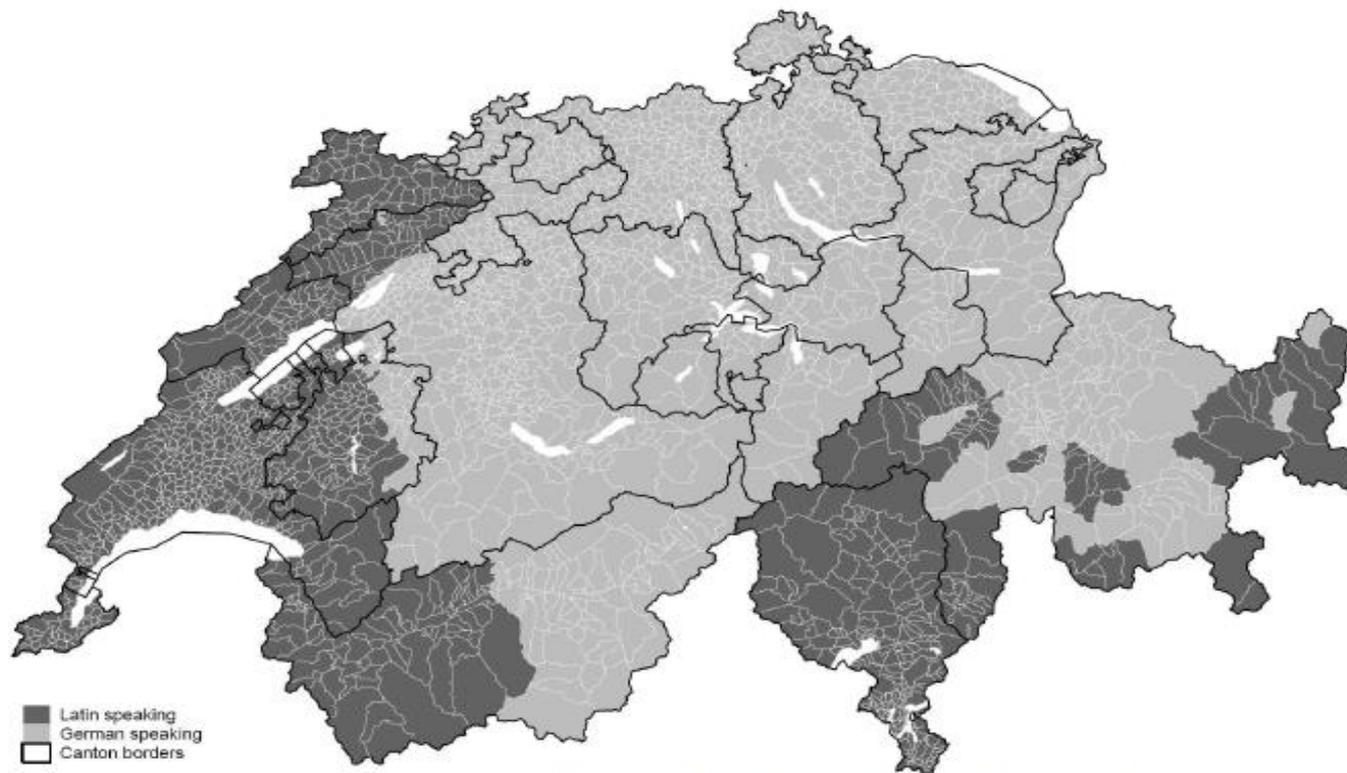
	parents	father	participat~n
gender roles	18.425* (7.519)	-1.518* (0.680)	0.856 (0.717)
lgdp	30.993 (26.856)	-2.008 (4.123)	7.108*** (1.600)
satellite	97.897 (114.410)	-4.703 (17.785)	-15.122 (8.651)
urss	170.747 (159.880)	1.935 (20.844)	-13.245 (8.206)
Constant	-783.120 (720.128)	88.882 (115.629)	-161.854** (42.212)
R-squared	0.303	0.118	0.322
N	31	29	23

\* p<0.05, \*\* p<0.01, \*\*\* p<0.001

# The Swiss language border

(Eugster et al. 2020)

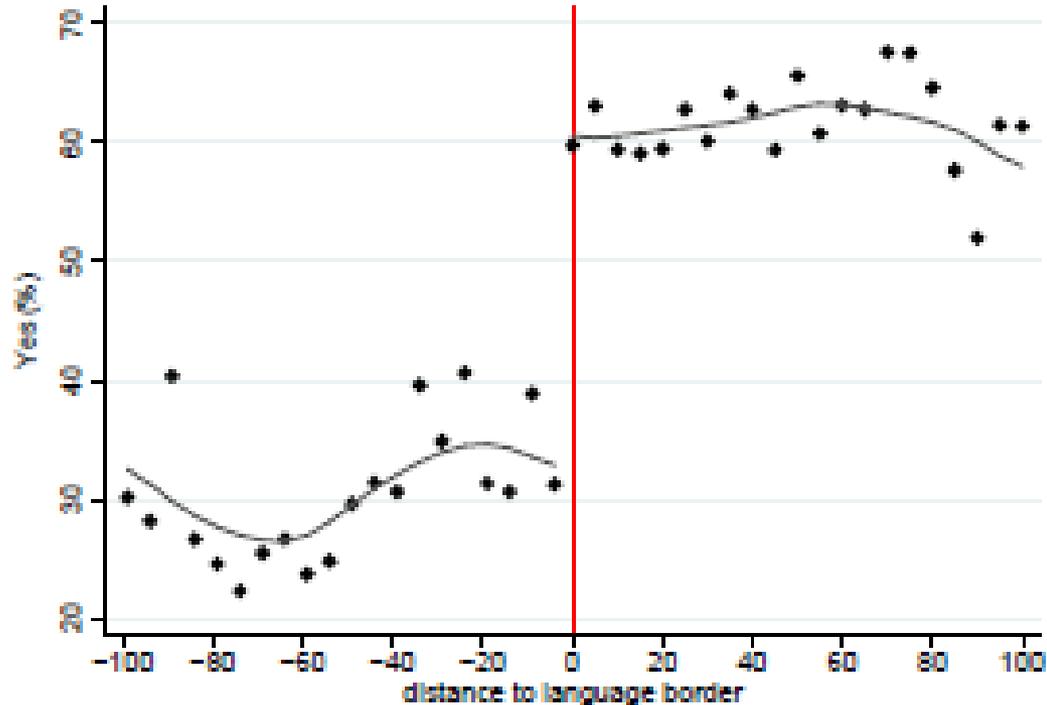
Figure 2: Majority language, by community



Notes: Language regions in Switzerland by the Swiss population census 2000.

# Votes for Maternity Leave

(in Switzerland)

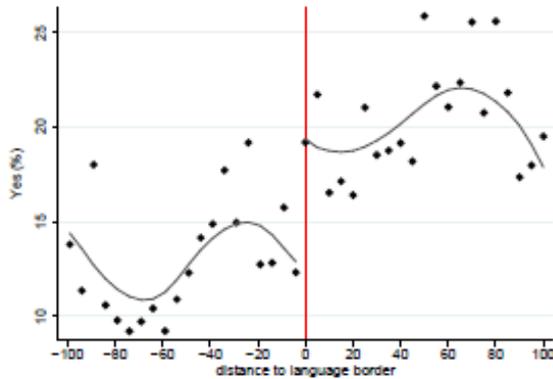


Notes: These graphs show the percentage in favor of a 1999 proposal to maternity leave as a function of distance to language border. 0= language border, positive = French speaking areas, negative = German speaking areas. All votes show larger support for the policy at the language border.

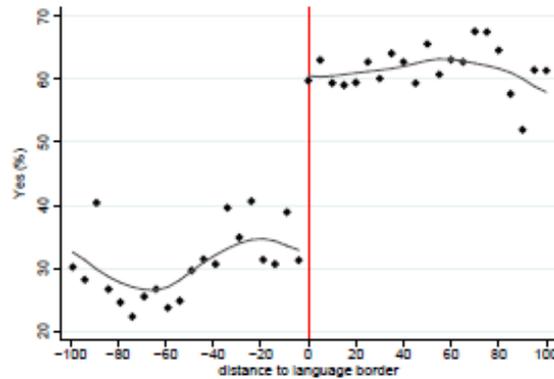
# Votes for Maternity Leave

## C. Maternity Leave

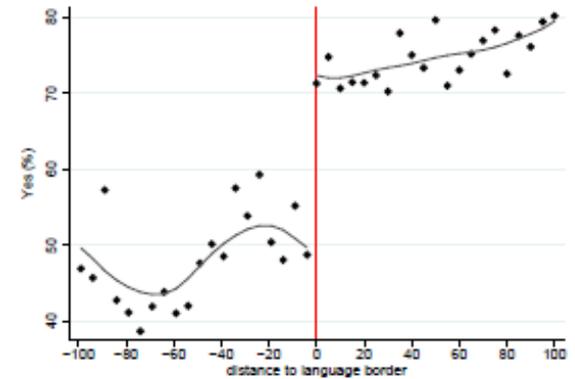
a. Introduce (1984)



b. Introduce (1999)



c. Introduce (2007)



Notes: These graphs show the percentage in favor of three proposals to introduce maternity leave (the last one was successful) as a function of distance to language border. 0= language border, positive = French speaking areas, negative = German speaking areas. All votes show larger support for the policy at the language border.

# Role of culture

- Demand for social insurance varies
- Different attitudes, different funding
- Policies designed within socio-cultural context
- Some-times it takes time to change

# Concluding remarks

- Family policy works
  - (Because markets sometimes do not)
  - Generates time for care, and time for work
  - Crucial for work-life balance
  - Can not assume people understand all details (e.g. pensions)
- Policies are set within a cultural context
  - Changes may be (very) slow, then (very) fast

Thanks

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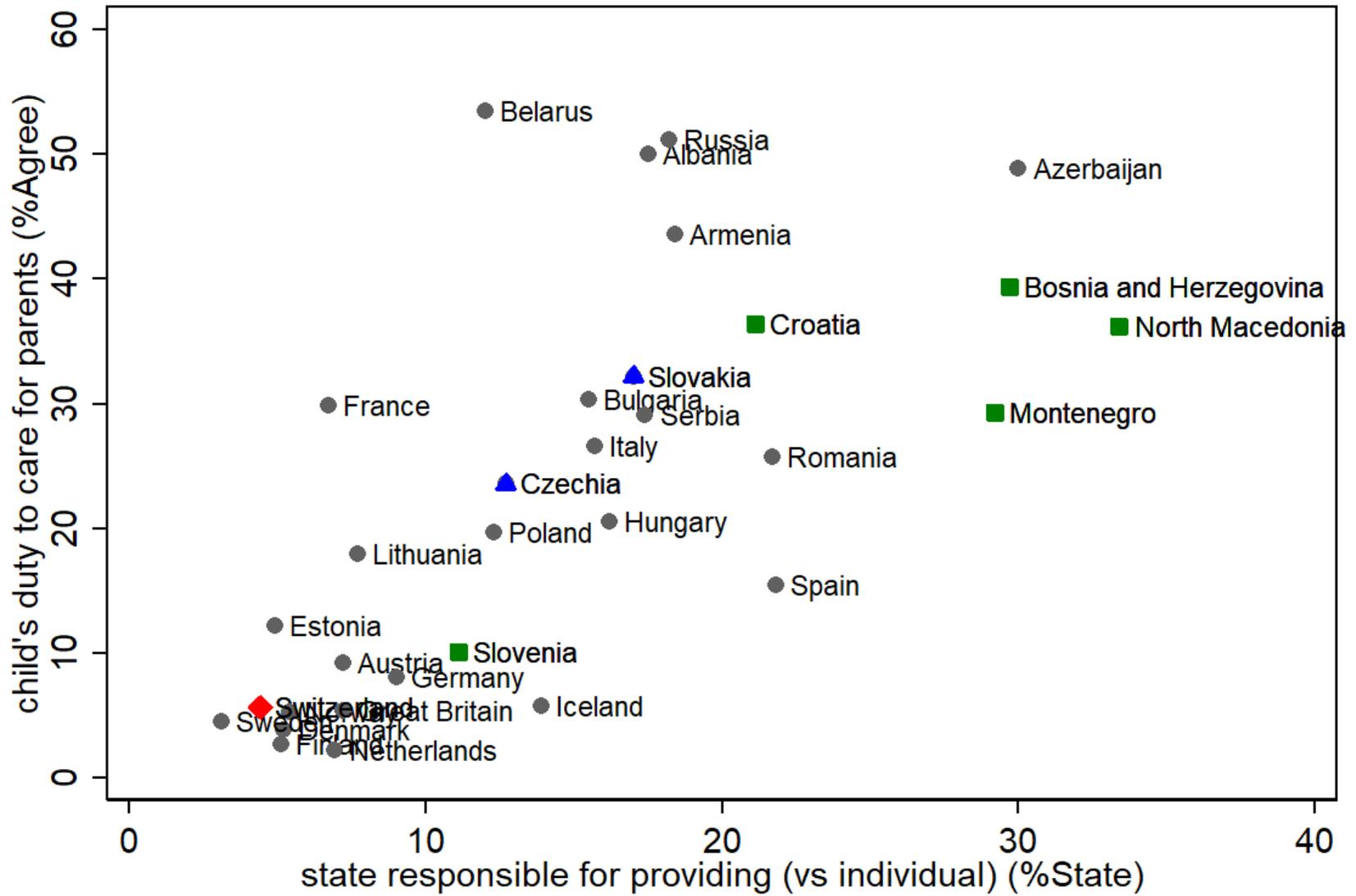
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# Long-term care

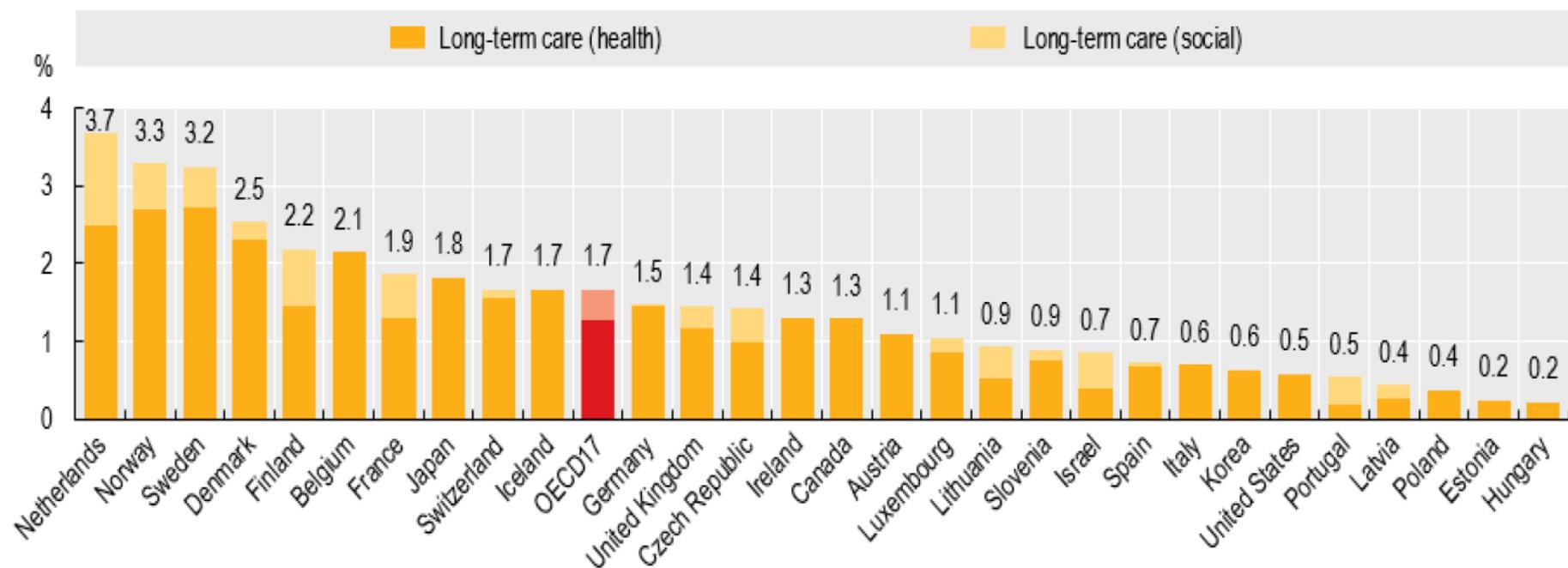
# Challenges ahead

- Ageing populations
- Demand for long-term care increases
- Who should provide long-term care?



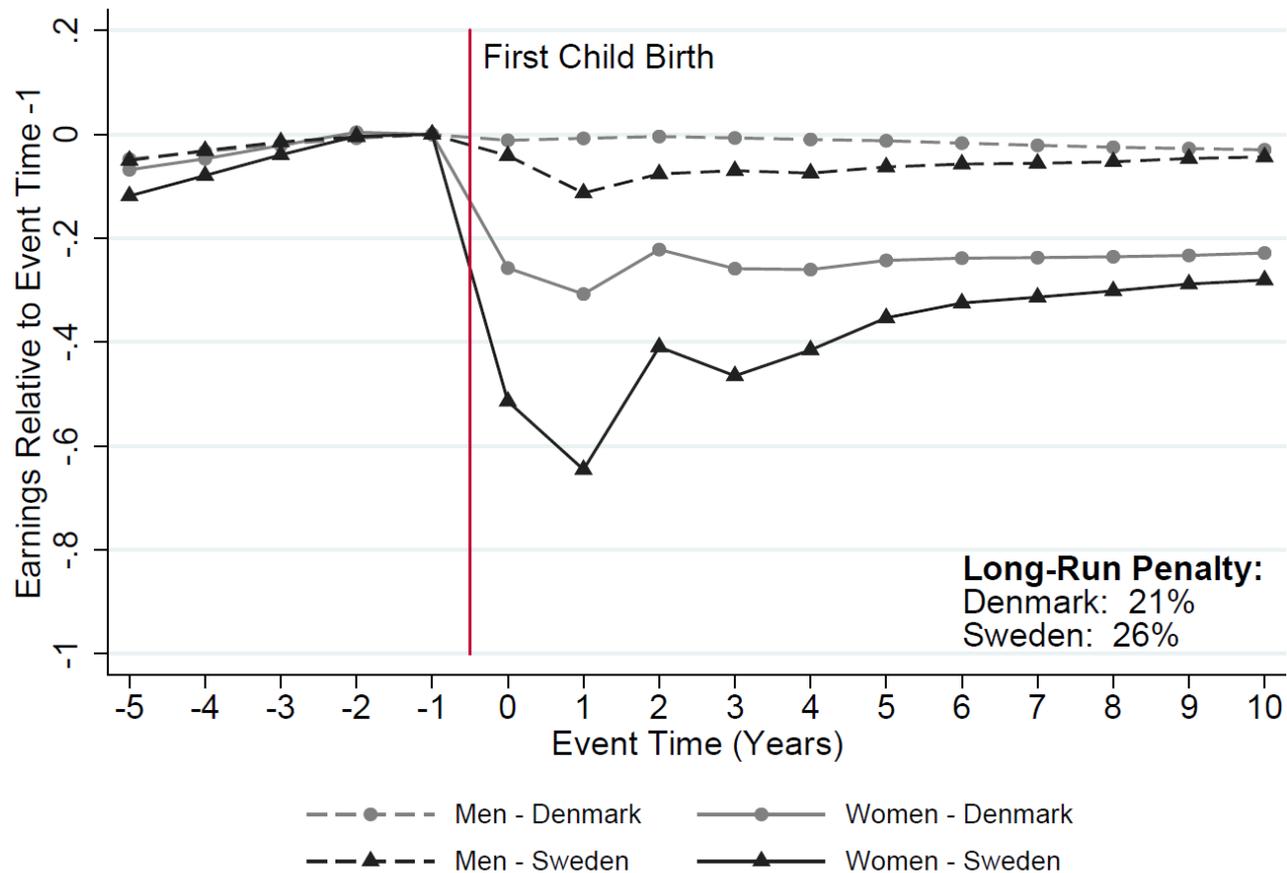
Source: European Values Survey 2017, own calculations.

Long-term care expenditure (health and social components) by government and compulsory insurance schemes, as a share of GDP, 2017 (or nearest year)



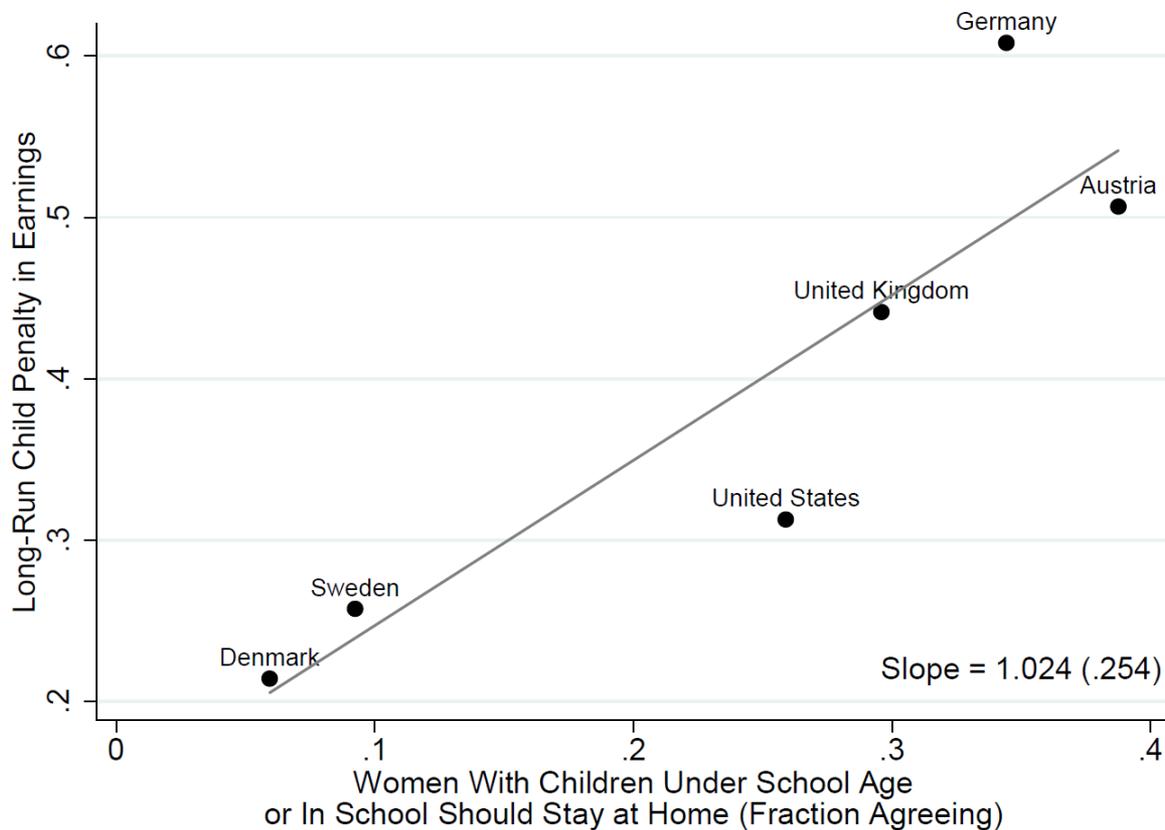
# Scandinavian countries

Figure 1: Child Penalties in Earnings in Scandinavian Countries



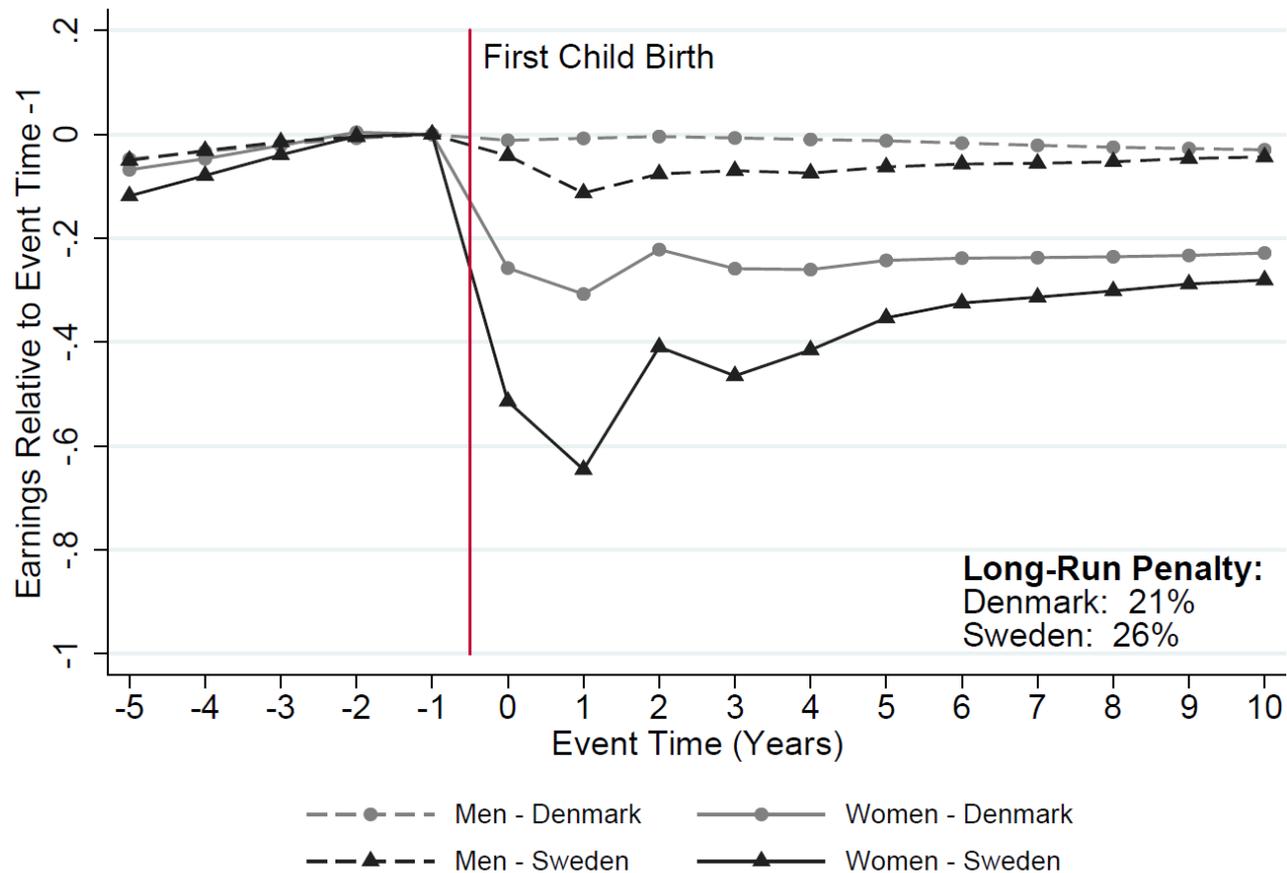
# Elicited Gender Norms

Figure 4: Estimated Child Penalties vs Elicited Gender Norms



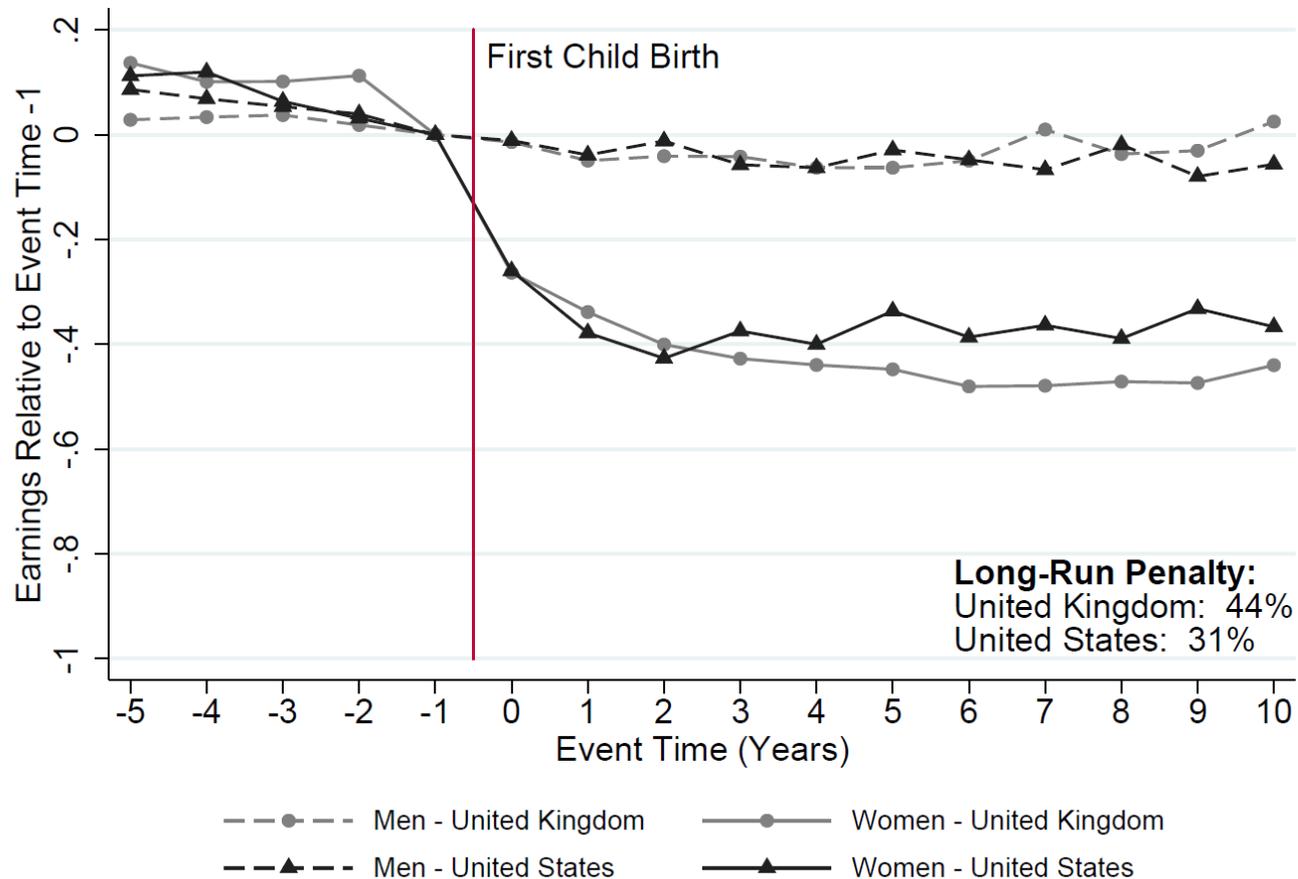
# Scandinavian countries

Figure 1: Child Penalties in Earnings in Scandinavian Countries



# English-speaking

Figure 2: Child Penalties in Earnings in English-Speaking Countries



# Parental leave reforms

		Ben (mths)	Prot. (mths)	$\Delta$ Ben (mths)	$\Delta$ Prot. (mths)
before 1990.06	S1	12	12	–	–
1990.07 – 1996.06	S2	24	24	+12	+12
1996.07 – 2000.06	S3	18	24	-6	0
2000.07 – 2002.12	S4	30	24	+12	0

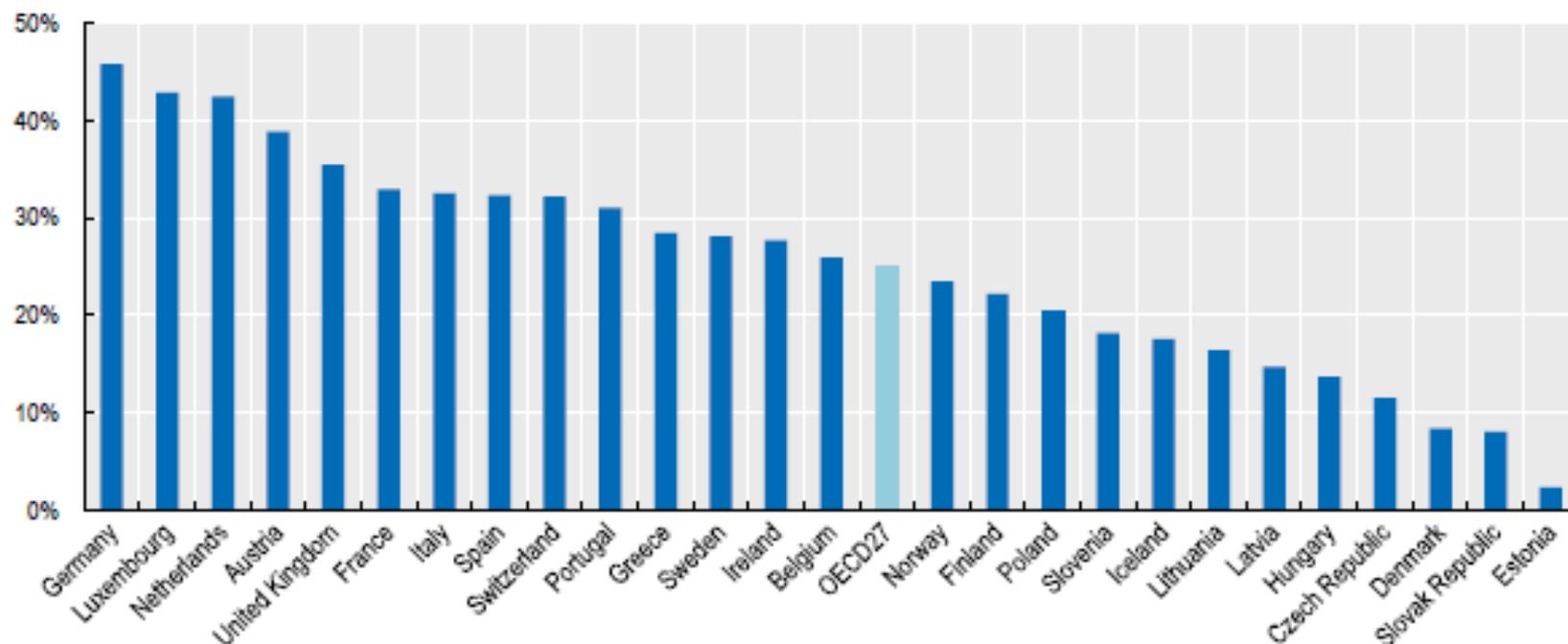
Notes: The duration measures time since birth until benefit (Ben column) or job protection (Prot. column) ends. Actual benefit duration is shorter since mothers receive maternity leave for up to 3 months after birth. Maternity leave comes with full pay and job protection. Source: Various federal laws (*Bundesgesetzblätter*).

# Data

- Austrian social security data
  - Private sector
  - Work and earnings history
  - Social security program history (UI, PL)
  - Limitations
    - No hours worked
    - No household context
- Our samples
  - Women with work attachment, first child
  - Two month windows around policy change
  - Five years after birth

# Mind the pensions gender gap

Figure 1.6. The gender pension gap is large



Note: gender gap in pensions calculated for persons at age of 65 and more using the following formula:  $1 - \text{women's average pension} / \text{men's average pension}$ . It includes persons who obtain old-age benefit (public or private), survival pension or disability benefit. Data for Iceland cover 2014.

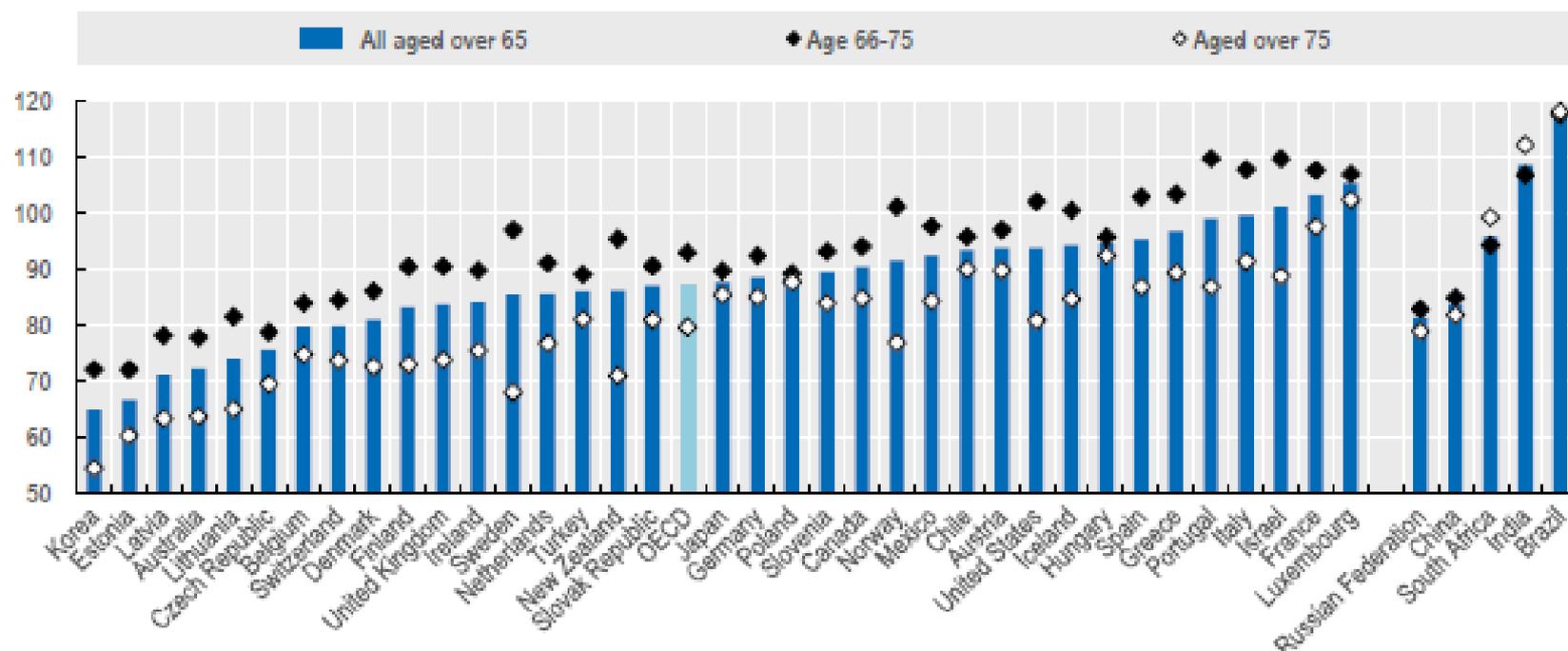
Source: EU-SILC, 2016, version: March 2018.

# Model estimation

- Likelihood contributions
  - Still on parental leave
  - Left parental leave for old job
  - Left parental leave for new job
- Results
  - Value of home production decreases over time
  - Wage offers do not change much
  - 1 EUR parental leave benefit = 4.60 EUR wage

# Disposable incomes

Figure 1.5. Disposable incomes of older people  
Incomes of people aged over 65, % of total population incomes

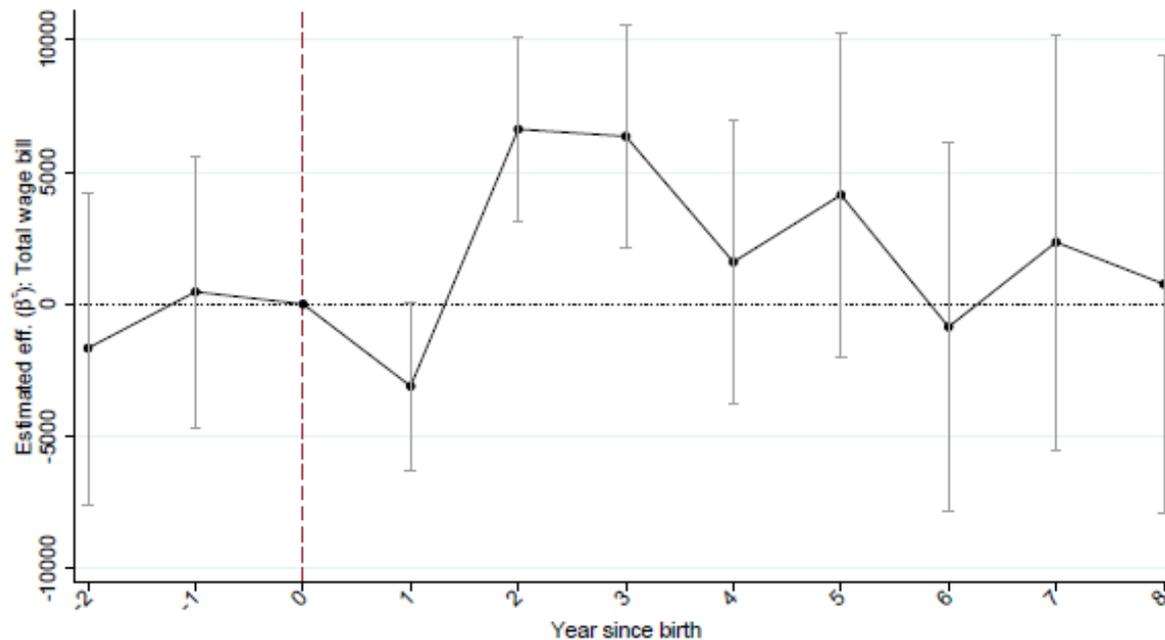


Note: 2016 or latest available year. All income from employment, self-employment, capital and public transfers are included. Incomes are measured on a household basis and equivalised with the square root equivalence scale to adjust for differences in household size.

Source: Table 7.1, OECD Income Distribution Database.

# Employer adjustments

FIGURE 6.  
The effect of the extended parental leave program on firm's total wage costs



NOTE: Each point in the graphs shows the estimated coefficients on the interaction terms between the indicator of employing women giving birth in 1988 and the treatment intensity  $\pi_j$ , i.e., the  $\hat{\beta}^x$  from Equation 3, along with the 95% confidence intervals.