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# Labor Market Policies and Women's Labor Market Activity in the United States and Germany

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# **Labor Market Policies and Women's Labor Market Activity in the United States and Germany**

By: Brianna Repke

## **Introduction:**

The cultural and behavioral differences in the world allow for unique country experiences and for a diverse global economy. The United States and Germany, two countries of strong economic importance, have many different approaches when it comes to their labor force policies and more specifically, their leave policies. This paper discusses the labor market and leave policies of the U.S. and Germany, and then examines labor force data for both countries in light of the policy comparison. The paper concludes with discussion of evidence on the effectiveness of the policies and concerns raised about them.

Because many of the German policies are fairly new, they have not had a lot written about them. However, understanding them is important. Considering the United States is one of only two countries in the world without a statutory national maternity leave policy (Rossin-Slater, 2017), this topic needs to be discussed so it can inform more people. Lack of effective leave policies can contribute to gender gaps of all sorts in the labor market. Research on leave policies has shown that too long of a leave period can cause negative effects on women's attachment in the labor market and hinder their career advancement. Research has also shown that effective leave policies have increased health benefits on children, so this topic must be brought to light to continue the research done on this topic. No longer can people consider the issue of gender gaps dealt with just because the gap has narrowed.

This paper is the beginning of a contribution to this discussion, and will look in depth at Germany and the United States labor policies while it examines these questions:

- What are the similarities and differences between women's labor policies between Germany and the United States?
- Where has history significantly effected of labor market and leave policies?
- Are women continuing to expand their role in the labor market?
- How have implemented leave policies helped or hindered their nations?

To gain the best understanding of this paper, it is important to know the basics of leave terminology. The different types of leaves are maternity, paternity, parental, and family. Parental leave is for both new mothers and fathers and family leave is one that can be taken to care for sick family members as well as new children. Policies can vary by durations of leave, benefits amounts and structure, and the presence/absence of job protection, financing, coverage, and eligibility (Rossin-Slater, 2017).

**Excerpt from paper:**

Between 1995 and 2015 in Germany, women's labor force participation rate increased by ten percentage points as the female labor force grew (DIW, 2015). In other countries, like Norway, the implementation of labor and maternity policies led to a two percent decrease in high school dropout rates and women had a five percent increase in earnings at age 30 (Rossin-Slater, 2017). The implementation of one year leave policy in Germany led to a 12 percent increase in mother's employment probability at the end of the benefits period (Kluve and Tamm, 2013). The success of U.S. state maternity leave policies, like the Family and Medical Leave Act of 1993 (FMLA), increased the probability that eligible mothers will return to their jobs by around 30 percent. CA-PFL also led to higher labor force participation rate in women and raised the probability of employment of mothers by around 23 percent (Rossin-Slater, 2017). The

implementation of Elterngeld in Germany from 1991 to 2011 with 35-40 year old women led to West Germany's employment rate increasing by 5.6 percentage points and East Germany's employment rate decreasing by seven percentage points (Weinkopf, 2014). In 2011, East Germany still had a higher employment rate for women than West Germany at 80.4 percent compared to 75.1 percent (Weinkopf, 2014). The take of rate of Elterngeld is almost 100% (Kluve and Tamm, 2013).

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