



## Transitions between family formation and paid employment

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# International Handbook of Labour Market Policy and Evaluation

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Edited by Günther Schmid,  
Jacqueline O'Reilly and Klaus Schömann

**Edward Elgar**  
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## Preface

This handbook provides a systematic overview of the state of the art in labour market policy evaluation at three levels. First, it outlines and evaluates the various methodological approaches adopted in previous evaluation research. Second, it focusses on particular target areas and evaluates the results of previous evaluation research on the impacts of different policy instruments and policy regimes in contrasting settings. Third, it offers an evaluation of institutional frameworks and existing labour market monitoring and information systems, pointing out where such systems are underdeveloped and where new approaches could be used effectively for intelligent policy design and empirical policy evaluation.

A unique feature of this edited collection is the presentation of a target-oriented approach to evaluating labour market policy. Instead of only attempting to measure the impacts of specific policy programmes along the dimensions of their specified programme goals, researchers following the target-oriented approach ask which combination of policies, under which economic and institutional conditions, contribute most to achieving broadly defined policy goals or targets. Unlike programme-oriented evaluation, the target-oriented approach to evaluation reviews the results of labour market policy evaluation from the aspect of the cumulative impact that interacting policies and policy regimes have on labour market performance and outcomes in selected target areas.

A second unique element of this handbook is its international approach. It presents the insights of renowned European and North American researchers who have first-hand experience in designing and conducting evaluation research. In all the chapters the authors apply an international comparative framework or contribute to the development of an international comparative research methodology as they assess contemporary developments in the field. Lastly, all chapters, except those in the methodological part, are organized around policy targets, with evaluation approaches and results being empirically compared across the whole range of areas that have been at the heart of current labour market policy concerns in OECD countries.

This handbook is intended for policy- and decision-makers, professional programme evaluators and academic scholars interested in labour market policy and policy evaluation. Practitioners may also gain valuable insights into ways to assess the appropriateness of different policy tools and policy approaches and into the requirements for systematic impact evaluation. This volume is designed not as a manual for programme implementors but as a

to be gained through cooperation. We are deeply grateful to our colleagues who joined us in this multidisciplinary enterprise. We want to thank at this occasion our advisory group, whose members provided valuable comments throughout the handbook's development: Anske Bouman (Netherlands), Christine Bruniaux (France), Karsten Jensen (Denmark), Jaap de Koning (Netherlands), Guy Standing (International Labour Office, Geneva) and John Temple (United Kingdom). We hope that the experience was a rewarding one for all, and particularly, that readers involved in labour market policy evaluation will find this handbook to be a rich and stimulating source of material and analysis.

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compendium that draws on the wealth of experience from previous evaluation. It points out the advantages and pitfalls encountered when one must choose specific evaluation methodologies or introduce and implement particular policies. We hope these reflections will help push evaluation research forward towards providing support for more effective policy-making and implementation.

It is, finally, a pleasure to acknowledge the personal assistance and financial support provided to us over the three years of this book's production. Many people have invested an incredible amount of effort in moving this project from the early stages of conception to the final stages of publication. We are unable to mention all of them but feel deeply obligated to make a few exceptions.

First, we cordially thank our secretary, Karin Reinsch, who managed the intricacies of the entire project, including two large workshops in which all contributors discussed preliminary versions of their chapters. She did a splendid job and never lost her cheerful disposition in keeping the network of academics, editors, translators, word processors and publishers to a tight time schedule. She must have gained many valuable psychological insights into the complexity of minds working under continuous and increasing pressure, and we hope that this experience is at least some compensation for the frustration and exhaustion that her task inevitably entailed. We thank Bettina Recktor from WTD (Wissenschaftlicher Text-Dienst), who attentively managed the operative network of the text production. We quickly came to value her endurance and skill in surmounting virtually every difficulty and complication she encountered in this vast project. We thank the compositors of Pinkuin for their marvellous work in transforming the manuscript into its final format. We also thank the language editors David Antal, Niamh Ward and Andy Watt, who greatly improved the style of the contributions, painstakingly checked references and spelling, and saw to all the other chores that academics tend to delegate. We are much indebted to Holger Schütz, who prepared the index of the handbook. His gift of combining creative imagination and reliability is fully appreciated. We are also indebted to Christoph Albrecht, who managed the network of scholars, editors, translators and institutional supporters to which this volume partially owes its existence. We are sincerely grateful to the Directorate-General V of the European Commission in Brussels which provided generous financial support. We especially thank Armando Silva and Sergio Piccolo for their promotion of this handbook and for the understanding they showed for academic time delays. Lastly, we wish to express our thanks to Edward Elgar and Julie Leppard for shepherding this project so enthusiastically through their publishing company.

As individuals, we have learned together, at first hand, about the difficulties encountered in coordinating such a large project but also about the rewards



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## 11. Transitions between Family Formation and Paid Employment

Colette Fagan and Jill Rubery

The impact of motherhood on women's labour market participation has changed rapidly in recent decades. There is a common trend towards an increase in the proportion of women who remain in the labour market when they become mothers, but national differences still persist (Delacourt and Zighera, 1988; European Commission, 1994a; Meulders, Plasman and Vander Stricht 1993; Rubery, Fagan and Smith 1995; UN, 1994). A high and continuous rate of labour market participation over the life cycle has developed for women in France and the Nordic countries. In contrast, in other European countries the arrival of a young child frequently precipitates a labour market exit and subsequent reentry, in many cases on a part-time basis (e.g. the United Kingdom, western Germany). This long-term trend of increasing female activity rates is partly explained by demand-side factors, in particular the expansion of the service sector (Rubery and Fagan, 1994, pp. 153-6). However, interrelated supply-side factors have also contributed to the trend, either by raising women's employment prospects and aspirations, or by increasing the financial pressures on women's labour supply decisions. These factors include increased access to education, falling fertility rates, higher rates of divorce and lone parenthood, contemporary consumption patterns and periods of high inflation.

The increased integration of women into employment is one of the explicit objectives of the equal opportunities policy recommendations and programmes of both the OECD (1994a) and the Commission of the European Communities (1991). However, the integration of women into employment is not only an equality issue, but also has macroeconomic implications in terms of efficiency. This point is discussed in more detail in section 1, where we argue that institutional bridges that facilitate employment continuity over the early child-rearing years reduce labour market inefficiencies as well as promote sex equality. A comparative overview of the different types of policies to promote employment continuity for mothers is provided in section 2, focussing upon the Member States of the European Union. In section 3 we review several important studies that assess the impact of different national policy regimes upon maternal employment and raise several relevant issues

for evaluation research in this policy area. On the basis of this evidence, in the concluding section we identify the combination of policy instruments that appears to be most conducive to the reconciliation of employment and parental responsibilities and suggest pertinent questions and information requirements for future evaluation research.

### 1 WHY IS POLICY INTERVENTION NECESSARY TO RECONCILE EMPLOYMENT WITH PARENTAL RESPONSIBILITIES?

Women do most of the care work within the household. This responsibility constrains their labour supply and reduces the life-time earnings and occupational advancement of women compared to men. The need for policy intervention is easily justified on the grounds of promoting sex equality, but such intervention is often presented as a distortion of market efficiency. Indeed, some economists argue against policy intervention on the basis that the existing division of household labour is both efficient and reflects individual preferences and social norms (e.g. Main, 1993). The presumption of efficiency rests upon Becker's (1981) 'New Household Economics' model. Advocates of this approach assume that women anticipate spending a large portion of their life living with an employed man with whom they will have children, and that their maternal responsibilities will result in a reduced labour market involvement compared to men. This expectation leads women to make a smaller investment in education and makes them more likely to enter certain lower-paid jobs that are more compatible with household work than the higher-paid 'male breadwinner' jobs. At the point of setting up house together, the woman's lower wage provides an incentive for her to specialize in household labour, at the cost of a further reduction in human capital acquisition, while the higher-earning male continues to invest his labour in market work in order to maximize household income.

One criticism of the 'New Household Economics' theory is that it uses the existing sexual division of parental responsibilities to explain gender differences in labour market outcomes, such as women's lower earnings, but fails to address how these unequal outcomes restrict opportunities to change the division of labour, which reinforces the status quo (Berk and Fenstermaker-Berk, 1983; Humphries, 1995). This feedback from the demand side of the economy affects labour supply decisions. Individual preferences and expectations are embedded in the social environment and adapt in response to changing opportunities and experience over the life time and across generations (Dex, 1988; Rose, 1988). Hence, women's job preferences and their investments in education and training are at least partly influenced by the options that they perceive

to be open to them. It is rational for women (and men) to expect that it is easier to enter traditional rather than nontraditional jobs when sex-segregated job patterns are clearly visible, when information on the associated wage differentials is largely unknown and when sex discrimination can be anticipated.

The organization of the household is, therefore, only relatively autonomous from the existing labour market conditions (Humphries and Rubery, 1984; The mutual conditioning between the two spheres of activity maintains the 'gender order' (Connell, 1987), for women's actual, or expected, domestic responsibilities contribute to the maintenance of sex-segregated employment patterns. The aggregate market failure that results is that women's skills are underused and underdeveloped in the labour market (see Rubery, Fagan and Maier, chap. 14 in this volume). Of course, women's labour supply is adapting to changing economic and social conditions, for younger generations are making fewer, and shorter, labour market interruptions over the early years of child-rearing. This trend might be interpreted as evidence that the market has not failed, but is changing slowly, and that efficiency will be achieved in the long run. However, if market failures persist in connection with maternal employment, then the economy may become locked into an enduring suboptimality that fails to make full use of women's skills (Bruegel and Perrons, 1995). Conversely, policy intervention might stimulate a long-term, cumulative 'upward spiral' through creating institutions that facilitate more continuous labour market involvement. Thus, intervention to promote sex equality may be a prerequisite for market efficiency instead of a cost (Humphries and Rubery, 1995; Schmid, 1994).

The 'bounded rationality' of labour supply decisions produces market failures at the household level. Individuals cannot obtain or digest full information about their future household circumstances or the implications of their current training and employment decisions. Women may remain childless or single despite their intentions, ending up with a more continuous labour market involvement than they perhaps expected when they entered the labour market. Those who marry or cohabit and interrupt their employment to have children may incur unexpected future costs if the man's wage is lost through unemployment, widowhood or marital breakdown. The market failure arising from marital breakdown is even acknowledged by economists who argue that the traditional household division of labour is efficient, for the gains from household specialization are disproportionately captured by the man, whereas the woman cannot recoup on her specialization in household labour (Main 1993).

Households may not be behaving efficiently when the woman exits the labour market to raise children. Such interruptions frequently lead to a loss of occupational status upon labour market reentry, producing a negative impact on women's future earnings and pensions (Dex and Shaw, 1986; Dex, Walter,

and Alden, 1993; McRae, 1991). To maximize the household's income over the life time, it would be efficient for women to remain in employment when they have young children, even if childcare costs meant they worked for little immediate net financial gain. Furthermore, because employment discontinuities make women in couple households dependent upon their male partners for a large portion of their life-time income (Joshi and Davies, 1995), it may be efficient for men to meet some childcare costs rather than treating them as a female work-related cost. Alternatively, household efficiency might be maximized by both parents putting time into paid work and child-rearing, rather than one parent 'over-specializing' in unpaid work (Owen, 1987). This is because the sharp depreciation in the returns to employment associated with women quitting the labour market coexists with a diminishing rate of return to the amount of time invested in employment by a continuous worker. Few households are in a position to make this type of calculation of forgone household life-time income arising from employment interruptions. Indeed, evidence from the United Kingdom indicates that the usual financial consideration is to set childcare costs against the women's current wage and that the net return is an important influence on whether women return to employment at the end of maternity leave (Brannen and Moss, 1991; McRae, 1991). <sup>22</sup>

Thus, where there is a lack of public policies to enable mothers to reconcile employment with childcare responsibilities, the private solutions that households find may be suboptimal in the long run due to unforeseen costs. Because it is plausible to presume that an immediate financial return to employment enhances women's work incentives, then efficiency gains might arise from the introduction of childcare subsidies, either via public provision or financial transfers to either parents or service providers. Furthermore, even if mothers prefer to remain at home to care for young children, the loss of occupational status upon labour market reentry may result from labour market barriers rather than skill depreciation. Barriers may include an overreliance by employers on employment experience as a proxy indicator for productivity, the limited age or occupational entry points to internal labour markets and seniority systems of job advancement. Longer parental leave entitlements or the option to return to work part time would reduce the underemployment of women's skills when they become mothers.

Policy intervention would not just produce efficiency gains for households, but would also address market failures arising from employers' behaviour and in turn produce aggregate gains for the economy. The immediate costs of women's employment interruptions for employers are the loss of experienced staff or the problems of mobilizing female labour in response to skill shortages. The longer-term global cost is the underdevelopment of women's contribution to the formal economy. Employers may, of course, introduce measures to retain or recruit mothers of young children, such as

extended leave, flexible working or childcare subsidies. Indeed, some companies have introduced various 'family-friendly' policies in the United Kingdom after calculating that this approach was cheaper than the cost of replacing skilled workers who quit after maternity leave. However, reliance upon employer provision is vulnerable to the freerider problem. If only a minority of firms provide family policies, they may be subject to 'poaching' by competitors once the employee has less need for these policies, for example, when the child is older. Furthermore, if these initiatives are driven by short-term considerations, they may be curtailed in times of recession, which has already happened in many instances in the United Kingdom, thus undermining a long-term market-led expansion of family policies and contributing to future potential skill shortages when the economy picks up. In contrast, economy-wide policies to provide leave and childcare arrangements would spread the costs more evenly across employers and increase the overall female labour supply.

The loss of income resulting from employment interruptions to care for young children may create both wage and public expenditure pressures. Women's financial dependency in couple households creates a pressure for an implicit 'breadwinner supplement' to wages in male-dominated sectors. This pressure might be reduced by public funding of childcare to facilitate more continuous employment over the life cycle for women or paid parental leave to subsidize women's absence from employment. The loss of the women's wage may also increase public expenditure costs via benefits paid to low-income households, combined with the loss of income tax revenue. The tax gains and reduced benefit payments would to some extent offset the cost of funding of leave or childcare arrangements (Holtermann and Clarke, 1992). Furthermore, the growing polarization between dual-earner and non-earner households (OECD, 1995a, pp. 34-8), the increasing numbers of lone parents and other changes in the composition of households means that policies that remain locked into a traditional conception of the 'male breadwinner' model of household organization are becoming increasingly inappropriate. Policies such as parental leave and publicly funded childcare that are directed at parents and children rather than at particular types of households are likely to be a more efficient means of directing resources to people with family responsibilities.

Finally, there are wider social costs if households are unable to reconcile parenting with employment. The importance of ensuring that the future generation of workers is raised, educated and maintained is already recognized through the public funding of education, child-related transfer payments and various other family policies. Yet the difficulties that women face in combining employment with child-rearing in some countries may lead a growing proportion of women to limit their family size to one child, or even to remain childless. Such a family strategy has been suggested as part of the explanation

for the dramatic recent falls in fertility rates in some countries, such as Italy and Germany (Bettio and Villa, 1993; Maier, Quack and Rapp, 1994), and these private solutions may create public costs in the future. This has long been recognized in French family policy, which is explicitly premised on the need to enable women to combine employment with motherhood, driven as much by natalism as by a concern to promote sex equality (Jensen, 1994). There is also a public interest in ensuring that there is adequate care for children. Lack of childcare provision will not necessarily reduce participation in the labour market, but may instead have a negative impact on children, leading to increased social problems such as juvenile crime.

We have argued that the 'breadwinner family' system—advocated as rational and efficient according to the New Home Economics approach—is in fact inefficient for households, employers and the economy. Policies that increase the integration of women into employment over the period of family formation and weaken the 'breadwinner family' model could therefore yield efficiency as well as equality gains. To achieve this aim a variety of policies will need to be coordinated, an issue we turn to in the next section.

## 2 COMPARATIVE OVERVIEW OF MATERNAL EMPLOYMENT POLICY REGIMES

The focus of this section is upon the two types of policy that are directly concerned with facilitating employment continuity over the family formation period: various entitlements to leave or reduced working time and the public provision or subsidy of nonparental childcare (including school hours). The particular combination of policies found in any country makes up the core of the 'maternal employment policy regime'. A complementary policy, which we do not address directly, is initiatives concerned with stimulating labour market reentry after an interruption. These reentry programmes differ from general active labour market policies for the unemployed because they are geared to the particular needs of women and often do not require women to be registered as unemployed to participate (see Rubery, Smith, Fagan and Grimshaw, 1996). The European Union's (EU) 'New Opportunities for Women' (NOW) programme has been set up to stimulate the development of these initiatives.

Policy intervention to support continuous employment for mothers with young children is strongest in what Lewis (1992) has conceptualized as 'weak breadwinner' states. These countries have an explicit policy commitment to facilitate employment continuity for women during the early child-rearing years through intervention to reconcile caring and earning responsibilities for male as well as female workers. The policy emphasis may either be upon

flexible leave entitlements, as in Sweden, or subsidized childcare, as in Denmark (Leira, 1994). In contrast, the idea of promoting maternal employment is likely to meet most resistance in 'strong breadwinner' welfare states, where the state treats women primarily as wives and mothers rather than as labour market participants. Leave entitlements and public childcare provision is either limited, on the basis that child-rearing is mainly a private concern (e.g. United Kingdom, Ireland), or more extensive but implicitly organized to encourage mothers to spend the early child-rearing years at home and then to work part time (e.g. western Germany). France is a 'modified breadwinner' state, where the emphasis of family policy has been pulled in different directions over time according to the strength of different interest groups: equal opportunities advocates have sought to promote women's integration into employment, natalists have campaigned for policies to enable women to have more children while remaining in employment, and a more traditional 'familialist' lobby promotes large families, where the mother stays at home, as the best arrangement for society (Jensen, 1994). Recently 'familialist' policies have been deployed in debates about how to reduce unemployment in France (Gauvin, Granie and Silvera, 1994).

Table 11.1 reveals a broadly positive correlation between state provision for parental leave and childcare, and maternal employment rates for 12 Member States of the EU.<sup>1</sup> The employment rate is taken as the core indicator of integration. This is because the activity rate excludes some female unemployment hidden as nonemployment and may include some unemployed mothers who left their previous employment precisely because the job could not be reconciled with child-rearing responsibilities. The highest maternal employment rates are found in the Danish 'weak breadwinner' state, where a system of paid parental leave coexists with a comparatively high level of publicly funded childcare places. In contrast, the lowest employment rates for women with a child aged under three years are found in the 'strong' breadwinner states, where the policy environment is less supportive. However, the Portuguese maternal employment rate is high despite the limited childcare and leave entitlements, indicating that other societal features are also important. Furthermore, the incidence of part-time employment also varies: it is rare in the southern countries, it coexists with high full-time employment rates in Denmark, France and Belgium, while it is the dominant employment form for mothers in the United Kingdom, western Germany and the Netherlands, where it is associated with a 'women returner' pattern of labour market quits and reentry.

<sup>1</sup> Comparable data on childcare funding and maternal employment rates were not available for the countries that only joined the EU in 1995 (Sweden, Finland and Austria).

Table 11.1 The Strength of the 'Male Breadwinner' Presumption in State Parental Leave and Childcare Funding Policies

Country	Breadwinner presumption	Paid parental leave	% of publicly funded childcare places	Youngest child under 3 years		Youngest child aged 3-6	
				% employed	% total	% employed	% total
Denmark	Weak	Yes	48	85	72 (31)	85	77 (39)
Belgium	Modified	Lower payment	20	95+	59 (36)	68	62 (39)
France	Modified	Lower payment	20	95+	52 (27)	62	64 (27)
Italy	Strong	Lower payment	< 10	85	42 (13)	50	42 (13)
Germany		Lower payment	< 10	65-70	38 (53)	41	48 (66)
Greece		Unpaid	< 10	65-70	39 (9)	45	40 (4)
Spain		Unpaid	< 10	65-70	32 (12)	43	35 (13)
Portugal		Unpaid	< 10	< 55	67 (9)	73	72 (7)
Netherlands		Unpaid: only part time	< 10	< 55	37 (87)	42	42 (89)
United Kingdom		Unpaid: only mothers	< 10	< 55	40 (65)	47	57 (71)
Ireland		Unpaid: only mothers	< 10	< 55	33 (22)	41	30 (34)
Luxembourg		Unpaid: only public sector	< 10	55-60	36 (29)	33	42 (37)

Sources: Childcare in the European Communities 1985-90. Women of Europe by EC Childcare Network, 1990, Brussels: Commission of the European Communities (DG X); Changing Patterns of Work and Working-time in the European Union and the Impact on Gender Divisions by J. Rubery, C. Fagan and M. Smith, 1995, Brussels: European Commission; Table 11.3 below.

Therefore, while we focus in this chapter on national leave and childcare policies, many other institutional arrangements also affect the way that families combine parental work with paid employment. On the supply side, family tax and benefit systems create incentive structures that may enhance or undermine the impact of policies designed to increase maternal employment. Although there is no simple relation between the level or form of aggregate female participation rates and either the taxation system (Schettkat, 1989; Vermeulen et al., 1995) or the level of child support (Bradshaw, Ditch, Holmes and Whiteford, 1993), targeted cuts in the marginal tax rates faced by married women would tend to increase their labour supply (OECD, 1994b). Policies that aim to facilitate maternal employment must also be coordinated with general family policy concerning children's rights and welfare, for these may embody contradictory presumptions as to whether mothers of young children should be encouraged to stay at home. Finally, to be effective, supply-side policies must also be coordinated with intervention on the demand side, for the type of jobs and wages that women have access to will affect their labour supply. Such intervention includes specific sex equality or 'gender' initiatives as well as the gender impact of general labour market policies concerned with the organization of education, training and recruitment systems, and regulations on wages and working time (see Rubery et al., chap. 14 in this volume).

### 2.1 Employment Continuity through Leave to Care for Young Children

The 1992 EU Directive for the Protection at Work of Pregnant Women has established the general right to a period of 14 weeks' paid maternity leave in all Member States. Statutory paid maternity leave already existed in most Member States, generally for between 14 and 18 weeks, combined with a payment that provides a high earnings replacement rate. The main impact of the Directive will be in the United Kingdom, where previously maternity leave was conditional on length of service and hours of work (EU Childcare Network, 1994). A complementary EU Directive to establish a statutory entitlement to Parental Leave and Leave for Family Reasons, such as to care for sick children, was proposed in 1983, but adoption of this Directive has been continually blocked, primarily by the United Kingdom.

Although a parental leave entitlement may be an encouragement for some women to reduce their labour supply when their children are young, a net increase in female labour supply can be expected for two reasons. First, women may be encouraged to enter employment and/or work full time up to the birth of the child in order to build up their entitlement (OECD, 1995a, p. 189). Second, the rewards from employment are largely protected from

deterioration, in contrast to the situation faced by women who are forced to quit and then reenter the labour market when they want time off for child-rearing. However, while parental leave strengthens women's labour market attachment, it may also reinforce their 'second-earner' status in the 'breadwinner family' model, depending on the details of the scheme and how these interact with the societal and economic context. Four issues are particularly important: whether the leave is paid, the length and flexibility of the leave entitlement, whether it is complemented by public funding of childcare and whether men take leave as well as women.

Parental leave that is unpaid (e.g. Portugal, Greece) or supported by a low rate of benefit (e.g. Belgium, Germany) does little to transform gender relations because it presumes that the leave-taker has an employed partner or other means of financial support. This situation is exacerbated when the unpaid leave is explicitly restricted to women as an extension of maternity leave (e.g. United Kingdom, Ireland) or when parental leave is allocated per family rather than per individual, for then no specific incentive is provided to encourage men to take leave as well. Unless there is a high earnings replacement rate, there is a financial incentive for the leave to be taken by the women in couple households, given that average female earnings are lower. A low earnings replacement rate thus reinforces, or introduces, the pattern of women-faking time off to care for young children. Furthermore, lone parents and low-income two-earner households will not be able to afford to take leave.

In countries where the dominant household arrangement is for women to quit and reenter the labour market it might be argued that it would be efficient to introduce leave with little or no financial replacement because the dead-weight costs of financing a labour market quit that might have happened anyway would then be avoided. However, the continued presumption of women's financial dependency on a spouse in the early years of childbirth legitimizes the 'family wage' premium in setting male wages in certain sectors of the economy, even if the requirement to be a sole breadwinner covers only a relatively short period of the life cycle. A more efficient alternative might be to concentrate resources on the early stages of family formation, that is, on the phase when household income needs are particularly pressing.

The length of leave extends from under one year in most countries to between two and five years in others (Austria, Finland, France, Germany, Belgium). A long leave period is not unambiguously beneficial. The experience of taking a long period of leave may reduce women's labour market attachment and be associated with an actual, or perceived, erosion of skills. In an attempt to redress this problem France and Spain have recently introduced legislation granting the right to reinsertion training at the end of the leave period (OECD, 1995a, p. 189). A more optimal arrangement may be to build some flexibility into the leave scheme. Of the 15 Member States, Sweden has

the most advanced statutory leave provision, which combines a high level of payment with flexibility to take the leave on a full- or part-time basis in one or more instalments (see Table 11.2). Parents also have the right to work a reduced working day (75 per cent of normal hours) until their child reaches the age of eight, and the loss of earnings can be partly compensated through the flexibility of the parental allowance payment, which can be spread out to cover half-day or quarter-day leave (EU Childcare Network, 1994). The advantage of reduced hours rather than full-time leave is that parents are enabled to retain contact with employment and to maintain their knowledge and skill levels, to work part time without having to switch jobs and to increase household income if the leave payment is reduced on a pro-rata rather than earnings-related basis. The feasibility of working full-time or part-time hours will, however, depend upon the availability of part-time childcare. Employers may also benefit from retaining employees on reduced hours rather than through an extended absence, however, in some job areas it may be more difficult for employers to arrange part-time rather than full-time temporary cover for short periods of time. A flexible scheme is likely, therefore, to offer greater scope for a compromise between employee and employer requirements.

Unless parental leave is coordinated with the provision of childcare services, it may simply serve to postpone the point at which women exit the labour market. For example, the German statutory parental leave entitlement was extended from one year to three years in 1993, but in the context of limited, mainly part-time, childcare services in western Germany this extension makes it difficult for women to resume employment at the end of the leave period. Even where there is a relatively well-established system of childcare subsidies, the long-term effect of extending leave entitlements may be to shift resources away from childcare funding instead of expanding the options for reconciling earning and caring work. For example, the 1994 Act that extended statutory parental leave in Denmark also permits municipal authorities to supplement the national rate of parental leave benefit, which is due to fall in the coming years. One incentive for this local addition might be to reduce the demand for childcare services that are subsidized by municipal authorities (Boje, 1994, p. 80). If reduced demand leads to a gradual dismantling of service provision, then the result may be that the amount of leave taken by women is increased and the notion of women as 'second earners' is reinforced, unless extended parental leave also becomes a feature of male employment patterns.

There are general economic as well as equality objectives that require a high male take-up of parental leave where it is introduced or extended as part of a labour market policy of work-sharing, such as in the recently expanded Danish programme of leave and the Belgian 'career break' scheme (see Boje, 1994; MISEP, 1995; Rubery et al., 1995). If the leave is taken only by mothers,

this imbalance may undermine the effective contribution that leave arrangements can make to work-sharing policies because the redistribution via leave may become concentrated in the female-dominated sectors, with very little impact on work-sharing between men or between the sexes.

Finally, leave arrangements are one aspect of more general working time policies that also affect the reconciliation of parental and employment responsibilities. The development of working time flexibility has mainly been driven by employers' needs, largely subordinating the needs and preferences of employees, particularly in the private sector (Bosch, Dawkins and Michon, 1993; Rubery et al., 1995). Where variable and nonstandard hours are increasing, then it may become more difficult to combine employment with the day-to-day organization of family lives. However, in some northern European countries the opportunity to switch to part-time work in the public sector has increased over the 1980s as a result of policies to promote sex equality and working time flexibility, and in some, such as France and Belgium, this opportunity coexists with a right to return to full-time work (Hewitt, 1993, Table 2.1). A bill that would give all employees the right to switch to part-time hours in their current jobs was recently proposed in the Netherlands (Plantenga and van Velzen, 1994). The right to work part time in a wider range of jobs would help to make part-time work less segregated and could complement more general work-sharing objectives. However, greater access to part-time employment may also increase gender division in working time unless steps are taken to encourage fathers to work part time as well.

## 2.2 Employment Continuity through Childcare Services and Subsidies

The availability of publicly funded childcare varies sharply between countries (Table 11.1). Of the countries presented, the highest provision is found in Denmark, France and Belgium, and provision in Sweden is of a similar order (Leira, 1994). There are few places for children under the age of three, regardless of the length or availability of parental leave (see Table 11.2). From the age of three years the number of places increases as children enter preprimary education, but there is still a shortfall until children reach the compulsory school age (OECD, 1995b). This deficit means that once leave entitlements are exhausted mothers are obliged to rely upon other family members to provide childcare or to make private market-based arrangements if they are to remain in or take up employment.

The opening hours of preschool and primary education must also be taken into account. The length of the school day, whether hours vary over the week or according to the age of the child, and the duration of school holidays are important considerations, for they are likely to influence the types of working



Table 11.2 Statutory Provisions for Parental Leave in the European Union Member States

A. Type of leave					
	Individual or family right	Maximum duration	Leave period	Part-time option	Fractioning <sup>a</sup>
<i>Paid</i>					
Austria	Family	104 weeks	Until the child is 4 years old	Yes <sup>c</sup>	No
Belgium	Individual	260 weeks <sup>b</sup>	Throughout the whole career	Yes <sup>c</sup>	Yes
Denmark <sup>d</sup>	'F': family 'I': individual	'F': 10 weeks 'I': 26 weeks <sup>e</sup>	'F': following maternity leave 'I': until the child's 9th birthday	'F' leave: no 'I' leave: no	'F' leave: no 'I' leave: yes
Finland <sup>d</sup>	Family	'B': 26 weeks 'E': until the child is 3 years old	'B': following maternity leave 'E': until the child is 3 years old.	'B': no 'E': yes	Yes
France	Family	Until the child is 3 years old <sup>f</sup>	Until the child is 3 years old	Yes	No
Germany	Family	Until the child is 3 years old <sup>f</sup>	Until the child is 3 years old	Yes <sup>c</sup>	Yes
Italy	Family	26 weeks	Following maternity leave	No	No
Sweden	Family	15 months	Until the child is 8 years old	Yes	Yes
<i>Part time</i>					
Netherlands	Individual	26 weeks	Until the child is 4 years old	Only part-time basis	No
<i>Unpaid</i>					
Spain <sup>g</sup>	Family	Until the child is 3 years old <sup>f, h</sup>	Until the child is 3 years old <sup>h</sup>	No	No
Portugal	Family	26 weeks <sup>i</sup>	Following maternity leave	No	No
Greece	Individual <sup>j, k</sup>	13 weeks	Until the child is 2½ years old	No	Yes
<i>Unpaid and limited entitlement</i>					
Luxembourg	Public Sector	52 weeks	Until the child is 4 years old	Yes <sup>l</sup>	No
United Kingdom	Mother	22 weeks	Extension of maternity leave	No	No
Ireland	Mother	4 weeks	Extension of maternity leave	No	No

Table 11.2—continued Statutory Provisions for Parental Leave in the European Union Member States

B. Parental leave payment			
	Coverage + employment conditions	Benefit type + level	Maximum duration
Austria	Economically active + employed for 52 weeks in previous 2 years	Flat rate. Basic: Sch 181 per day, enhanced: Sch 268 per day	2 years
Belgium	Employees with 12 months' service	Flat rate, conditional on recruiting replacement employee (20–25% average manual industrial wage)	260 weeks <sup>b</sup>
Denmark	Economically active. For 'F': worked 120 hours in 13 weeks before leave	Flat rate, related to unemployment benefit (UI = 65% average net manual industrial wage) 'F': 100% UI, 'I': 80% UI, falling to 60% in 1997	'F': 10 weeks 'I': 26 weeks <sup>e</sup>
France	From 2nd child + employed for 2 years in previous 5 years <sup>m</sup>	Flat rate (= 35–40% average net manual industrial wage)	Until the child is 3 years old
Finland	All parents	'B': 66% annual earnings 'E': flat rate, in range Mk 1908–3435 per month	'B': 26 weeks, 'E': until the child is 3 years old
Germany	All parents	Flat rate (22% average manual wage), income-tested from 7th month	104 weeks
Italy	Employees	30% of earnings	26 weeks
Sweden	All parents minimum earnings in 240 consecutive days before birth for earnings-related benefit	80% of earnings for 10 months, 90% for 2 months, flat rate for 3 months	65 weeks

- Notes
- Fractioning = the possibility of taking the leave in more than one portion over an extended period rather than taking it in one continuous period;
  - The duration of a 'career break' in Belgium is not directly comparable with parental leave in other countries because it refers to the whole career period and not to each child;
  - Only with employer's agreement;
  - Subscripts 'F' = shareable family leave, 'I' = individual leave, respectively, for Denmark, while 'B' and 'E' stand for basic and extended leave in Finland;
  - 13 weeks if the child is over 1 year; the leave is expandable to 52 weeks with the agreement of the employer;
  - Including maternity leave period;
  - The last four weeks of paid maternity leave can be transferred to the father;
  - Since March 1995, job guarantee and security extends over the 3 full years;
  - Leave duration can be extended up to 2 years under special circumstances;
  - Employer may refuse leave if it has been claimed by more than 8% of the work force during the year;
  - The other parent should also be employed;
  - The entitlement to work part time may be extended until the child reaches 15 years;
  - Two years of work in the last ten years for the third child onwards.

Sources: *Employment Outlook* (Tables 5.1 and 5.2) by OECD, 1995a, Paris: OECD; *Changing Patterns of Work and Working-time in the European Union and the Impact on Gender Divisions* by J. Rubery, C. Fagan and M. Smith, 1995, Brussels: European Commission; *Social Welfare and Economic Activity of Women in Europe*, V/2184/94-EN by CERC, 1994, Brussels: European Commission.

Table 11.3 Weekly Opening Hours for Primary Schools

Countries	Compulsory entry age	Weekly hours of attendance
<i>Long day</i>		
Belgium	6	8.30–15.30. Closed Wednesday afternoon. One-hour lunch break unsupervised.
France	6	8.30–16.30. Closed Wednesday afternoon.
<i>Long, interrupted day</i>		
Spain	6	9.00–17.00 with three-hour lunch break. Lunch break is supervised in an increasing number of urban schools.
Netherlands	5, most start at 4 years	9.00–16.00. Closed Wednesday afternoon. Supervision available for two-hour lunch break. Increasing number of schools adopting shorter day (8.30–15.00 with one-hour break).
<i>Shorter, continuous day</i>		
Denmark	7	Hours set locally, usually within range 8.00–15.00, timing often varies day to day. Hours increase with age: 7 years = 15–22 hours/week, 10 years up = 20–27 hours/week.
United Kingdom	5, most start at 4 years	At 4 years usually attend for 2.5 hours per day (am or pm).
Ireland	6, most start at 5 years	9.00–15.30 with supervised lunch break from 5 years. At 5 years usually attend on part-time basis. 09.00–15.00/15.30 with supervised lunch break from 6 years.
<i>Half day</i>		
Italy	6	8.30–12.30, Mondays–Saturdays. Some children attend for 8 hours per day.
Germany	6–7	4 hours daily, timing may vary. Children return home for lunch.
Greece	5.5	Hours increase with age: 5.5–8.5 years = 20 hours/week, 8.5–11.5 years = 24/26 hours/week. Many attend in morning (8.00–12.00) or afternoon shifts because of shortage of school buildings.
Portugal	6	9.15–16.00 with two-hour break. Lunch break is only supervised in some schools. Many attend in shifts due to shortage of school places: 8.15–13.00 or 13.00–18.00 (60% of schools operated shift system in mid-1980s).
Luxembourg	5, most start at 4 years	8.00–11.30/12.00 for 6 days plus 14.00–16.30 on 3 days. Lunch break is not supervised in all schools.

*Source*

*Childcare in the European Communities 1985–90. Women of Europe, Supplement 31* by EC Childcare Network, 1990, Brussels: Commission of the European Communities (DG X).

hours arrangements that mothers want and/or the amount of out-of-school care that they need to arrange. For example, most kindergarten places in Germany are part-time places, and children return home at lunchtime (EC Childcare Network, 1990). This part-time attendance in Germany continues in primary school, compared to longer school days found in France and Belgium, for example (Table 11.3). Another important feature is whether lunch breaks and

free periods are generally supervised at school (e.g. United Kingdom) or whether children are the parents' responsibility at this time (e.g. Germany). School attendance therefore needs to be coordinated with other childcare arrangements; either out-of-school childcare or by parents adjusting their working time. In France, for example, women commonly arrange their working time to accommodate schools closing on Wednesdays, while parents and employers organize after-school and school holiday cover (Dex et al., 1993; EC Childcare Network, 1990). The availability of publicly funded out-of-school childcare is negligible in most countries other than Denmark (EC Childcare Network, 1990).

The final issue is the organization of parents' working time itself. Not only are holiday entitlements longer in some countries than others (IRS, 1991), but daily and weekly working hours vary. Trends towards more flexible and non-standard working time arrangements may make it easier for some parents to negotiate arrangements that are compatible with school hours, but for others the organizational complexity of daily life will increase. Indeed, the funding of childcare may become a growing necessity to enable parents to respond to employers' demands for flexibility. Funding childcare may also have wider economic gains; indeed, the job creation potential of childcare services is identified in the White Paper on Employment (European Commission, 1994b).

An alternative to directly funded services is to provide tax relief for childcare costs. Tax relief is available in many EU countries, but it is generally less significant than the level of subsidies provided for childcare services (EC Childcare Network, 1990; Rubery et al., 1996). This situation is in contrast with the United States, where individual tax allowances are the main form of childcare subsidy and where parents rely on private nurseries and nannies. The reimbursements are typically small (estimated at less than 20 per cent of childcare costs in the mid-1980s), and not all women earn enough to receive them (Dex and Shaw, 1986). While tax relief may stimulate some market provision of childcare, there are certain limitations to the effectiveness of this approach. First, the market may not deliver quality care at an affordable price for those on low income, so a reliance upon the tax system may only facilitate employment continuity for women with high earnings. Second, in some countries the system and philosophy of the tax system may be incompatible with the introduction of this form of allowance. For example, the UK tax system has been simplified to minimize the number of deductible expenses over the past two decades, so that income tax is deducted at source for most employees and few complete an additional tax return. So, if only for administrative reasons, it would be more costly to introduce this allowance, in contrast to the situation in other countries where there is already a comprehensive system of tax allowances in place. Finally, if childcare provision is to meet educational goals as

well as facilitate maternal employment, then subsidizing places and establishing quality standards may be more effective than coordinating the tax administration with the ministry that provides or monitors service delivery.

In the next section we review a selection of studies that represent attempts to evaluate the impact of different elements of these policy regimes on the labour market outcomes for women, as well as those that have provided some assessment of the potential costs and benefits to the state and to employers.

### 3 THE IMPACT OF DIFFERENT MATERNAL EMPLOYMENT POLICY REGIMES ON WOMEN'S LABOUR SUPPLY

Economists focus on the financial returns to employment when seeking to explain women's labour supply decisions. Econometric analyses typically seek to take into account a range of price variables: past 'human capital' investments in education, training and employment experience; current earnings potential; taxes and work-related costs, such as childcare; and alternative sources of income, such as state transfers or spouse earnings (for a review see Killingsworth, 1983). However, suitable information on factors such as childcare costs is rarely available, particularly for microlevel analyses. Furthermore, this approach rarely tests the influence of nonprice variables, for example, the degree of nonfinancial work commitment or different attitudes as to whether mothers should remain at home with young children, simply treating these variables as static and exogenous 'tastes'. The distribution of norms and preferences within the population is partially captured when qualifications or occupations are included in the model, because there is some correlation between aspirations and employment opportunities (Dex, 1988). However, a direct measurement of these characteristics is obviously preferable, particularly when one is seeking to generalize across countries, for national differences in attitudes to maternal employment are associated with different family policy arrangements (Alwin, Braun and Scott, 1992).

The 'institutional approach' emphasizes the influence of state policies on women's labour supply decisions, and researchers adopting this framework have used cross-national analyses to link differences in maternal employment patterns to the influence of childcare and other family policies in conjunction with the effect of demand-side differences. Partly due to data limitations many of these analyses have relied upon aggregate comparisons of broad employment indicators (e.g. Dale and Glover, 1990; OECD, 1994a; Rubery, 1988; Rubery et al., 1995), but some have sought to disentangle the effect of policies from other national variations by modelling labour supply functions using comparable national sources of microlevel household data (Dex and Shaw,

1986; Dex et al., 1993). A related approach has estimated the impact of national differences on the cost of motherhood, using typical female life-time employment profiles (Joshi and Davies, 1992).

A third approach is to monitor latent and actual demand and take-up of different policies, yet the available information on these aspects is generally incomplete (EU Childcare Network, 1994; Humblet, 1994) or difficult to compare cross-nationally because of different definitions, for example, in the area of childcare provision (EC Childcare Network, 1990).

#### 3.1 National Maternal Employment Regimes and Policy Coordination

Dex et al. (1993) used the contrasting examples of France, where mothers have a high and continuous pattern of employment, and the United Kingdom, where a lower and more interrupted pattern is found, to explore whether the policy environment has an influence on maternal labour supply. Using comparable data sets, they conducted a regression analysis to isolate the impact of motherhood on participation from other national differences that might be expected to affect participation rates, such as education levels and wage differentials. Having a child under the age of three had the strongest negative effect on participation in both countries, while potential earnings had the strongest positive impact. However, these results coincided with two important differences: the negative effect of the young child was twice as strong in the United Kingdom, and the positive effect of individual earnings on participation rates was much stronger in France. Indeed, a French woman with a young child was twice as likely to participate when she had above-average earnings, whereas in the United Kingdom high potential wages did not counter the strong constraint exerted by the presence of a young child.

One interpretation is that women in the United Kingdom simply have a stronger preference for looking after their children. However, the authors refer to a previous multivariate analysis using the UK data (Dex, 1988) that showed the effect of attitudes was small compared with the constraint of arranging childcare. They therefore point to policy differences between the countries and conclude that in France the constraint exerted by a young child on women's labour supply has been 'dampened' by the system of subsidized childcare and long school days. They also suggest that the larger wage dispersion among French women, combined with differences in the tax system, means that there is a greater financial incentive for women with high earnings to participate in France.

This study demonstrates that the national policy environment has an impact on women's labour market participation. The benefits of such a policy are often calculated by reference to the cost of policies versus the gains in earnings for the women, with these gains taken as indicators of the productivity benefits

of continuing participation. The differences in earnings dispersion between France and the United Kingdom, however, highlight an important methodological consideration for evaluation studies; namely, earnings depend not only on productivity levels but also on the institutional system of pay determination. Thus, if pay in female-dominated jobs—for example, nursing in the public sector—is kept at a low level, then a reliance on narrow price measures may constitute an underestimation of the productivity gains. Indeed, the total productivity gains in this case may be greater than the immediate private gains, if increased employment continuity were to reduce recruitment and training costs and to improve patient care.

One study that directly tested the impact of policy on women's employment continuity was a British survey of maternity rights conducted prior to the recent extension of these rights (McRae, 1991). Women who qualified for maternity leave were more likely to be in employment nine months after the birth than other mothers who had worked when they were pregnant, and they were also more likely to have returned to full-time employment with their previous employer. This positive influence of the maternity entitlement persisted when tested using logistic regression, but other variables were revealed to be more significant. Not surprisingly, women with high wages and qualifications were more likely to return, but the most significant effect was receipt of contractually enhanced maternity pay. This enhanced employment condition seemed to improve the effectiveness of the maternity leave arrangements, but an important caveat is that the receipt of such payments is frequently dependent upon returning to work for a period of three months (McRae, 1991, p. 137). It is thus possible that some of these women may have quit shortly after the survey was conducted, perhaps having returned with the intention of leaving after securing the benefits, or having found the stress of full-time work too great.

McRae's study (1991) demonstrates the importance of leave entitlements for promoting employment continuity in the initial period of family formation, but it also indicates the need for data that tracks movement over a longer period of time. Indeed, while education and earnings were important, a more significant relationship was that women who were taking maternity leave for their second child were more likely to return to employment than first-time mothers. A cross-national study using data covering a long time period in women's work histories also revealed that women who work continuously during the preschool years of their first child are more likely to go on to have continuous employment careers (Kempeneers and Lelievre, 1991, Tables 39–40). This trend is suggestive of a filter process over the period of family formation, whereby women who remain in employment after the birth of their first child have managed to make arrangements to reconcile employment with caring which equip them for combining employment with the birth of the second child. A common means of achieving such

reconciliation in the United Kingdom and other northern European countries with only limited subsidies for childcare is likely to be through part-time work. In these national contexts the right to return to part-time work in the previous job might increase the retention rate for employers, indicated by McRae's (1991) finding that most of those mothers who returned but switched employers had done so to get part-time work. This supposition returns us to the childcare constraint highlighted by Dex et al.'s (1993) Anglo-French comparison and suggests that the effectiveness of one policy may be undermined by the lack of coordination with other institutional arrangements.

### 3.2 Take-up of Existing Policies, Latent Demand for Different Policies and Policy Coordination

Information on what policies women want, and how they will use them, is important for evaluating the effectiveness of intervention. Asking women about their preferred employment patterns and child-rearing arrangements provides some indication of the extent to which their existing labour supply is constrained, for example, by the lack of affordable childcare services. At the same time, an overreliance on attitudinal data will underestimate the potential use of services because preferences are shaped by the perceived opportunities and constraints. Similarly, information on eligibility and take-up gives some insight into whether the policy is reaching the target group, and as to the kind of features that contribute to the success or failure of a policy instrument, but it does not permit issues of additionality or deadweight to be assessed. However, the distinction between a policy effect and a deadweight effect is difficult to maintain when the policy intervention is influencing attitudes as well as behaviour.

Most women use their entitlement to paid maternity leave. This is because the leave protects the health of the mother and child while providing a high degree of employment security, and in most countries the high earnings replacement rate means that the immediate loss of income is minimal (EU Childcare Network, 1994). Nevertheless, some women may be forced to quit their employment before they are entitled to take leave if they do not have the right to move to alternative work when their current job endangers their health, for example, in Spain (Molto, 1994, p. 67). At the end of maternity leave maternal employment patterns diverge, both between countries and between different groups of women within countries, suggesting that there are coordination problems between the end of this entitlement and childcare or leave policies for the next stage of family formation.

The demand for childcare is monitored only in the minority of countries with comparatively well-established systems of childcare (e.g. France, Denmark, Belgium), and the lack of standardization in these national surveys,

combined with the lack of information in most other countries, prevents cross-national comparisons (Humblet, 1994). Attitudinal data for Britain shows the importance of this information for evaluation purposes (McRae, 1991). The lack of childcare was the main reason why women who had intended to work after the birth were not employed at the end of their maternity leave. This reason was also given by 20 per cent of the women who did not plan to return to employment after childbirth, while two-thirds said that they wanted to care for their baby full time. These desires are influenced by the limited childcare services in Britain, but the data suggest that longer periods of leave would be popular for some women, whereas for others childcare problems delay their return to employment. These data reveal how the absence of childcare or extended leave makes it difficult for women with young children to return to employment and undermines the effectiveness of maternity leave provision.

Current survey sources and administrative records are not designed to provide adequate information on the take-up of parental leave (OECD, 1995a, p. 183). However, several clear findings emerge from a recent review of the evidence for the Member States of the European Union (EU Childcare Network, 1994). First, leave entitlements that are unpaid are rarely used. For example, less than 2 per cent of entitled parents took parental leave in France in 1992, and a disproportionate share of those taking leave were women with three or more children who thus received some financial support (Gauvin et al., 1994, p. 74). In contrast, a high female take-up is found in Sweden and Denmark, where the wage replacement rate is significantly higher. Furthermore, the number of parents using the new extended parental leave provision in Denmark has risen steadily, particularly since the legal entitlement has been in place (MISEP, 1995).

Other employment conditions also depress take-up. Employees are deterred from taking leave if their employment conditions on the return to work are not adequately protected, or where leave periods are excluded for seniority or promotion purposes. Another deterrent is employer reluctance, which is likely to be strongest in small businesses, where leave-taking may be more disruptive. A general lack of information on both sides also reduces take-up (EU Childcare Network, 1994, pp. 22-3). Low take-up may also reflect the availability of functional equivalents or superior alternatives in some countries. For example, in France the option of unpaid parental leave competes directly with the alternative of part-time work, particularly in the public sector, where the opportunity to work between 50 per cent and 90 per cent of normal working time constitutes a significant amount of flexibility for mothers (Gauvin et al., 1994, p. 16).

Take-up is also affected by sex and occupational status. Women with high levels of qualifications or earnings take fewer, or shorter, periods of leave. The

influence of educational investment and earnings potential on labour supply provides some support for human capital theories (e.g. Becker, 1981), but high earnings also make it more feasible to pay for childcare. Another important influence is that women in these occupations are also likely to have stronger career orientations and more job satisfaction (Dex, 1988; Hakim, 1991). Conversely, longer periods of leave tend to be taken in the public rather than the private sector. This difference generally reflects enhanced financial support for leave in the public sector, combined with a workplace culture that is more supportive to leave-takers than that found in the private sector (Bettio and Villa, 1994, p. 44; EU Childcare Network, 1994). Men make extensive use of paid paternity leave and holiday entitlements to spend time with their children, but very few take parental leave, except in Sweden (EU Childcare Network, 1994). Like women, men are more likely to take leave if they are employed in the public sector, and they are also more likely to do so if they are employed in female-dominated jobs. Take-up is also highest for men who are highly educated and have well-educated partners with high incomes and a strong commitment to employment. In other words, male take-up seems to be higher in households where women take shorter periods of leave.

The main features of the Swedish leave scheme that encourage a comparatively high male take-up are its flexibility and the high level of payment: fathers make more use of the leave scheme as the children get older and tend to take short or part-time periods of leave (EU Childcare Network, 1994). Despite the steady increase in male take-up, the majority of leave in Sweden is still taken by women, who accounted for 93 per cent of all parental leave days taken in 1990. Information campaigns directed at fathers and employers have been undertaken in Sweden, but no evaluation research has been done on the effectiveness of these complementary measures. There is also no information available on the number of parents who take advantage of the right to work reduced hours in Sweden, but there is evidence that the lack of obligation on employers to organize work to support this entitlement means that parents who do make use of it are frequently squeezing the same amount of work into shorter periods of time, while others are reluctant to work reduced hours in case this creates additional work for colleagues (Widerberg, 1991).

The public cost of childcare subsidies and leave arrangements obviously depends on the generosity of the scheme and the degree of take-up, which will be related to each other (EU Childcare Network, 1994). Furthermore, simple estimates of the direct costs are inadequate. The net cost is significantly reduced by the second-round effects on tax gains plus reduced claims for income-related benefits, as shown in a recent UK estimate, for example (Holtermann and Clarke, 1992). Another reduction in net cost stems from the extent to which cover is provided by previously unemployed people, thus contributing to work-sharing. This seems to be the dominant pattern in Den-

mark, where 65 per cent of mothers taking maternity and parental leave were replaced by a substitute (EU Childcare Network, 1994). Shorter periods of leave, such as to care for sick children, are generally seen to be more disruptive and costly to employers, but where these formal leave entitlements do not exist the employer may be bearing costs anyway through parents claiming personal illness or being distracted at work. In general, there is a need for a more comprehensive approach to cost and benefits that would include more qualitative gains, such as increased employee satisfaction and loyalty (Holtermann, 1995).

### 3.3 The Impact of Different Maternal Employment Patterns on Life-time Occupational Mobility and Earnings

Studies using work-history data demonstrate that labour market interruption makes women vulnerable to a loss of occupational status upon reentry to employment, particularly if they return to part-time work (Dex and Shaw, 1986; Dex et al., 1993; McRae, 1991). Discontinuous employment patterns may therefore reduce life-time earnings through the lower hourly pay and shorter hours of work that follow an interruption, as well as through the more visible loss resulting from reduced years in employment (Joshi and Davies, 1992). Professional qualifications offer some protection from loss of occupational status, partly because well-qualified women tend to take shorter breaks and to return to full-time work. Indeed, there is some evidence from the United Kingdom that downward mobility for this group of women has fallen over time (McRae, 1991). It is women in the middle of the occupational hierarchy who are most vulnerable to loss of occupational status, particularly clerical workers, often because they have firm-specific skills, while there is little scope for women with low occupational status to move further down the hierarchy.

Work-history studies that emphasize the loss of human capital as the reason for the loss of occupational status or for reduced earnings following an employment interruption underplay the influence of the organization of the labour market. Important demand-side influences that contribute to the price women pay for an employment interruption include the exclusion of discontinuous workers from internal labour markets and the concentration of part-time jobs in more casualized and low-paid labour markets (Rubery, 1994, p. 34). These demand-side factors vary between countries. For example, there is very little emphasis on formal training or functional flexibility in the United Kingdom catering sector, and instead the industry uses part-time workers to provide numerical flexibility. Young workers and women returners fill the majority of these posts, and many of the women returners had previously held higher-paid and higher-status jobs (Rubery, Fagan and Humphries, 1992). In

contrast, interruptions in Germany seem to be less likely to be associated with downward mobility than in the United Kingdom (Kempeneers and Lelievre, 1991), and in part this difference is probably due to the German labour market being more tightly organized around the formal qualifications acquired through the dual training system than is the case in the United Kingdom (Maier, 1995). Similarly, in countries where there are more opportunities to work part time in higher-level jobs women who want these hours of work have more scope to find a job that is similar to their previous employment (Rubery and Fagan, 1993).

It follows, therefore, that the financial loss associated with becoming a mother varies between countries, both because of different labour supply patterns and because discontinuity incurs different costs in different employment systems. Joshi and Davies (1992) estimated the amount of forgone earnings for a mother of two children who followed typical life-time employment patterns in the United Kingdom, western Germany, Sweden and France. This estimation was based on country-specific life-time earnings data and therefore incorporated national wage differences. For example, the rate of pay for continuously employed women in France rose sharply over the life cycle, showing that the pay penalty for interrupted employment is higher here than in the United Kingdom (Dex et al., 1993). In comparison, the number of years spent in employment had less of an impact on life-time earnings progression in Sweden. This result is largely explained by the narrower wage dispersion in the Swedish economy (Blau, 1992).

The lengthy periods of interruption and subsequent part-time employment that characterize maternal life-time employment patterns in the United Kingdom and western Germany was the most costly pattern, amounting to an estimated 57 per cent of forgone life-time earnings in the United Kingdom and a slightly smaller loss in western Germany (49 per cent). A significantly smaller loss was associated with the shorter interruptions and periods of part-time employment typical for Sweden (16 per cent). Continuous, full-time employment combined with short periods of maternity leave produced a minimal earnings loss for French mothers (1 per cent). Most of the earnings loss is attributed to the arrival of the first child in the United Kingdom and Germany, whereas in the other two countries the cost is more equally distributed between births (Joshi and Davies, 1992, pp. 573-4). Another study based on different data indicates that the cost of motherhood in Denmark is similar to the cost in Sweden: two children were found to reduce life-time earnings by approximately 20 per cent due to a combination of part-time employment and maternity leave absences (Bonke, 1992, pp. 311-15).

These studies of women's life-time earnings and employment trajectories demonstrate that it is the ability to follow a full-time continuous employment career, rather than the opportunity to participate in the female-dominated part-

time labour market, that mitigates the impact of motherhood on women's pay careers and on their income in retirement. The impact of leave on the cost of motherhood falls in between, not just because of periods away from the job but because leave may also result in lower wage rates over the life cycle. Some evidence for this impact has been found in company records of leave use by men and women in Sweden. The study in question revealed that the cost was greater for men but that for both sexes there was some earnings recovery over time from absences taken in earlier stages in the work history. The reason for the higher cost for men was either that there was more scope for earnings growth in the jobs in which men were concentrated or that those who took leave were labelled as uncommitted, which might also explain why women who were better paid and more educated took shorter periods of leave than other mothers (Sundstrom and Stafford, 1994). To some extent the impact of extensive leave arrangements on gender differences in life-time earnings has been mediated by the comparatively low Swedish earnings dispersion, and the impact is likely to be greater in countries with greater earnings dispersion, and indeed, in Sweden in future as the wage system is decentralized.

The findings from these studies suggest that the analysis of work-history data as a means of understanding the impact of motherhood on women's life-time earnings and employment could be refined in two ways. First, if cross-national differences in the organization of the employment system are explicitly addressed, then it becomes clear that the cost of interruptions cannot be simply interpreted in terms of human capital and skill depreciation. Second, it may be important to build an explicit male comparison into the analysis as well, for the price of motherhood increases when it is expressed relative to male life-time earnings (Rubery, 1994, pp. 34-7). In other words, women's social role as mothers acts to depress the earnings of all women, even those without children.

#### 4 CONCLUSIONS

Women's labour market interruptions connected with the period of family formation are becoming fewer and shorter (Rubery et al., 1995). Nevertheless, many women still quit the labour market when their children are young, resulting in a substantial loss of earnings from reduced years of earning plus lower future earnings stemming from downward occupational mobility at the point of labour market reentry. This loss is compounded in labour markets where motherhood is associated with a transition to part-time employment, for these jobs are concentrated in low-paid, low-level occupations.

The inefficiencies associated with labour market interruptions for households, employers and the aggregate economy become evident once a dynamic

perspective is adopted. A more continuous labour market participation over the period of family formation would lead to a more optimal utilization of women's actual and potential skills in the economy. For the household more continuous participation would mean that life-time income would increase, and the unanticipated costs of labour market interruptions would be reduced.

Evaluation studies indicate that national policy environments have an important influence on the degree of employment continuity for women with young children. Entitlements to extended leave, either on a full-time or part-time basis, and subsidized childcare make the reconciliation of parental and employment responsibilities easier to achieve. At the same time, these studies also indicate how the effectiveness of one policy may be undermined by a lack of coordination with complementary policies. For example, full-time leave entitlements may simply delay the timing of labour market departure unless other leave or childcare arrangements exist.

The coordination of the different leave and childcare elements of parental employment policies is a necessary, but not sufficient, step to increase the effectiveness of these market interventions. The impact of these policy packages is likely to increase through coordination with, or at least consideration of, the organization of school and shop opening hours, the income tax and benefit system and 'gendering' labour market policies designed to promote work-sharing. Another important consideration is the organizational demands attached to different jobs within any economy. It might be easier to organize some jobs on a part-time basis than others, although what is seen as feasible by employers is likely to change through experience. Nevertheless, it may still remain more efficient for some to find a full-time substitute for an extended period of leave in certain occupations or workplaces, at least in the short term, when employers are learning how to integrate new leave entitlements into current organizational practices.

The Swedish model of flexible parental leave entitlements, where leave can be taken on a full-time or part-time basis at any time in the period prior to the child entering school, provides an effective bridge over the time-intensive period of child-rearing, as well as providing a variety of means of reconciling the needs of workers with those of employers. But the diversity of household and employer needs are unlikely to be fully reconciled through a system of leave entitlements, however flexibly organized. In some circumstances subsidized childcare may be a more optimal arrangement, suggesting that this is a complement rather than a substitute component of a coordinated parental employment policy regime.

Indeed, the effectiveness of any leave system will be undermined if it merely institutionalizes extended periods of maternal leave, reinforcing the sexual division of labour and so feeding back into the education, training and labour supply decisions of subsequent generations. Male take-up of parental

leave is generally low, although increasing in Sweden, and thus motherhood still has a greater impact on life-time earnings and occupational progression compared to fatherhood. Until recently, this effect has been tempered in Sweden because of the narrow wage dispersion, but the current restructuring of the wage-determination system means that the cost of taking leave may increase in the future unless leave-taking becomes more widespread and less gender specific. Low male take-up of leave will also undermine the effectiveness of this tool for promoting work-sharing. Thus, while the recently extended Danish leave system is proving popular, further work-sharing gains could be achieved through stimulation of male take-up of parental leave.

While the available evidence points to the positive impact of extended leave and subsidized childcare on facilitating maternal employment, further research is needed to identify the optimal balance between different leave arrangements and childcare subsidies in different national and sectoral labour market conditions. In particular, given the importance of coordinating family policies with wider institutional arrangements for intervention to be effective, it is unlikely that a policy that works in one national context can simply be transferred to produce an identical outcome elsewhere. Three research questions seem particularly pertinent. First, what is the impact on women's employment and career trajectories of either one long period of leave, several short periods of leave, part-time work for a period of time or access to subsidized childcare? Second, what circumstances encourage male take-up of parental leave or reduced hours of work? Third, what are the costs and benefits of different arrangements to employers, and in which countries or sectors is more progress being made in the development and use of parental employment policies?

The information currently available for monitoring and evaluating current arrangements is perhaps less well developed than that available for many other labour market policy interventions. Flow information over the early years of parenting is needed to track the impact of these policies, as is more accessible and standardized information on take-up of leave and other working time reductions. Furthermore, improved attitudinal data on the reasons for quitting work and the constraints to taking up employment would enhance the value of the EU Labour Force Survey. However, workplace surveys are also required to explore how policies are implemented by employers. Finally, there is an important role for qualitative case-study research at the workplace that combines studies of both employees and employers. Such research could be focussed on identifying the barriers to the effective implementation of parental employment policies and on identifying innovation through research with 'leading-edge' companies.

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## 12. Exit Options from the Labour Force<sup>1</sup>

Bernard Casey

Exit from the labour force can take one of two forms. The first is temporary, such as is associated with participation in further education and training, with child birth and child-rearing, or with extended vacations or sabbaticals. The second is permanent, either intentionally or effectively so, and is associated with retirement or a substantial deterioration in health or loss of working capacity. Labour market policies with respect to the first form of exit are treated in other chapters of this handbook, namely, by Fagan and Rubery (see chap. 11 in this volume), Tuijnman and Schömann (chap. 15) and Schmid (chap. 25). This chapter considers the second form of exit and concentrates on labour market policies related to a specific target, namely, to relieve the labour market (and thus to reduce unemployment) by supporting 'early retirement'.<sup>2</sup>

### 1 THE EXTENT OF 'EARLY RETIREMENT'

One of the more remarkable developments on the labour market of western industrialized countries in the past two decades has been the fall in the proportion of older people in paid employment. This fall has affected those who are above the 'normal' retirement age (of 65) as well as those below it, but policy concern has so far been directed mainly at the increasing share of people five or ten years younger than this ceiling who are no longer working.

With respect to older men, the extent of their early exit from the labour market is immediately apparent from time series on participation and employment. These are summarized in the following table, which gives

<sup>1</sup> The author would like to thank Günther Schmid and Holger Schütz for undertaking the final editing of this chapter, and Günther Schmid for helpful comments during its production.

<sup>2</sup> For a critical appraisal of the appropriateness of the designation 'early retirement', see Casey and Laczko, 1989.