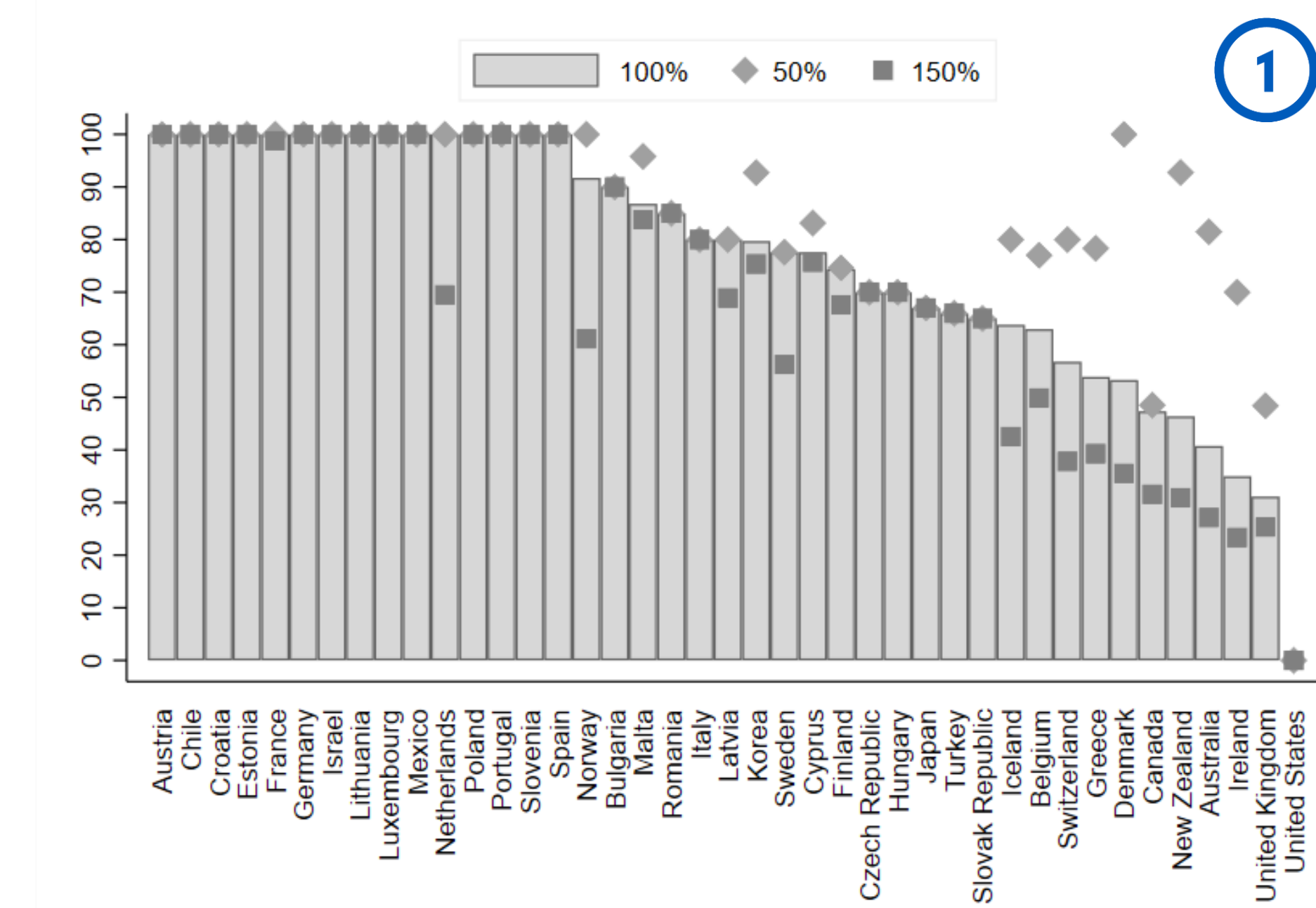


# How Does Maternity Leave Allowance Affect Fertility and Career Decisions?

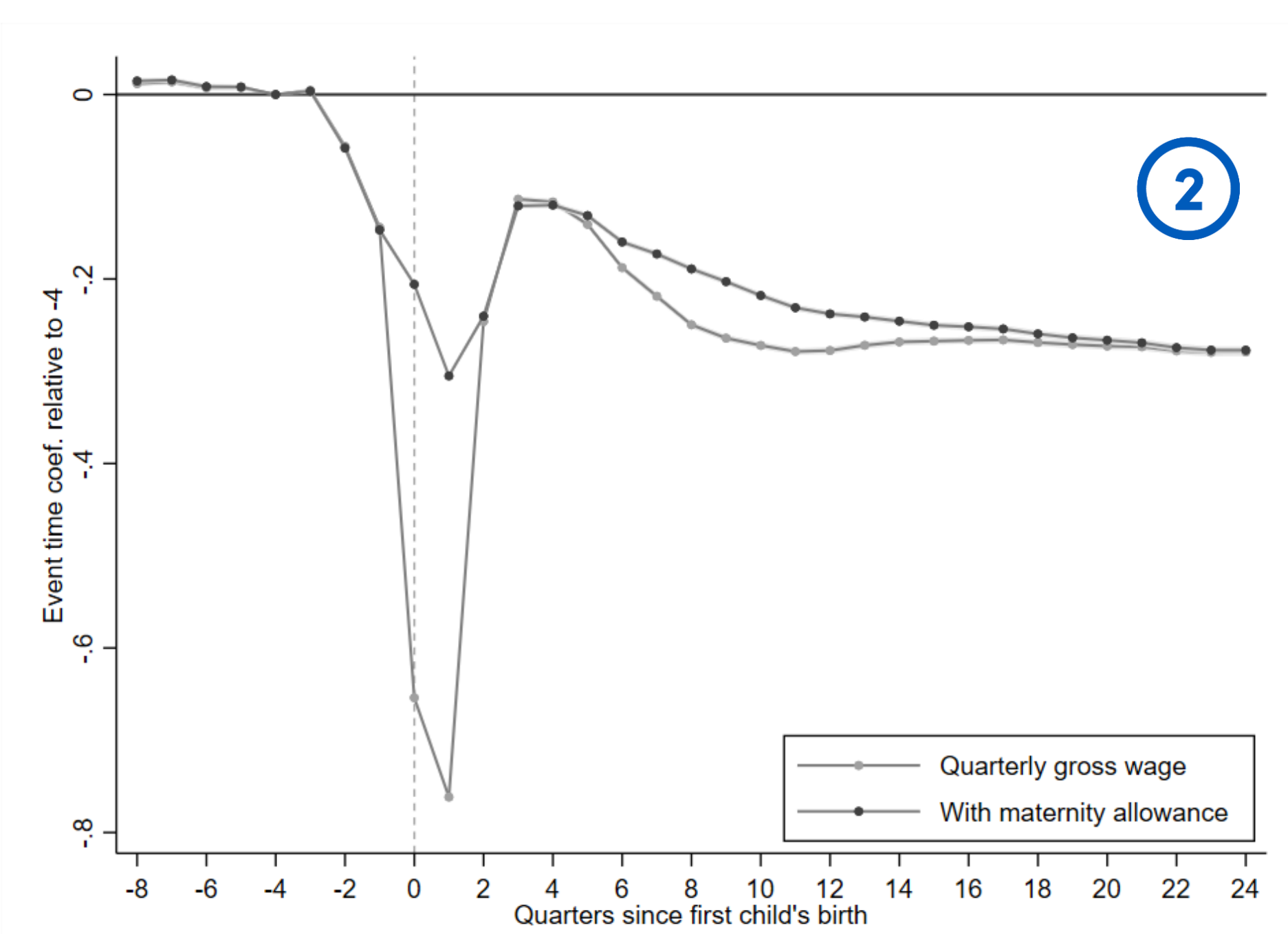
Sébastien Fontenay

## Motivation

Most countries only offer **partial wage replacement** (66% on average) during Maternity Leave (ML)



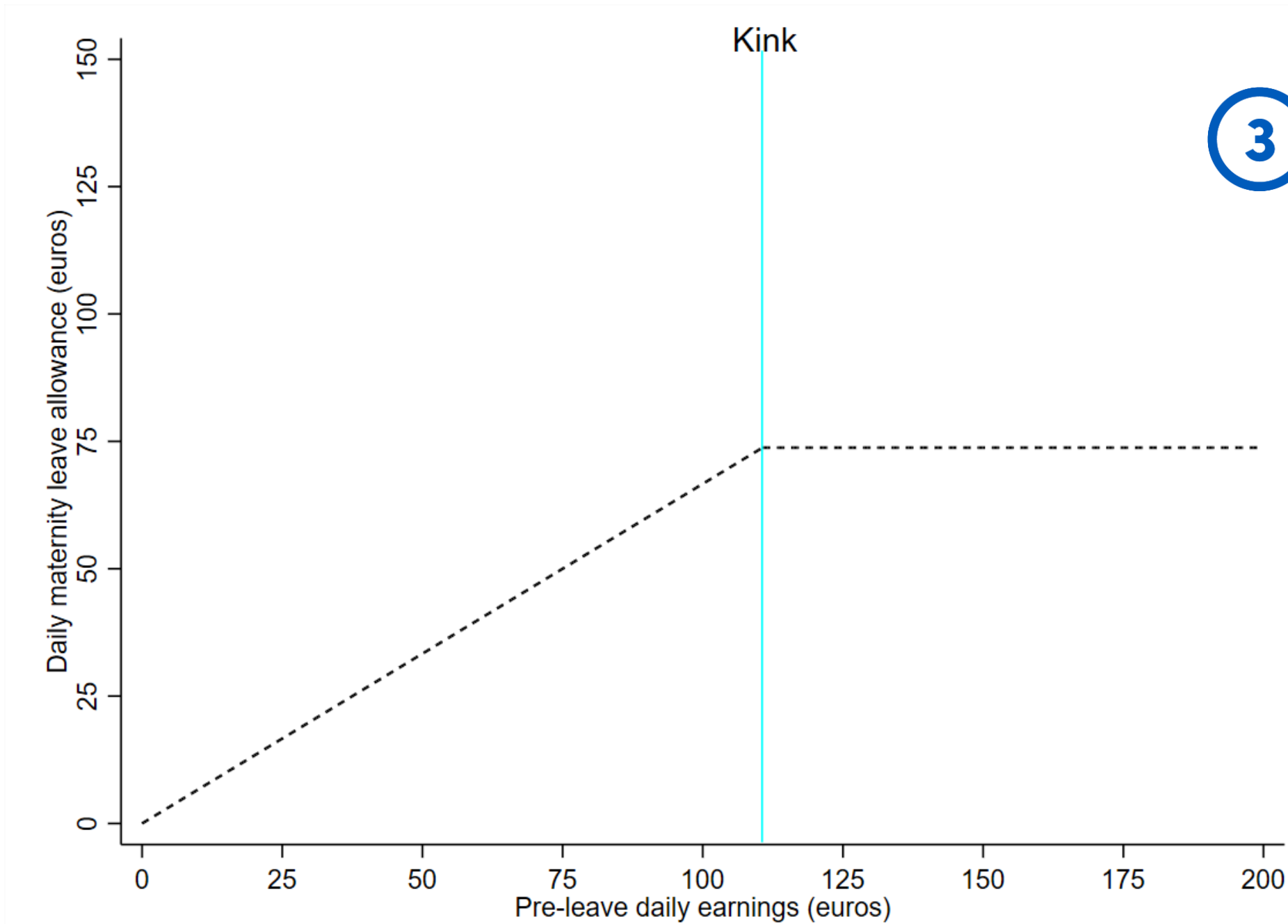
As shown on [Fig. 2] for Belgium, this translates into an **earnings penalty** which starts already around childbirth



- Previous literature is mostly concerned with duration of ML, while I evaluate the impact of the allowance generosity
- Conceptually, **ML allowance**  $\square$  **opportunity cost of childbearing**

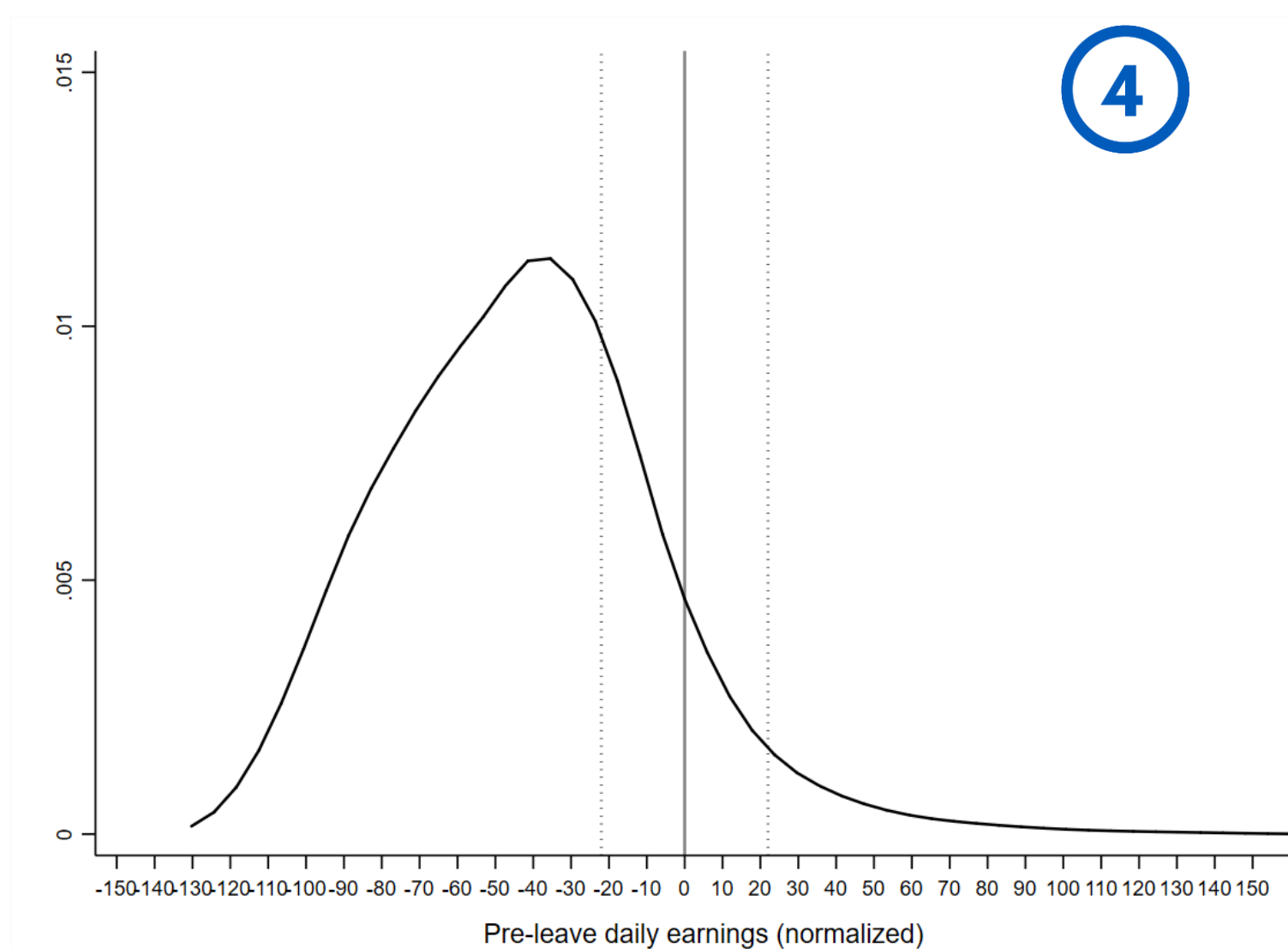
## Method - Regression Kink Design

I exploit the fact that ML allowance is **capped in Belgium** so that women with pre-leave earnings above max. threshold face drastically lower replacement rates [Fig. 3]



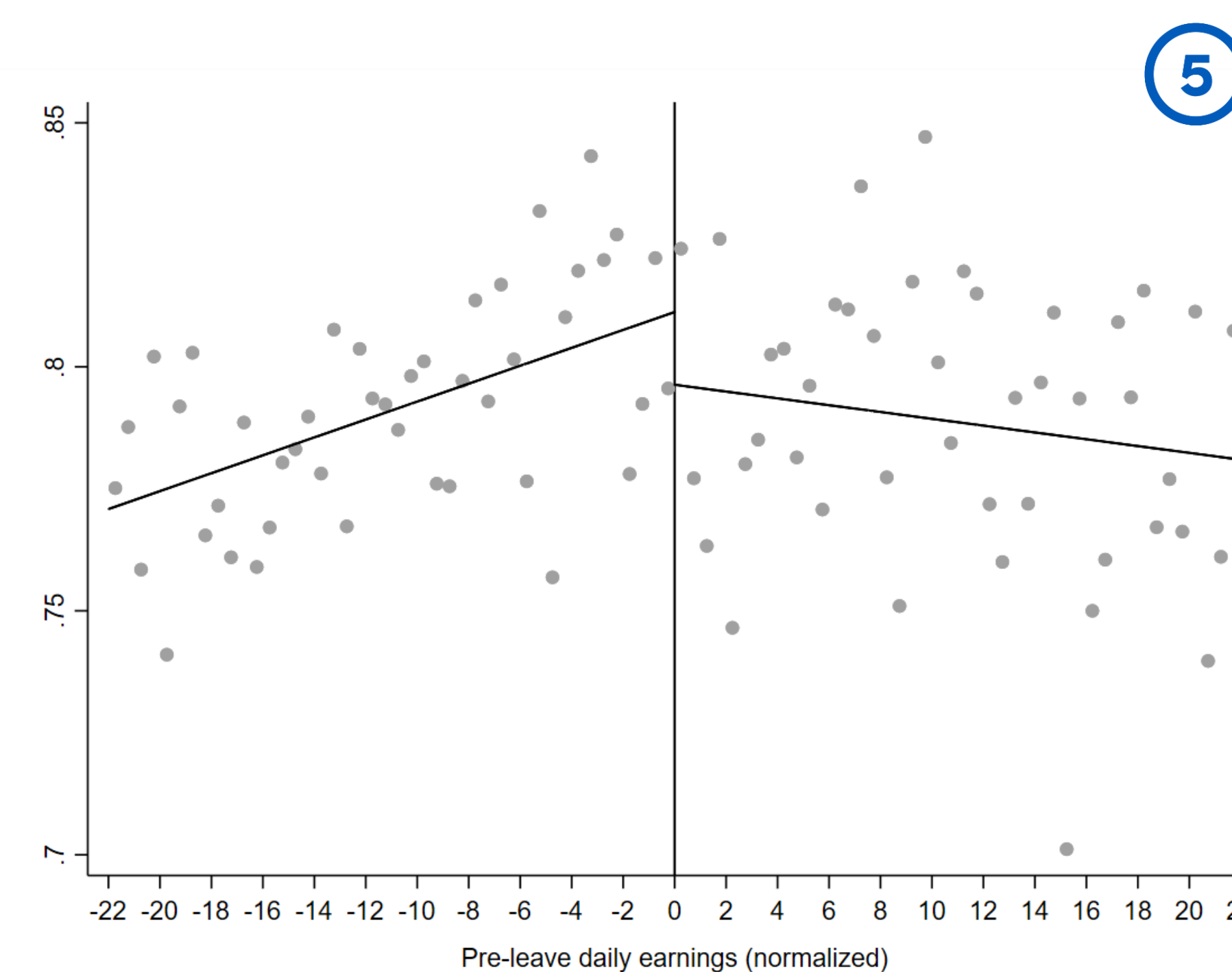
## Data & sample

- **Administrative registers** on first-time mothers between 2002-2015; balanced panel around childbirth (t-1 to t+5 years)
- Kink is located at 90<sup>th</sup> percentile of earnings distribution = **Local treatment-on-the-treated effect**



## Effect on fertility

[Fig. 5] shows that as the amount of allowance  $\square$  so does the probability to have a **second child**, up to the kink where the trend reverses



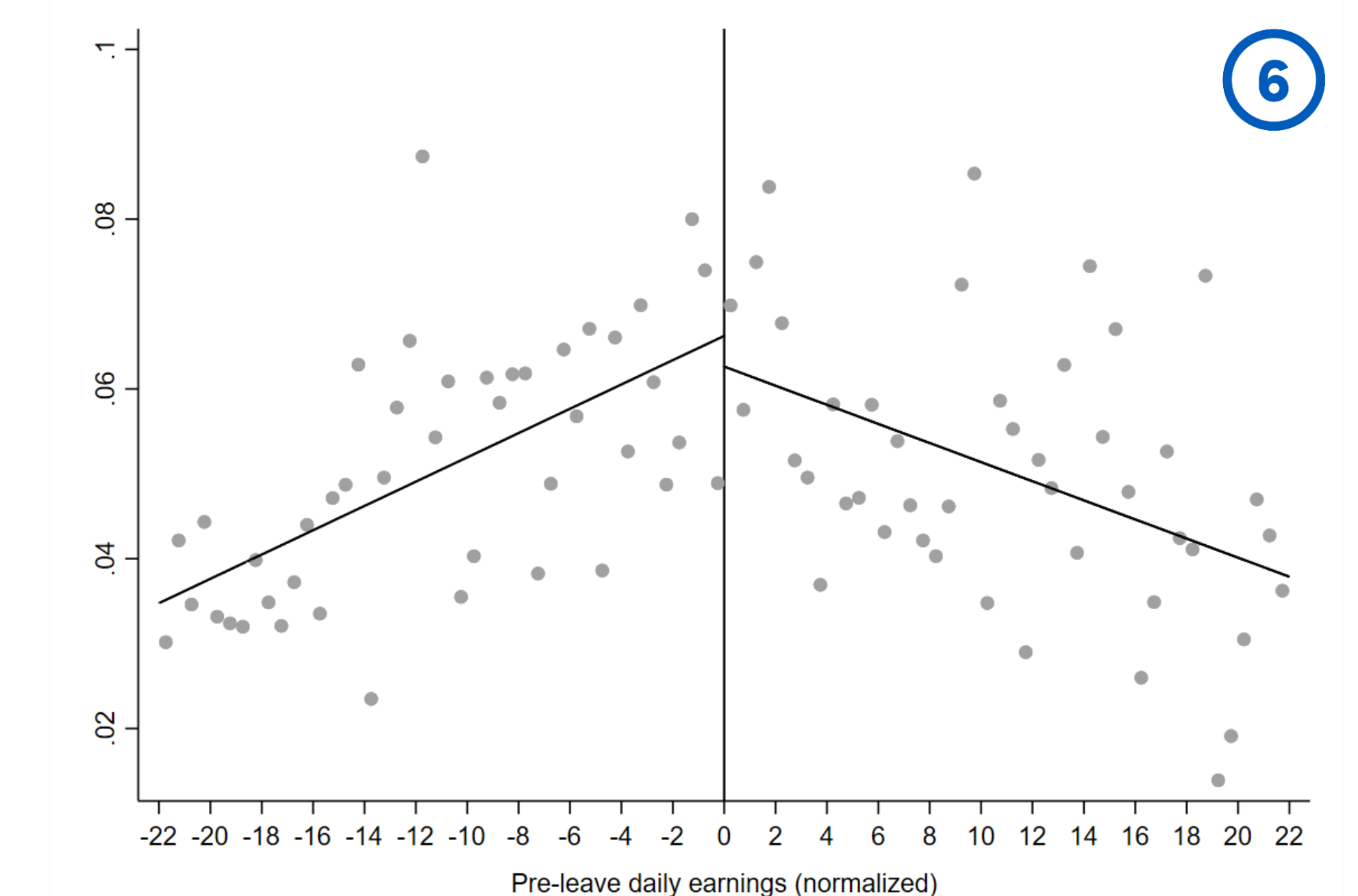
Estimated elasticities:

- $\square$  €10 daily allowance (900 euros in total)
- $\square$  probability second child by 6 p.p.

	Treatment effect	Mean
Second child (0/1)	0.006 *** (0.002)	0.79
Number of children	0.009 *** (0.003)	1.93
Employed (0/1)	-0.001 (0.001)	0.90
Salaried employee (0/1)	-0.007 *** (0.001)	0.87
Self-employed (0/1)	0.006 *** (0.001)	0.05
Quarterly earnings (euros)	-5.202 (17.353)	7651.30
Salaried income (euros)	-38.194 ** (18.261)	7194.92
Self-employed income (euros)	32.991 *** (6.485)	456.37
Obs.	37,718	

## Effects on employment

$\square$  ML allowance does not affect labor force participation nor earnings in the long-run  
But it does  $\square$  **probability to transition from salaried to self-employment** [Fig. 6]



## Mechanisms

- **Timing**: mothers change career path in anticipation of second child [Fig. 7]
- **Heterogeneity**: transition to self-employment higher in sectors with poor work-family balance

