

The Introduction of a Short-Term Earnings-Related Parental Leave Benefit System and Differential Employment Effects

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Abstract

This study analyzes the employment effects of a major change in the child-subsidy policy in Germany. In 2007, a means-tested maternity leave system that paid a maximum of 300 Euro for 2 years was replaced by a system that paid two thirds of pre-birth earnings for at most one year. The new system guarantees a minimum amount of 300 Euro also for those that do not work and sets a upper limit of at most 1800 Euro. For those with little means, either own or partner income, the new system is less generous, as benefits are paid for a shorter amount of time. Using data from the German Socio Economic Panel we estimate the employment effects for women for the first year after the birth and for the time shortly after the first year, i.e. when the new benefit system has run out. In particular, we take care of potential heterogeneity of the effects for example due to different family income levels, family sizes and work orientation of the mother. First results indicate that mothers with little or no previous income are more likely to work during the first year after the birth of the child.

Key Words: female labor supply, fertility, child subsidy, parents money
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