

Fathers' paternity leave-taking and the partner earnings gap in Germany

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In the past years, the interest in the relative earnings of partnered heterosexual women has been growing quickly (e.g. Dieckhoff et al. 2019; Musick et al. 2020; Nylin et al. 2021). Our paper contributes to this literature by studying trajectories of German couples' earnings inequalities and how they evolve after child birth dependent on the duration of paternity leave. Germany's family policy has experienced a paradigm shift (Gülzau 2020) moving from a traditional male breadwinner model to a dual-earner/dual-care-taking model. One central policy change was the parental leave reform in 2007 and the implementation of two "daddy months" (i.e. two months exclusively reserved to one parent). While now more than 40 percent of young fathers take leave, the vast majority of these leaves does not exceed two months. We examine how trajectories of couple earnings inequalities vary with the male partner's leave and leave duration. The paper draws on longitudinal data from the German Socio-Economic Panel Study (SOEP) from 2007 to 2023. We use fixed effects panel models to analyze the effect child birth on the earnings gap and its evolution. We find very little difference between the trajectories where he took no leave versus where he took a short leave (of two months and less), with both revealing a notable increase in earnings inequality post-birth which even 5 years after birth has not recovered to pre-birth levels. By contrast, a paternity leave of three months and more is associated with substantially more equal long-term earnings trajectories. Here childbirth only slightly increases inequality and 5 years post-birth the earnings gap is even moderately smaller than pre-birth. This suggests that the reform has the potential to reduce earnings inequalities between mothers and fathers, but only if more fathers take longer leaves. Stronger incentives for longer paternal leave taking may be necessary.