The change of employment status and wage before and after parental leave in Germany: Economic theory and empirical evidence

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For Germany there are only a few investigations of the effect of maternal and parental leave after a birth of a child on the employment status and income. The focus is the empirical analysis of the state of employment and change of income after a birth of a child. In Germany as in other European countries mothers are be entitled to claim a maternal leave and a parental leave. Formal parental leave was introduced in Germany in 1986 ("Bundeserziehungsgeldgesetz"). Between 1984 and 2014 there have many changes of the duration of parental leave and the height of child benefits. The database of the empirical analyses is the German Socio-Economic Panel (SOEP). Relevant economic theories for explaining labour market behaviour after the birth of a child are the human capital theory, signal theory, microeconomic household theory and the theory of internal and external labour markets.

In a first step it is analysed with a multivariate logistic regression which determinants are of importance for the decision of a mother to work after the end of the maternal leave period and it shows there are only few significant variables. In a second step it is analysed with a discrete survival analysis which variables are of importance to explain the interruption duration after a birth of child and which variables enhance that a mother starts to begin to work after a birth. It is made the distinction between an analysis period within parental leave and an analysis period after parental leave. Some of the hypotheses derived from microeconomic household theory and human capital theory could be confirmed and others must be denied. Variables of family policy are of low importance in both discrete survival analyses. In a third step it is analysed how different interruptions in the working career influence the gross wage and gross income of women. There is differentiated between 3 types of interruptions: spells of household work, spells of unemployment and spells of parental leave and spells of the same type are summed up. It is shown that different types of interruption have different effects on the gross wage as dependent variable in an unbalanced panel data analysis with a fixed effects model and with a Heckman selection correction. Further hypotheses derived from human capital theory and theory of internal and external labour markets are confirmed.