



THE IMPACT OF PARENTAL LEAVE POLICIES ON LABOUR MARKET OUTCOMES: SUMMARY

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This research project has sought to speak into the gap in current knowledge regarding the impact of parental leave in Northern Ireland, and more broadly the UK. The aim has been to assess the relationship between parental leave and key demographic characteristics and labour market outcomes. To do this, the research investigated: (i) the main determinants of leave-taking and leave duration; (ii) what influences the decision to switch to part-time employment as a coping strategy to combine work and family responsibilities; and (iii) how taking parental leave impacts upon the key labour market outcome of wages.

In general, the findings support much of the existing empirical literature. One consistent result is that married parents are more likely to take parental leave than single parents. In addition, parents who work in a government job or the NHS have higher probabilities of taking parental leave compared to those working in private sector companies.

Interestingly, the effect of pay on taking leave is stronger for men than for women, and this perhaps suggests that men are more likely to take parental leave once they have achieved higher levels of pay and greater career stability, whereas this doesn't seem to be the case for women.

Individual pay is also an important factor in influencing the duration of leave. Higher levels of pay are associated with shorter leave periods. If pay is interpreted as the opportunity cost of taking time out of work, then higher wages represent greater opportunity costs, and this creates the incentive to return to work sooner after childbirth.

For women, higher pay also acts to reduce the likelihood that a mother will extend maternity leave beyond the paid period of 39 weeks.

Given that part-time employment is one of the most common strategies that mothers use to facilitate work with childcare, it is important to understand what influences this decision. As expected, it is women who are more likely to adopt this strategy compared to men, in keeping with the male breadwinner model that still prevails in the UK. It appears to be older mothers who are less likely to switch from full-time to part-time employment after leave, and also mothers with higher pay. These findings point to women with more career progression choosing to continue in full-time employment after leave, and women with greater financial resources being more able to pay for childcare to enable a return to full-time employment after childbirth. These are important findings, as they support the common narrative in the UK that the lack of affordable childcare continues to act as a barrier for lower-earning and younger mothers to return to full-time employment. Given that the strategy of moving to part-time employment is found to negatively impact or ‘scar’ women in terms of future career progression and labour market outcomes, this has implications for both the gender pay gap and also the pay gap between mothers who do return to work full-time and those who don’t.

Lastly, the analysis speaks into one of the most important debates in the context of parental leave, which is how parental leave impacts upon wages and whether this is impacted by the duration of the leave. Most interestingly, for mothers, it found that the wage penalty of taking parental leave is only evidenced for mothers who take longer leaves (more than 39 weeks). Previous studies are confirmed which find that short or moderate leaves have no effect on female earnings, but lengthier leaves are associated with substantial wage reductions.

This research on parental leave sits within several important policy contexts. The first context is the Department for the Economy’s ‘10X Economy’ vision to promote innovation, inclusivity, and sustainability within the Northern Irish economy. As stated earlier, the Northern Irish economy faces persistently high levels of economic inactivity, and female employment is lower compared to the rest of the UK. If parental leave is one

policy tool that can promote mothers to retain their labour market attachment, and if parental leave can be designed in such a way as to not detrimentally affect mothers' labour market outcomes after leave, then parental leave can be seen as an important policy solution to promote, and facilitate, female employment alongside childrearing. Future research to investigate the effect of shared parental leave should be conducted to add valuable insights into whether or not shared parental leave can successfully encourage more fathers to take parental leave, as a means to increase gender equality in childrearing responsibilities and improve mothers' labour market outcomes. This research should be possible once the shared parental leave data becomes available in the UKHLS dataset. So, the first policy context is the ability of parental leave to mitigate the pressures and barriers that confront parents in balancing work and home time in the months following the birth of a child. This work-family conflict has become more pressing as the labour market participation of women has increased sharply in recent decades.

The second, broader policy context where parental leave is vitally important is in relation to the demographic shifts that are taking place in many countries, and the resultant ageing population problems that have arisen. In the UK, the fertility rate is well below the replacement fertility level needed for the UK to 'naturally' replace its population. Fertility in the UK has dropped dramatically, with women having fewer children, and this has occurred alongside rising economic activity and employment rates for women. It is in this context of rising female employment and falling fertility rates that work-family policies are increasingly relevant and high on the political agenda. As a work-family policy, parental leave is seen as one way to resolve the tension created between labour market participation and childbearing, especially for women.

Overall, there are strong arguments in favour of parental leave policies: proponents will argue that parental leave can promote healthier children, improve the position of women in the workplace, help households address the increasing conflict between work and family, and promote within-family gender equality in terms of labour market attachment. These social and economic benefits are behind the adoption of parental leave policies in many OECD countries. However, as discussed in this research project, of fundamental

importance to the success of parental leave policies is their design. In particular, the key elements of a parental leave policy in terms of generosity and length will be crucial in determining how successful parental leave policies are in achieving their social and economic goals.