

Research Brief

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Right to work part-time increases mothers' labour income

by Hannah Paule-Paludkiewicz

Flexible working time arrangements can help parents reconcile family and work commitments. In this context, a new study examines the impact of the statutory right to work part-time on the labour supply and labour income of eligible mothers.

In recent decades, many OECD countries have enacted legislation to facilitate the transition from full-time to part-time employment. They have introduced a right to work part-time to make it easier to reconcile family and work commitments and thereby also to increase the labour supply of mothers with young children – a group with traditionally low labour market participation. In view of demographic change, employment incentives are important to strengthen growth potential (Annual Report 2023/24, German Council of Economic Experts).

On average, the birth of a child has a strong negative impact on the labour income of women as compared with men – something known as the child penalty (Kleven et al., 2019). International studies show that family policy measures, such as extending maternity leave (in Germany: parental leave) or cash benefits after the birth of a child (in Germany: parental allowance), often achieve an intended objective, such as allowing parents to spend more time with their children after they are born. At the same time, however, these studies often identify a significantly negative or no significant impact on mothers' employment and, consequently, on their labour income (see Olivetti and Petrongolo, 2017 for a review of the literature). Gender inequalities in labour market outcomes are therefore at least not reduced by these measures.

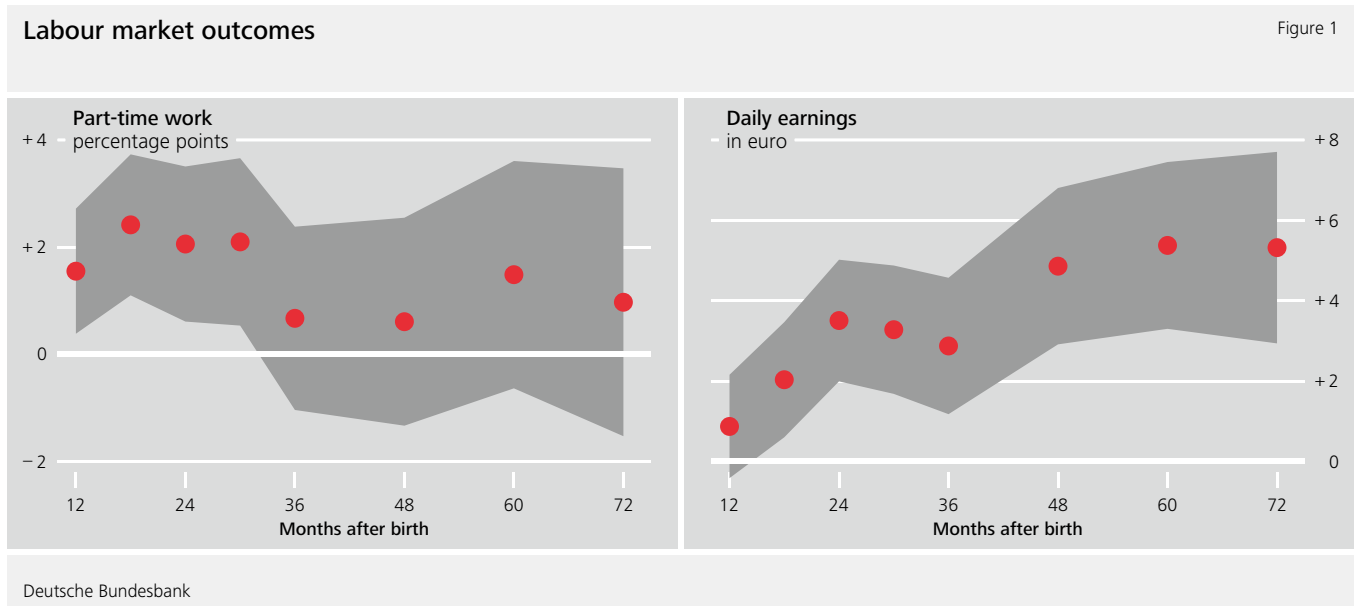
Rise in part-time work, employment and earnings

A new study (Paule-Paludkiewicz, 2024) examines how the statutory right to work part-time affects mothers' post-birth labour market outcomes. In order to investigate this question empirically, the research paper uses a legal change in Germany, which, for the first time, granted employees a general legal entitlement to work part-time (§8 TzBfG). The law, which entered into force on 1 January 2001, made it significantly easier for employees to switch from full-time to part-time work. At the same time, parents were also granted a right to work part-time during their parental leave (§15 BerzGG). The right to work part-time applies only to staff working for firms that generally employ more than 15 employees.

The empirical analysis is based on social security data provided by the Institute for Employment Research (IAB). These data are particularly suitable for the analysis as they capture mothers who were employed before the birth of the child, i.e. those mothers who were in a position to benefit from the new right to work part-time. In addition to the large size of the sample (around 1.7 million persons), the dataset has the key advantage of providing daily information on individuals' complete work history as well as precise information on labour income.

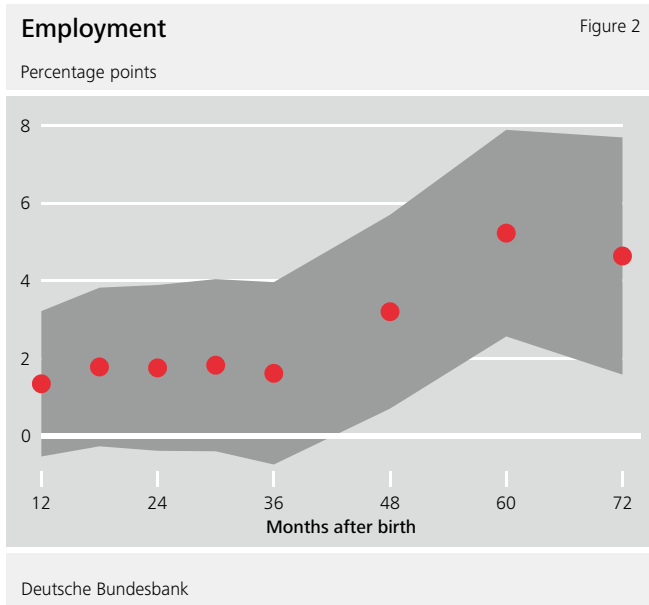
In order to examine the impact of the reform on mothers' post-birth labour outcomes, the study uses a so-called differences-in-differences regression model. It compares the labour market outcomes of mothers in larger (eligible) and smaller (ineligible) establishments before and after the

reform. This empirical approach allows the effect of the reform to be isolated from other factors that affect the labour market outcomes of women in smaller and larger establishments in the same way (for example, the business cycle or general trends in social norms).



The left-hand side of Figure 1 shows that the entitlement to work part-time helps mothers with young children to access part-time work: the likelihood that eligible women are working part-time two years after a birth rises by 2 percentage points after the reform (relative to women who are not

eligible). This is an increase of 15.7% compared to the mean part-time employment of mothers in larger establishments before the reform. At the same time, the law has a positive effect on the daily gross earnings of these mothers, as can be seen in Figure 1 on the right-hand side.



change of employer (Fernández-Kranz et al., 2013) and that women switch, or have to switch, to part-time jobs requiring lower qualifications (Connolly and Gregory, 2008). According to the new study, the right to work part-time means that eligible mothers change their employer less often after the birth of a child. Firm-specific skills and know-how can thus be retained. Moreover, the study shows that, after the birth of a child, on average, mothers with the right to work part-time work in jobs that require a higher level of qualifications than women without this right: mothers with the right to work part-time can return to their old occupation on a part-time basis, do not lose their occupation-specific know-how and do not have to switch to available part-time jobs with lower requirements.

How can the increase in labour income be explained?

The literature shows that transitions from full-time to part-time work have traditionally often been accompanied by a

Moreover, as shown in Figure 2, the reform has a positive impact on the longer-term probability of women being in employment (48 to 72 months after the birth of a child), which is, in turn, reflected in the positive labour income effect.

Conclusion

The entitlement to work part-time leads to an increase in both part-time employment and labour income for eligible mothers as compared with mothers without the right to work part-time. Given existing gender inequalities in the labour market following the birth of a child, this positive combination of greater time flexibility and an increase in labour income for mothers, which is fairly rare in family policy, is particularly noteworthy.

References

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News from the Research Centre

Publications

“Staggered Difference-in-Differences in Gravity Settings: Revisiting the Effects of Trade Agreements” by Arne Nagengast (Deutsche Bundesbank) and Yoto V. Yotov (Drexel University) will be published in the *American Economic Journal: Applied Economics*.

“The Rationality Bias” by Tim Hagenhoff (Deutsche Bundesbank), Joep Lustenhouwer (University Heidelberg) and Mike Tsionas (University of Lancaster) will be published in the *Journal of Money, Credit and Banking*.

Events

7 – 8 May 2024

“Joint Spring Conference 2024 – Structural Changes and the Implications for Inflation”, Eltville am Rhein

04 - 05. July 2024

“International Conference on Payments and Securities Settlement”, Eltville am Rhein

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