

The economic consequences of family policies: Lessons from a century of legislation in high-income countries ^[1]

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Introduction

Among the most remarkable changes in the labor markets of high-income nations during the past century have been the rise in the female workforce and the narrowing of gender gaps in schooling and earnings. At the same time, government mandates and firm policies regarding families expanded. In some instances, legislation was preceded by great economic change, as when the spread of industrialization in the 19th century led to calls for restrictions on female work. Other legislation resulted from social and political change, as occurred during the women's movement of the 1960s and 1970s. Demographic change also played a role as nations have sought to address declining fertility or when dictatorships desired to increase population. By the early 21st century, most high-income countries have put into effect a host of generous and virtually gender-neutral parental leave policies and family benefits, with the multiple goals of gender equity, higher fertility, and child development.

What have been the effects? Proponents typically emphasize the contribution of family policies to the goals of gender equity and child development, enabling women to combine careers and motherhood, and altering social norms regarding gender roles. Opponents often warn that family policies may become a long-term hindrance to women's careers because of the loss of work experience and the higher costs to employers that hire women of childbearing age.

Understanding the causal impact of family policies on gender outcomes has faced two main challenges. First, family legislation is complex. Parental leave can vary in length, job protection, income support, and availability to either parent. The rules and costs governing preschool education and child care vary considerably across countries. Some countries have enabled direct family transfers and tax allowances to low-income working parents, differing in rules and magnitudes. Recent and increasingly common mandates include a legal right to part-time work and flexible working time. A further complication is that policies should not be analyzed in isolation. If a nation passes longer parental leave entitlements, the effects will be determined in part by benefit coverage during leave and the cost and availability of childcare services once leave entitlements expire.

A second challenge is determining cause-and-effect relationships. For example, the evolution of social norms towards more egalitarian gender roles may induce both family legislation and higher female labor force participation. An empirical approach that attributes the entire increase in female participation to the passage of the legislation will overstate its impact.

Existing research has tackled these issues at both the country and the individual levels. The country-level approach captures the impacts of policies based on between- and within-country variation in intervention, exploiting internationally consistent data on a variety of labor market outcomes. This approach has the advantage of considering an array of policy interventions and interdependencies among them, as well as general equilibrium effects of the policies. But such measurement is invariably coarse and the identification of the causal impacts of interest can be problematic. Because we will show some estimates based on country-level data, we will need to emphasize these limitations throughout our discussion.

The micro-level approach evaluates the causal impact of specific policies within a country by combining rich microdata with variation from natural experiments, such as the lengthening of leave policy or the provision of paid leave. The approach generally considers just one policy intervention at a time, but detailed characterization of the institutional environment can allow for more meaningful comparisons.

We draw lessons here from existing work and our own analysis on the effects of parental leave and other interventions aimed at aiding families. The outcomes of interest are female employment, gender gaps in earnings, and fertility. We begin with a discussion of the historical introduction of family policies ever since the end of the nineteenth century and then turn to the details regarding family policies currently in effect across high-income nations. We sketch a framework concerning the effects of family policy to motivate our country- and micro-level evidence on the impact of family policies on gender outcomes. Most estimates range from negligible to a small positive impact. But the verdict is far more positive for the beneficial impact of spending on early education and child care.

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