

Impact of parental benefits reform in 2008 on mothers' occupational allocation²

JULY 2018

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Summary

- Long parental leaves interrupt mothers' connection to the labor market and lead to significant human capital losses. This negatively affects mothers' careers even several years after returning to employment.
- Since 1990s Czech mothers spend extremely long (in the international context) time on parental leave following each childbirth. However, the average time spent on parental leave dropped, on average, by seven months from 40 months (3.3 years) to 34 months (2.8 years) after the 2008 reform of parental benefits system.
- Both before and after the reform mothers were entitled to four years of parental leave following each childbirth, with the first three years accompanied with job protection. Before the reform mothers were also eligible for parental benefits at a uniform monthly rate till the child's fourth birthday. Since January 1, 2008 mothers could choose whether to collect parental benefits till the child's second, third, or fourth birthday.
- This study shows that the reduction of time spent on parental leaves, that was induced by the reform, translates to better occupational allocations of mothers six to seven years after childbirth (i.e. when their child reaches compulsory school age).
- Specifically, it is documented that after the reform more high school educated mothers of 6-7-year-olds are employed in high skilled occupations: managers, professionals, and technicians and associate professionals – increase by 3 percentage points. The study also shows that after the reform these mothers are employed in occupations paying higher salaries – increase by 530 CZK.
- These findings suggest that Czech mothers do care about their careers and spend less time on parental leave when they are given this possibility.
- Moreover, spending less time on parental leave means that mothers have better jobs several years after returning to the labor market. This is most probably driven by higher levels of human capital – either not lost while on leave or accumulated sooner after returning to the labor market.

² This study received financial support from a grant No. 14_26574P of the Czech Science Foundation. The author would also like to thank Michal Šoltés for research assistance while working with data. Any inaccuracies are however down to the author.