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Article

"The parental leave benefit has increased average household income for young families in the first year": Six questions for Katharina Wrohlich

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Dr. Katharina Wrohlich, Deputy Head of the Public Economics Department at DIW Berlin

SIX QUESTIONS FOR KATHARINA WROHLICH

»The parental leave benefit has increased average household income for young families in the first year«

1. Mrs. Wrohlich, at the beginning of next year the parental leave benefit is turning ten. To what extent has it been able to strengthen the financial situation of young families? The parental leave benefit has actually been able to increase the net income of families significantly in the year after their child was born. But the reform also left some people behind – in particular, families that would have received two years of child rearing allowance under the old law. But the income of the vast majority of families has increased as a result of the parental leave benefit.
2. What effects does the parental leave benefit have on maternal employment? When their child is under one, mothers now tend not to work. This especially applies to mothers with high incomes and high education. We saw that these mothers are less likely to work in the first year. The explanation for this is that today this group receives relatively generous parental leave benefit payments it did not receive before 2007. When the child is between one and two, all mothers have an increased likelihood of going back to work, but more mothers with lower incomes do. These mothers receive 12 to a maximum of 14 months of parental benefit now, whereas in some cases they received 24 months of child rearing allowance before 2007. This effect is in line with the goals of the parental leave benefit law – after all, one of them was to curtail the interruptions in mothers' careers.
3. Was the parental leave benefit a successful family policy measure? Families now have significantly more income at their disposal until the child is one. And the desired curtailment of maternal career interruptions—especially those of mothers with lower incomes—is also a reality. The gender equality goals have been partially achieved due to the increased participation of fathers. We saw that the proportion of fathers who receive the parental leave benefit has jumped from approximately 3 percent before 2007 to over 30 percent at present.

But the duration of fathers' parental leave has basically remained constant at two months. I think there is room for improvement here.

4. Are there other areas that could be improved? The parental leave benefit has already been reformed through the parental leave benefit plus implemented on July 1, 2015. This remedied an inherent flaw in the parental leave benefit system. Previously there was no financial incentive for parents to work part time while receiving the parental leave benefit. In my opinion, the partner months hold further potential for developing the parental leave benefit system. If the ratio of partner months were raised—to four out of 14 instead of two out of 14, for example—fathers would probably extend the duration of their parental leave.
5. Is there any proof that it has affected the birthrate? What a thought-provoking question... Unfortunately, it is difficult to study and empirically prove any causal effect of the parental benefit on the birthrate. The studies we are familiar with arrive at mixed results, but there are a handful of studies that report a small positive overall effect.
6. Does the parental leave benefit have an impact on family life? I think that the parental leave benefit has changed social norms in two ways. On the one hand, 12 months has become the new norm for the duration of maternal career interruptions. For one year, mothers receive a relatively generous benefit and afterward return to the job market. The right to childcare after the child's first birthday syncs perfectly with the new situation. The second social norm that has become established over the past ten years: it is now acceptable for fathers to take two months of parental leave. Previously, this was not the case.

Interview by Erich Wittenberg



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