

# LONG TERM EFFECTS OF MATERNITY LEAVE ON RETIREMENT

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# Motivation

- Rational women choose number of children, time for care and time of retirement considering their impact over the entire life-cycle
  - Very demanding assumption (Lusardi, 1999)
  - Even if this is true, it may lead to under-saving (Laibson & Harris 2001)
  - gaps in careers due to maternity reduce chances for women to react to pension reform (Boeri & Brugiavini, 2009)
- **Are maternity leave policies protective over the entire life cycle, i.e. do they (positively) affect well-being at old age?**

# Career prospects, Imputed contributions

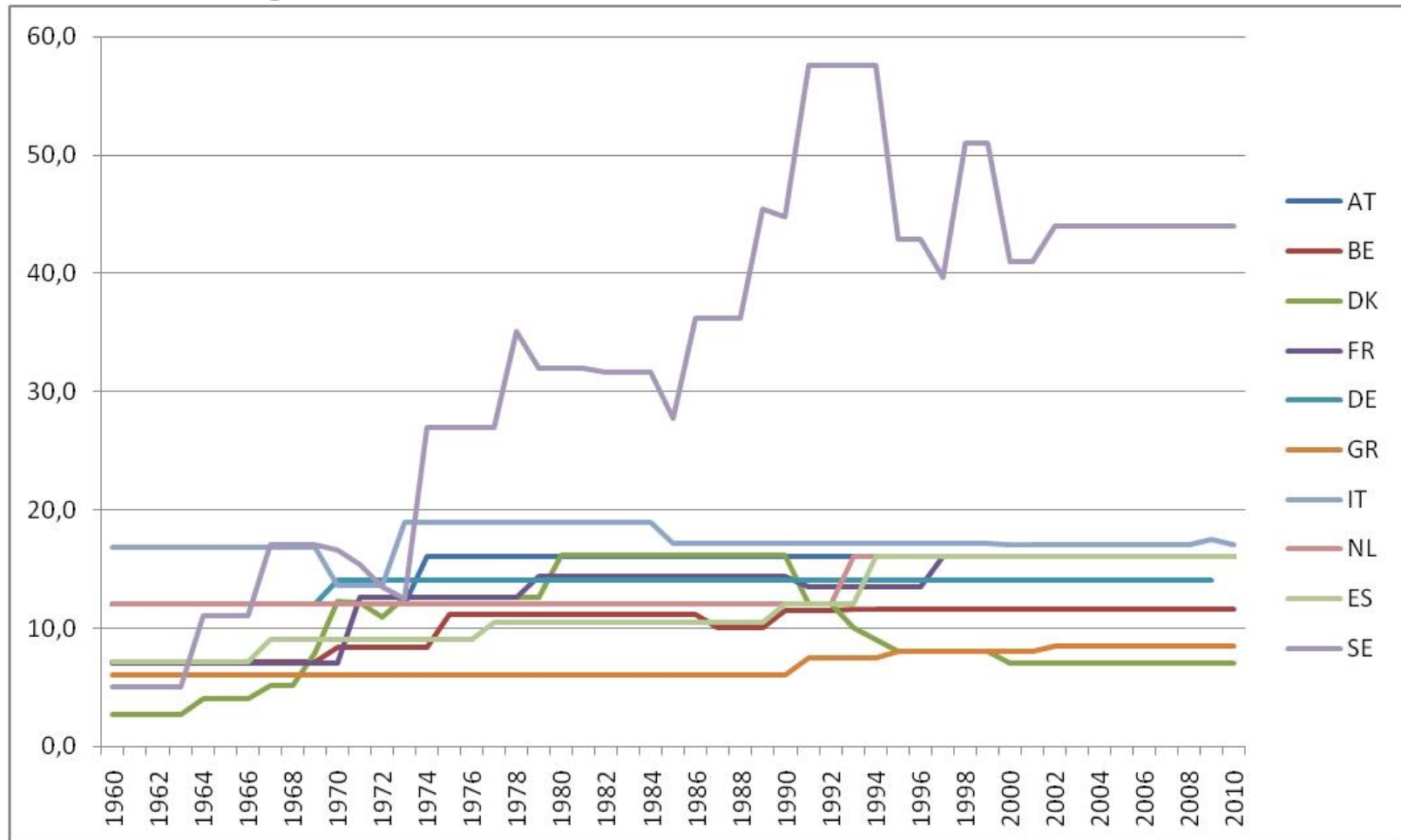
- Job interruptions are detrimental for pension eligibility and entitlements:
  - Lower career prospects, flatter income path
  - Discontinuous contribution history
- Brugavini, Pasini, Trevisan (2013, ALCR): more generous mat leave do not induce women to lengthen interruption.
- **Given the length of interruption**, women exposed to more generous statutory leave
  - Are more likely to keep the same job and improve career prospects
  - Have longer contribution history (imputed contributions paid during statutory maternity leave)

**Testable hypothesis: More generous maternity leave lead to lower age at retirement and higher life-time resources**

# Data

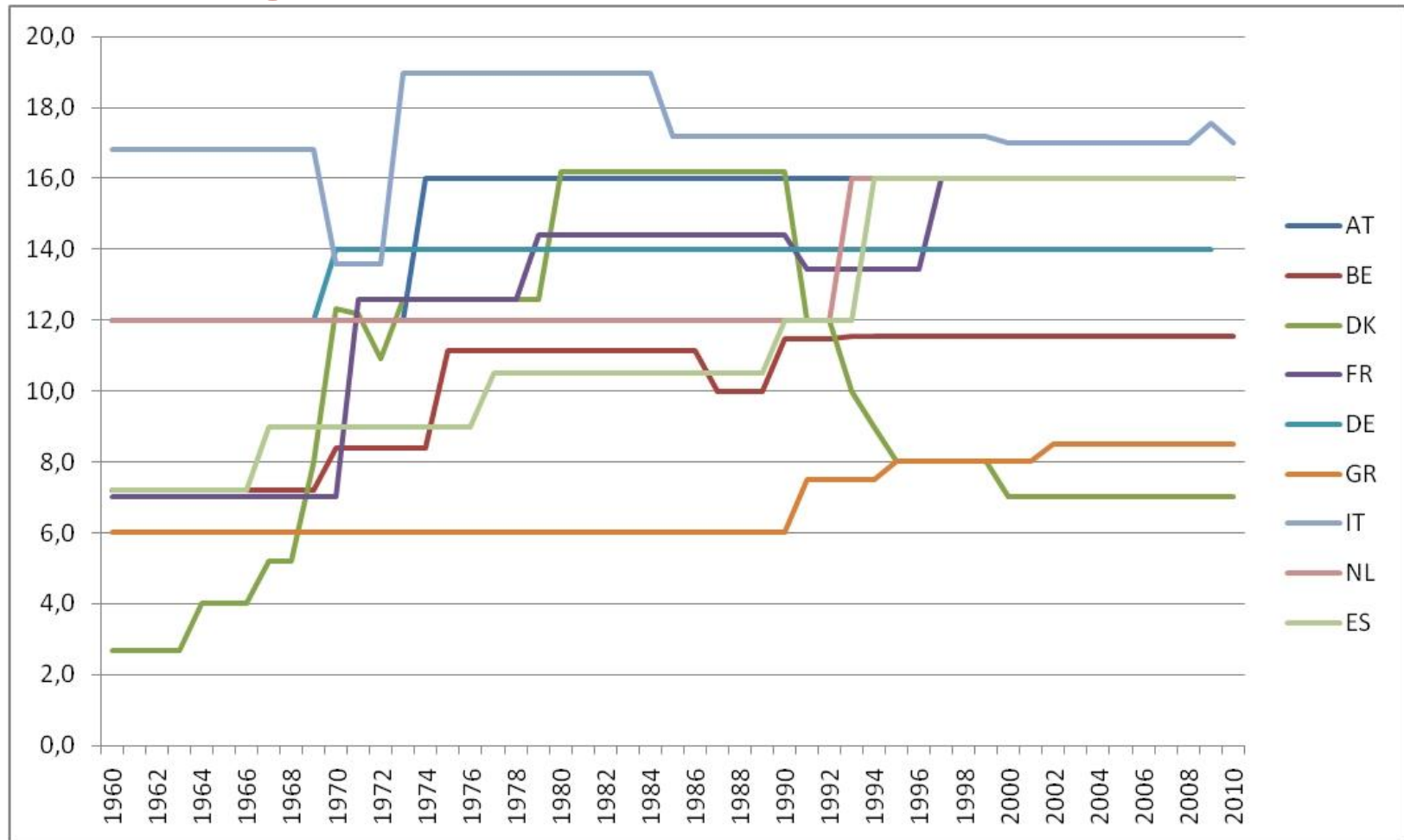
- We start from the **job episode panel** – the retrospective panel derived from SHARELIFE (Brugiavini et al., 2013)
- With extra info from SHARELIFE at each maternity we can derive the **exact** length of the interruption, as well as retirement age, first benefit and permanent income (Weiss, 2012)
- Add length and generosity of **maternity leave provisions** by year and country (Gauthier, 2011)
- We create an events dataset, each line is a maternity episode. In this presentation, only first maternities.

# Full Wage Weeks



- $FWW = \# \text{ weeks of mat leave} \times \text{replacement rate}$

# Full Wage Weeks, no Sweden



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# Estimation strategy

- Sample selection:
  - women working since at least 2 years at time of (first) maternity
- Treatment:
  - being exposed to a “high” FWW at first maternity
    - “high” is country specific. Mainly 12 FWW
- 1:1 Nearest Neighbor matching estimator
  - Each treated woman is matched to the closest non-treated in her country based on
    - Years of education, age at first maternity, length of maternity leave

# Results

	mean on the treated	mean on control	ATT	p-val
first pension benefit	1171,54 (35,58)	1038,07 (26,30)	<b>133,48</b> (40,28)	0,001
permanent income (avg yearly)	8526,64 (220,28)	7438,62 (231,03)	<b>1088,02</b> (284,87)	0,0002
retirement age	57,34 (0,36)	60,20 (0,28)	<b>-2,86</b> (0,43)	<0,0001
years worked	38,84 (0,38)	42,24 (0,30)	<b>-3,40</b> (0,44)	<0,0001

- Results (seem to be) confirmed considering all maternity episodes and controlling for cohorts.



# Conclusions

- Women exposed to more generous statutory maternity leave policies, and therefore more generous imputed contributions, retire earlier, work less, but have higher lifetime resources and pension benefits
- The protective effect of maternity leave policies does extend to old age and is substantial
- In times of tight government budgets and longer life expectancy, maternity leave policies should be saved