

## **Leaving the Career Behind? Long-Term Wage Consequences of Fathers' Parental Leave Use in Germany**

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### **Abstract (max. 250 Words)**

The transition to parenthood is a critical juncture for gender inequalities in the labor market as heterosexual couples tend to reorganize paid and unpaid work in traditional ways after a child is born. Therefore, increasing fathers' involvement in childcare is widely seen as a key policy measure to reduce gender inequalities. In Germany, a central parental leave reform in 2007 created incentives for fathers to participate more in childcare by introducing a two-month daddy quota. However, in 2018, more than half of fathers still did not claim any parental allowance. Surveys identified the fear of career disadvantages as a central reason for the reluctance to take paternal leave. However, evidence on the career consequences of paternal leave is still lacking for Germany. In our paper, we address this research gap by examining the long-term wage consequences of fathers' parental leave.

We use a unique administrative dataset from the Integrated Employment Biographies that contains complete employment histories of married couples through 2019, including highly reliable wage information. Our sample covers almost 160,000 couples who became parents between 2007 and 2013. Extensive and daily information on the employment biographies of both partners allows us to analyze parental leave patterns within the couple in detail. We employ an event study design to explore fathers' wage development before and after taking parental leave and simultaneously consider a control group of men who became fathers but did not take parental leave.

## Extended Abstract (2-4 pages)

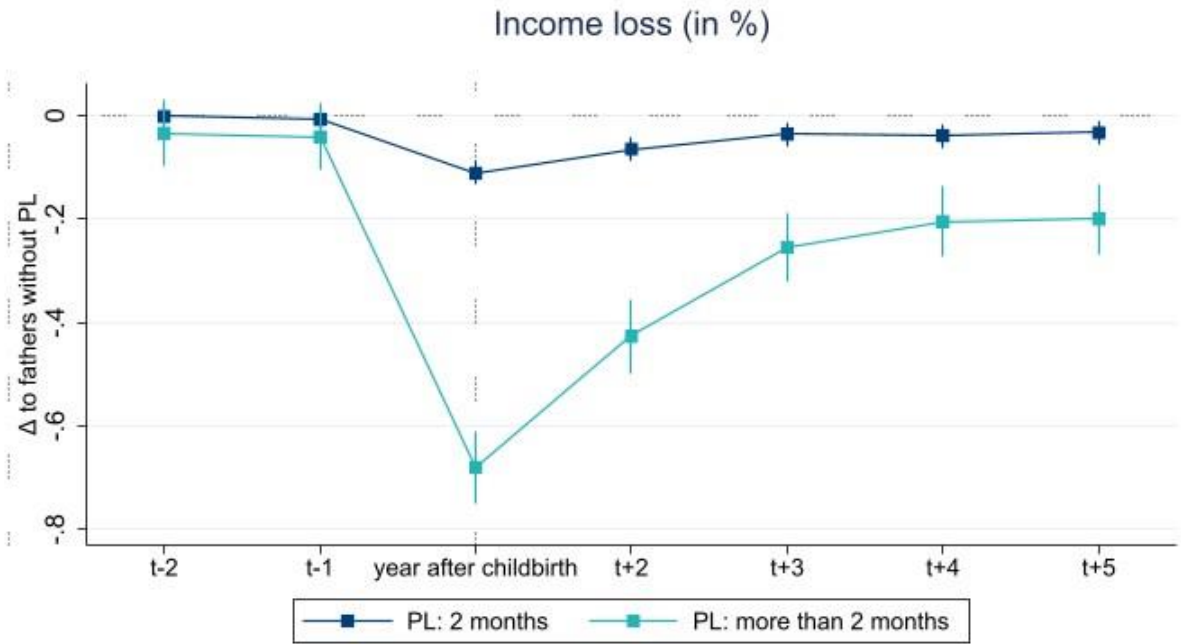
In Germany after a child is born, mothers typically interrupt their careers to take care of their newborn, while fathers remain in the labour market. This gendered division of paid and unpaid work continues in the years following childbirth, when women in Germany are primarily responsible for household and family work (Klenner and Schmidt 2011). To buffer negative career consequences of mothers and to foster gender equality in Germany, a comprehensive parental leave reform (*Elterngeldreform*) in 2007 created new incentives for fathers to participate more in childcare. The *Elterngeld* is a generous income-related compensation that normally accounts for 65 % of the former net income for twelve months. To encourage fathers to take paternal leave, the reform also introduced a “daddy quota”, which allows to extend the paid leave period by two additional months if both parents take a least two months of leave. Of course, fathers can also take up to twelve months of paid parental leave, but there are two months exclusively reserved for fathers with a take it or lose it principle. Furthermore, besides the *Elterngeld*, in Germany after the child is born both parents can take unpaid parental leave up to three years with job guarantee.

The reform clearly aimed at increasing the involvement of fathers in childcare and more than 15 years later the share of fathers who take parental benefits has increased constantly and was more than 40 percent in 2022. However, these numbers also reveal, that more than half of all new fathers still do not take any parental leave, and moreover, three-quarter of fathers, who do, only take the two “daddy months” (that would otherwise expire) (Destatis 2021), while mothers still bear the main burden of care work after the birth of a child. If fathers are asked why they do not take parental leave at all or why they limit their parental leave to two months, one of their main reasons is the fear of career disadvantages (about 40 % - BMFSJ 2023). But is it really the case that fathers have to face negative career consequences if they take parental leave? To date, research on employment consequences of parenthood has mostly focused on mothers and identified family-related employment interruptions as a crucial threat for their careers (e.g. Aisenbrey, Evertsson, & Grunow, 2009; Budig and England, 2001; Gangl and Ziefle, 2009). Only a few studies to date explored the impact of parental leave on men’s careers and indeed provide evidence for wage penalties, however of different severity: Studies from Sweden from the late 1990s estimate income losses of almost seven percent (Albrecht et al. 1999), while a more recent study from Sweden reports losses of only 0,5 percent (Evertsson 2016). For Belgium, a study by Theunissen and colleagues (20011) suggests that a family related interruption of one year leads to a wage reduction of nearly five percent, while evidence for the US estimates the highest wage penalties for fathers of 17 percent (Coltrane et al. 2013). So far, studies on paternal leave in Germany have mainly focused on non-monetary consequences (Bünning 2015; Schober and Zoch 2019). To our knowledge, only one study examined the effect of parental leave on fathers’ hourly wages and did not find any association (Bünning 2016). However, due to data restrictions this study is based on a relatively small number of observations and could only analyse wage consequences for up to two years after childbirth. In this paper, we address these limitations and examine *the long-term wage consequences of fathers’ parental leave take up*.

In our analyses we rely on a unique dataset from the Integrated Employment Biographies that contains extensive, daily information on the employment biographies of married couples, including highly reliable wage information (Bächmann et al. 2021). Our sample covers almost 160.000 couples who became parents between 2007 and 2013. We employ an event study design to explore fathers’ wage development after taking parental leave and simultaneously consider a control group of men who became fathers but did not take parental leave.

To explain why fathers' parental leave could lead to negative career consequences, we rely on two theoretical arguments. First, according to economic theory, employees' human capital - the knowledge and professional skills that individuals acquire through education, on-the-job training, and the practical performance of the job - does not increase during work interruptions (e.g. Mincer & Polachek, 1974, Becker, 2009); instead, it may even lose value. This loss should increase the longer the employment interruption. Second, when fathers take parental leave, they violate the norms that portray fathers as a reliable financial provider for the family and signal that they have caring obligations. Employers may interpret this as a sign of lower work engagement and a violation of the ideal worker norm (see Acker, 1990; Weisshaar, 2018). Based on these arguments, we expect that fathers who take parental leave face career disadvantages. These disadvantages should increase with longer periods of absence.

Figure 1 shows our preliminary results from the Event Study analyses. We estimated the wage consequences (in %) in the five years after the birth of the first child. In the analyses, we differentiated between fathers with short interruptions (2 months) and fathers with longer interruptions (>2 months). The figure plots the wage deviations from the reference category - fathers without parental leave.

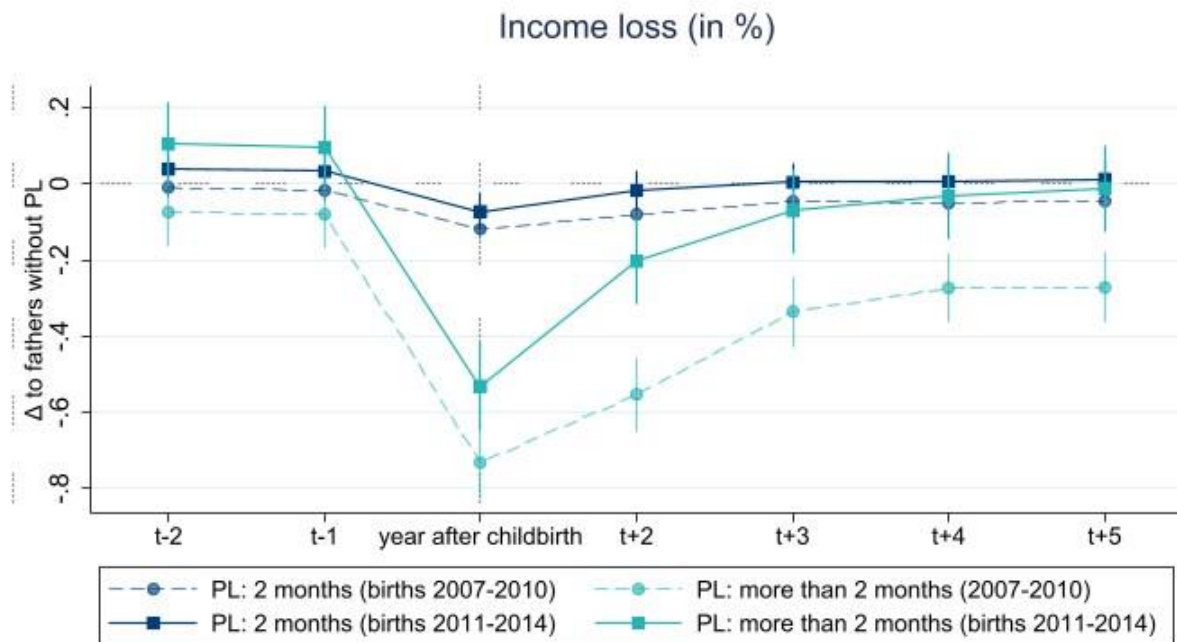


Coefficient plot, estimates are reported as average marginal effects, 95 % CI. Model controls for nationality, father's age, labor market and unemployment experience, tenure at firm, firm size, industry, proportion of women in the firm, population density, East / West, year of childbirth, income before birth.

Source: IEB V13.00.01-171010, own calculation.

The results show that fathers with a short period of parental leave do not face substantial career disadvantages, as their wages only differ slightly from fathers without parental leave. However, if fathers take more than two months of parental leave, significant wage losses become apparent, initially due to lost wages because of nonworking months in the year after childbirth. Although the wage losses decrease in the following years, even after five years the fathers still have significant wage losses compared to fathers without parental leave or with short parental leave periods.

In a second step we estimated to wage losses for two different cohorts: fathers, whose children were born between 2007 and 2010 and fathers, whose children were born between 2011 and 2014.



Coefficient plot, estimates are reported as average marginal effects, 95 % CI. Model controls for nationality, father's age, labor market and unemployment experience, tenure at firm, firm size, industry, proportion of women in the firm, population density, East / West, year of childbirth, income before birth.

Source: IEB V13.00.01-171010, own calculation.

The results reveal that the differences between fathers without parental leave and fathers with longer employment interruption hold only true for fathers with children born between 2007 and 2010 (dashed line). For fathers with children born between 2011 and 2014 the differences disappear or become insignificant latest two years after childbirth. The increasing engagement of fathers in parental leave and care obligations due to institutional incentives might make it more common for fathers to take parental leave. Taking parental leave is therefore no longer a signal for a lack of commitment, but an expression of changing gender norms that is no longer punished by an income loss.

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