

Work-family balance: a study highlights the main effects of the 2007 parental reform in Germany

April 29, 2024

A new study highlights the opportunities for work-family balance, in connection with the 2007 parental leave reform in Germany

Bernd Fitzenberger, Director of the *Institut für Arbeitsmarkt – und Berufsforschung der Bundesagentur für Arbeit – IAB*, during the seminar “*Changing Fertility and Heterogeneous Motherhood Effects: Revisiting the Effects of a Parental Benefits Reform*” held in [FBK-IRVAPP](#) on the 5th of March 2024, addressed how women responded to the 2007 parental leave reform in Germany, considering the effects on employment and earnings, as well as fertility.

This study was also made possible by the availability of a large, unpublished data set linking pension insurance information with administrative labor market data and providing up-to-date data on all births in the country.

We interviewed Prof. Bernd Fitzenberger to find out the economic and social benefits related to the 2007 reform.

- **The study considers the new effects of the 2007 parental leave reform in Germany, can you give us some background information on the reform and on your study?**

This reform was introduced in 2007 to enable couples to more effectively balance work and family. Childbearing among women with a high degree of education and high labor market potential had declined prior to 2007 so the legislature intended to take action to improve the situation and incentivize it.

- **Did the reform of parental benefits in Germany succeed in women's higher childbearing rates?**

This study was the first to analyze this issue because access to previously unpublished administrative data on the labor market in Germany became available. If women were working

before their first child, the reform made it more advantageous to have a child after they started working. So the choice to have a child becomes advantageous when you have a job rather than before you start working. This aspect in particular had not been studied previously. The reform granted the benefits introduced to women who were already working and were therefore already in the labor market. In addition, the reform also increased the propensity toward the second child within a few years after the birth of the first child.

- **Women with higher incomes and those who are not employed are more likely to choose motherhood because?**

Yes, that's right, both for women with higher earnings, therefore with better prospects in the labor market, and women not employed in the second and third years prior to have a first child, childbearing rates increased due to the parental benefit reform compared to other women. The income of women with higher earnings is reduced more strongly after motherhood than for women with low earnings.

The parental benefit reform increased benefits for this group thus reducing the income disadvantage of motherhood for this group.

The reform did not intend to increase fertility among unemployed women group, but – the study showed – it did indirectly by incentivizing women to start employment first and then have a child so that childbearing rates were higher in this category after the reform.

- **Following the reform, how has the labor market changed in terms of labor force composition? Has there been any income redistribution induced by this reform?**

There were small positive effects on earnings and employment from the second year onward after birth but no medium-run positive effects on full-time employment.

The reform extended the option to return to work at different times after the birth of the first child, more slowly than before; in particular, there was no difference between the choice of part-time and full-time for women returning from maternity leave.

Within 5 years after the birth of the first child, more than 50% of these women have the second child. There was no variation between choosing full time or part time because already the majority of working women in Germany with children opt for part time.

Another goal of the reform was to increase work-life balance so that fathers could also be entitled to parental leave. Similar to the reform introduced in the 1990s in Norway, Germany also introduced months of leave for fathers. The idea was that fathers would also take paid leave. Each partner can take at least 2 months. If only the mother uses it, the maximum length of the leave is 12 months, but if the father takes two months, the total months are 14. If they are equally divided between the parents, each can take up to 7 months. Right after the introduction of the reform, parental leave was mostly used by mothers and only a small share of fathers used parental leave, and if so then at most two months. However, over time the reform has increased fertility and more fathers are using parental leave. The birth rate, in Germany is higher than in Italy for example, and also employment among mothers is higher.

- **In your opinion, has the reform changed the traditional family model somewhat?**

The reform has slightly changed the traditional family model in Germany, increasing fertility and supported equality within families between mothers and fathers in terms of being able to be off from work through paid leave. In truth, there is still no equality in terms of mothers' and fathers' careers;

in fact, there is still significant differences between the careers of men and women with children. However, the reform has allowed parents to agree on how to deal with childbearing and employment by expanding work-family balance options for both mothers and fathers.

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