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## Do Generous Parental Leave Policies Help Top Female Earners?

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**F**or the past century, the barriers to women's educational and labor market opportunities have been substantially reduced in most advanced economies. Gender gaps that favor women have even opened up in cases such as education, from primary school through university, where women are typically more engaged, spend more time reading, study harder, and achieve more than their male counterparts. Women, however, continue to have lower rates of labor force participation and earn less than men despite the fact that the wage gap has narrowed considerably since the 1960s. Strikingly, gender differences in wages and earnings seem to be particularly pronounced among top earners. In our research, which focuses on Norway, we first highlight the extent of women's representation in top positions and then ask whether more generous parental leave mandates, in terms of length of leave and wage replacement, have helped women to reach or maintain top earnings positions.

Highly paid women are typically highly educated, highly skilled workers who have heavily invested in their human-capital accumulation and are strongly attached to the labor market and their careers. Promotion tracks and career progression are generally very steep for workers in these groups, where missing a set window of opportunity for advancement may close any chance of catching up. Focusing on such workers is likely to allow us to more directly assess whether parental leave policies have a strong positive impact on careers and wages, since we expect labor market

participation of highly paid women to be highly responsive to work interruptions due to motherhood.

The empirical evidence on the efficacy of maternity-leave policies to safeguard all women's careers (not only those that are high paying) around childbirth is mixed. In the case of relatively short leaves, such as those in Canada and the United States, there is evidence of an increased probability for all women to return to the same employer and of increases in work hours after a spell of maternity leave. The experiences of women in European countries with longer leaves, however, lead to different conclusions. For instance, analyses of exogenous variation in the length of parental leave generated by policy changes in the German labor market find that leave durations of up to 36 months led to detrimental effects on employment and wages for women and that expansions in leave coverage reduce mothers' postbirth employment rates in the short run, although the negative longer-run effects seem to be more modest. And other research finds that extending both cash benefits and job protection for more than 12 months in parental leave arrangements in Austria induced a significant postponement in mothers' decisions to return to work, regardless of whether this means returning to the same prebirth employer or finding a new job. Analysis of the pre-1993 policy reforms in Norway found that expanding government-funded maternity leave from 18 to 35 weeks had little effect on a wide variety of outcomes, including parental earnings and participation in the labor market in the short and long run, completed fertility, marriage, and divorce.

All the maternity-leave studies discussed above focus primarily on women in general. Only a few consider highly educated or highly skilled (but not necessarily highly paid) mothers. Research on moderately and highly educated women across 15 European Union countries finds that their labor force participation is more responsive to family-oriented policies than is the participation of less-educated women. Analyses that include earnings find substantial parental leave-induced wage losses among highly skilled women in Germany and document evidence that highly educated women see their relative earnings fall as a result of longer maternity-leave entitlements in about 30 Organisation for Economic Co-operation and Development economies.

We analyze the impact of maternity-leave expansions on female earnings, focusing on women in top earnings positions within their organizations. In particular, we ask whether expansionary parental leave policies observed in Norway in the late 1980s and early 1990s have helped women in the short- and long-term to reach high-paying positions in their firms. We use a new measure of top jobs defined on the basis of being in the top decile (or top quartile) of the within-firm earnings distribution. This measure could underrepresent women who may be in high positions if their firms systematically underpay them relative to men who are in the same rank or even in lower positions. Put differently, it is possible that some women in high-ranked positions in some firms earn less than men without such a high rank in their organizations. But to the extent that pay reflects internal career success sufficiently well, our measure is likely to capture the actual economic value that firms assign to their employees, men and women alike.

Using register data that cover the universe of the working population, we analyze Norway, a country with high female labor force participation, a generous social insurance system, and greater and more-generous maternal leave provisions than those in many advanced economies, including

the United States, Canada, Japan, Australia, and the United Kingdom. We focus on the 1993 parental leave reform, which came at the end of a series of policy changes that steadily expanded paid leave: one was in 1987 and expanded leave from 20 weeks to 42 weeks with full wage replacement, and another was in 1989 and expanded leave from 30 weeks to 52 weeks with 80 percent wage replacement.

We stress two important descriptive results and one new substantive finding. First, we find that the 1993 reform led to an increase in average duration of leave for women even though before the reform already virtually all mothers took up their maternity leave and many opted for the maximum length. Second, women are largely underrepresented at the top of their firms' pay distribution, with less than 2 percent being in the top decile from the mid-1980s to the mid-2010s, thus accounting on average for only one-fifth of workers at the top. Even though Norway is one of the most gender-equal countries in the world, we find only modest progress in the percentage of women at the top. Third, our main substantive finding from the empirical analysis is that the 1993 expansion in paid maternity leave did not affect or possibly decreased the probability for mothers to be in or move to the top earnings decile and quartile within their firms. This impact emerges soon after childbirth and remains stable over the next 20 years. Generous maternity leave is used by most women, but it does not help them break the glass ceiling.

## NOTE:

This research brief is based on Gozde Corekcioglu, Marco Francesconi, and Astrid Kunze, "Do Generous Parental Leave Policies Help Top Female Earners?," CESifo Working Paper no. 8330, May 2020, <https://www.cesifo.org/en/publikationen/2020/working-paper/do-generous-parental-leave-policies-help-top-female-earners>.