

The Impact of Parental Leave Policies on Female Labor Force Participation and the Gender Wage Gap

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Vienna, 1 June 2025

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Abstract

Parental leave policies have historically been crafted with a woman-focused approach, aiming to promote women's labor market attachment. However, evidence indicates that longer maternity leave can have unintended consequences, such as decreasing female labor force participation and increasing gender pay gap. Consequently, there has been growing interest in the potential of father-specific leave to improve gender equality within labor markets. This study explores how father-specific parental and paternity leave policies affect two central measures of labor market gender equality: female labor force participation (FLFP) and the gender wage gap (GWG). Using a panel dataset of 38 OECD countries from 2000 to 2023 and fixed-effects regression models, the analysis finds that the overall length of leave available to fathers is positively associated with FLFP and negatively associated with the GWG. These findings remain significant even after controlling for fertility, education, unemployment, GDP, and maternity leave entitlements. However, paid leave reserved specifically for fathers is not consistently significant, suggesting possible design flaws or limited uptake. Overall, the findings partially support the potential of father-inclusive leave policies to improve labor market equality when effectively designed and implemented.

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Table of Contents

<i>Chapter 1: Introduction</i>	<i>1</i>
1.1 Background.....	1
<i>Chapter 2: Literature Review.....</i>	<i>8</i>
2.1 Introduction to the Topic s Definitions	8
2.2 Empirical Evidence on Leave Duration s Female Labor Force Participation	11
2.3 Studies on Maternity/Parental Leave s Gender Wage Gap.....	14
2.4 The Role of Policy Features.....	16
2.5 Broader Consequences: Fertility, Career Trajectories, Gender Norms.....	18
<i>Chapter 3: Methodology.....</i>	<i>24</i>
3.1 Introduction and Objective.....	24
3.2 Data and Sources	26
3.3 Analytical Framework and Statistical Models.....	28
<i>Chapter 4: Results</i>	<i>31</i>
4.1 Descriptive Statistics	31
4.2 Scatterplots	31
4.3 Regression Results	32
4.4 Lagged Models	33
<i>Chapter 5: Discussion</i>	<i>35</i>
5.1 Regression Models with FLFP.....	35
5.2 Regression Models with GWG	36
<i>Chapter 6: Limitations</i>	<i>39</i>
<i>Chapter 7: Policy Implications and Conclusion.....</i>	<i>41</i>
7.1 Policy Implications	41
7.2 Conclusion.....	43
<i>Tables and Figures</i>	<i>46</i>
<i>References.....</i>	<i>55</i>

Chapter 1: Introduction

1.1 Background

Gender inequality remains as one of the characteristics of labor markets in advanced economies, as evidenced by gender pay gaps, as well as varying, in most cases low, female labor force participation. Although there has been considerable improvement in female labor market representation in recent decades, a significant pay gap still exists within most rich nations (Misra & Strader, 2013). In most countries, women's labor force participation rate (49%) remains considerably below that of men (76%), and advances in terms of closing this in developing countries in recent decades have been disappointing (Klasen et al., 2019). Even in advanced nations, inactivity about motherhood is common and can lead to long-term detrimental effects on labour market re-entry, future earnings, and career advancement (Harris & Patacchini, 2024).

One of the main reasons of these lasting gaps in participation and wages is the birth of children, which brings noticeably larger negative returns to women's career paths (Cortés & Pan, 2020). This process is well-documented as the "motherhood penalty", whereby mothers generally earn considerably less than women who remain childless (Misra & Strader, 2013). This penalty is not an insignificant one: it is estimated to explain more than 80% of the male-female wage gap in some countries (Harris & Patacchini, 2024). In contrast, fathers receive in many instances a "fatherhood bonus", that is, earning slightly more than men who remain childless (Misra & Strader, 2013). This asymmetry of the differential effect of children on men's and women's careers is viewed as one of the leading explanations of continuing gender differentials in the labour market.

The empirical regularity of the child penalty is striking in its similarity in different countries, time periods, and even in different professions (Cortés & Pan, 2020). Although gaps in levels of education, that were once wide, even reversed in women's favor which allowed younger women to receive an education and professional training in more or less equal terms, women's labor market trajectories often become significantly different after giving birth. (Cortés & Pan, 2020). The child penalty cannot be fully explained by pre-birth wage differences or the biological demands of birth and breastfeeding, suggesting that gender norms play a significant driving role (Hufe, 2024). Gender norms can be seen as an unformalized set of rules and subjective agreement about what is appropriate behavior for men and women, for instance, the fear in many countries that children may be harmed if mothers work (Hufe, 2024).

In an effort to reduce the adverse consequences of parenthood on women's careers and to counteract these work-family trade-offs, governments in most countries started to pursue various family policies (Arpino & Luppi, 2020). Among these, parental leaves stand out, which include maternity leaves (mainly to allow physical recovery post-childbirth (Remmers, 1989)), general parental leaves to provide care, and reserved paternity leaves or "daddy quotas" (Remmers, 1989; Corekcioglu et al., 2022). All these policies aim, explicitly, to allow women, and increasingly men, to balance both motherhood and work (Corekcioglu et al., 2022). The aims include promoting employment continuity, safeguarding women's jobs, raising women's chances to return to employment after giving birth, to allow them to preserve human capital (firm-specific or occupation-specific), and possibly to allow for more balanced household care provision by promoting father's involvement (Harris & Patacchini, 2024). The provision of employment support to parents, and consequently, increasing women's labour market involvement, is one of the key objectives (Misra & Strader, 2013).

But the real implications of parental leave schemes on female labor market attachment and the earnings differential remain complicated, multifaceted, and not necessarily as predicted

(Arredondo & Mondal, 2010). Although these schemes can assist women in labor market attachment by extending employment protection and enabling them to stay attached to pre-leave firms (Harris & Patacchini, 2024), these same schemes also create potential negative consequences. One of these is that financial benefits made dependent upon labor market exits might lead to more mothers taking leaves, and perhaps longer leaves than otherwise (Harris & Patacchini, 2024). Such extended leaves might create long-term declines in labor force attachment and result in these women having trouble re-entering employment or staying on former employment tracks (Harris & Patacchini, 2024). Evidence is that the threat of women possibly staying on extended leaves might inspire discrimination against women of child-rearing age by employing firms in terms of hiring or offers of pay, putting them onto differential career tracks, or refusing to assign them to critical roles or customers, effectively increasing perceived employment costs of women (Arredondo & Mondal, 2010). The scale of this consequence, depends on whether or not the employer is able to identify women who are likely to work long hours following childbirth versus women who are not (Harris & Patacchini, 2024).

The empirical findings on parental leave policies and women's employment and wages vary and tend to be dependent on the specific design of these policies, e.g., on the type and length of leave, as well as on national or regional context (Harris & Patacchini, 2024). Cross-country findings propose that there is a non-linear relationship between leaves and leaves of moderate length: job-protection leaves of approximately one year or up to one year tend to be linked to higher female employment as well as to positive or null effects on wages (Cortés & Pan, 2020). Longer maternity leaves, on the contrary, can negatively influence these outcomes (Olivetti and Petrongolo, 2017; Blau and Kahn, 2013; Ruhm, 1998). To illustrate, extensions of maternity leaves beyond one year are revealed to reduce women's employment as well as women's earnings. Extensions of paid maternity leaves beyond job-protection guaranteeing levels may also further extend the length of mother-child care and worsen risks of post-leave inactivity

and employment (Bičáková & Kalísková, 2022). Even extremely long paid maternity leaves might increase women's unequal position in the labour market (Bičáková & Kalísková, 2022).

Specific policy provisions, aside from length, matter. The magnitude of cash benefits and job protection length matter to mothers' careers (Lalive et al., 2014). Although various studies conclude that parental leaves, have not had widespread significant positive or negative effects on female labor force attachment or wages (Harris & Patacchini, 2024), others report different outcomes. For instance, extended maternity leaves were shown to strengthen the gender wage gap for exclusively high-skilled women (Cortés & Pan, 2020). In Germany, where parental leaves were traditionally close to three years, motherhood penalty has been exceptionally pronounced. In Hungary, research also identified employers in hiring directly attributing screening of mothers to extensive leaves. This means that although maternity leaves might allow women to continue employment ties, extensive leaves might cause employers to assign mothers to alternate, less preferred career trajectories (Misra & Strader, 2013). The experience of introducing paid maternity leaves in the United States, as happened in California, has been mixed. Some increased mothers' earnings up to three years following birth (Corekcioglu et al., 2022). Others, however, detected no noticeable employment and wages increases among affected women (Cortés & Pan, 2020; Arredondo & Mondal, 2010). One of them noted that while an increase in leave-taking occurred, it did not result in promotions. The effects can also be dependent on whether or not workers even know about the benefits, as low uptake can lead to ineffectiveness (Arredondo & Mondal, 2010). Pre-birth anticipation within employers and workers may also affect outcomes, possibly canceling positive results detected in studies that don't consider this (Harris & Patacchini, 2024).

Another kind of parental leave policy, which this paper will mainly be focusing on, namely father-friendly (paternal) ones aimed at promoting fathers' involvement, also holds more potential to support gender equality in the labor market (Bertrand, 2018). Policies such as

reserved paternity leave or quotas for fathers aim to encourage new fathers to play an increased role as caregivers, possibly accelerating social norms changes as well as fostering a more balanced division of household work within the home (Vogl & Krell, 2012; Baur & Otte, 2008; DeRose et al., 2019). Evidence exists that even briefly taking paternal leave is generally effective to increase paternal involvement in childcare, both while taking and even after taking it (Patnaik, 2019). In particular, not only paternal taking of leave increases father's involvement, it is also shown to increase meaningfully women's time in the labor market (Farré & González, 2019). For instance, two weeks of paid paternity leave in Spain resulted in fathers taking up more childcare and an increase of 5% of mothers taking up employment two years following birth (Farré & González, 2019, p.14). A five-week "daddy quota" also resulted in higher fathers taking of leave and time spent in childcare (Patnaik, 2019). Such measures also diminish intra-household conflict in working out domestic labor splits. Nonetheless, paternity leave effectiveness differs among studies, most likely as a result of research design or population differences (Cortes & Pan, 2020). Even well-crafted policies may fail to close completely the labor force engagement gap among mothers and fathers, as inequality is also closely connected to cultural norms and beliefs that need to be overcome in order to change gender roles and expectations (Hufe, 2024).

In recent decades, academic research on work–family policy has justifiably centered on the implications of maternity leave for women's labor-force involvement and earnings paths. Empirical evidence systematically shows that availability of paid maternity leave can increase job retention and, in certain contexts, reduce immediate post-maternity earnings losses for mothers. Yet this attention regularly oversimplifies and neglects an underlying, widespread social beliefs: unpaid household-based care labor, disproportionately performed by women, is both hidden and undervalued. When a mother leaves the labor force, even briefly, to care for an infant, not only does she forgo wages, but also skills depreciate, promotional chances slip

away, and bargaining power is lost upon return to work. Compound "career penalties" can result in a lasting gender wage gap and reduced lifetime earnings, perpetuating labor market structural inequality.

At the center of this problem is an institutional and cultural assumption that women, as opposed to men, will bear primary responsibility for childcare in early life. Even where there are rich maternity-leave provisions, it is taken as an unstated but widespread assumption that it is mothers who, as principal caregivers, will be responsible, while fathers either remain completely outside of benefits or entitled to mere token "use-it-or-lose-it" allowances. Consequently, women automatically bear the entire opportunity cost of childcare, further consolidating women's and men's differentiated labor within as well as outside of the home. The issue is not, therefore, merely one of expanding maternity benefits, but of reorganizing parental-leave policy to support joint responsibility and equity among men and women.

Ultimately, this research aims to break beyond a mother-centered paradigm of parental leave to a more gender-balanced model of caregiving that is understood as a shared social obligation. If cross-leave schemes can be shown to cut down on the career penalty of giving birth to women, policymakers will be provided with concrete evidence to back reforms that spread caregiving more evenly and support both economic stability and women's equality. The thesis takes exactly such an expanded scope in analyzing parental-leave schemes that consider mothers and fathers together. It will try to see whether father-friendly policies that aim to stimulate longer paid paternal leaves are likely to improve women's career interruptions. The core presumption is that length and generosity (paid vs. unpaid, partial vs. full wage replacement) of joint (parental) or paternal leave not only influence women's short-term re-entry into employment but also shape labor-market trajectories in the long run, such as persistence of the gender pay differential.

Against this context, this dissertation empirically investigates whether and how policies on paternity , and particularly those that are longer by duration, non-transferable, and are paid, influence two primary measures of labor market gender equality: female labor market participation (FLFP) and the gender wage gap (GWG) across OECD nations from 2000 to 2023. The primary hypotheses are that (1) an increase in availability of father leave will be positively related to female labor market participation and gender wage gap, and (2) paid leave reserved only for fathers, will be related to reducing gender wage gaps and increasing female labor force participation. Drawing upon a panel dataset of 38 countries and employing fixed-effects regression methods with one-year and five-year lag specifications the evidence confirms a significant and positive link between overall father-specific leave and FLFP, and a significant negative link to the GWG. These correlations hold when controlling for fertility, education, unemployment, GDP, and maternity leave. Overall, these findings reinforce that design of paternity leave contributes significantly to gender equality of employment outcomes.

Chapter 2: Literature Review

2.1 Introduction to the Topic & Definitions

Parental leave policy design and implementation have become important drivers of labor market outcomes and gender dynamics in the family and society at large. Historically, maternity leaves, surrounding birth, date back to approximately the beginning of the nineteenth century and were initially enacted through policy interventions primarily aimed at the health of the mother and newborn baby. After the Industrial Revolution and urbanization, women increasingly entered the labor market, and consequently, legislation became necessary to safeguard their employment and health status both in pregnancy and post-delivery (Canaan et al., 2022). In the early years of legislation, women either were prohibited from working in later stages of pregnancy or possibly they could not work due to the labor intensity of jobs at their time (Olivetti & Petrongolo, 2017). As labor participation increased for women in the labor market over time, regulations expanded their focus on a woman's career, gender equality, and work-life reconciliation (Misra & Strader, 2013).

Parental leave, in a general sense, means employment-protected time off available to parents at or around the time of birth or adoption. It may comprise a number of elements: maternity leave, usually available at some time immediately before and after giving birth and usually intended for mothers, paternity leave for fathers specifically, and general parental leave available for both or either parent. The most important policy difference between countries is whether or not the leave will be paid for and, if so, the duration and level of income replacing it. The second key difference lies in whether sections of the leave will be reserved for a specific parent, for example, a "father's quota" where a portion of the total available leave will be reserved solely for the father and has the explicit policy goal of promoting father's participation in childcare. The preservation of jobs on return from leave is also a policy variable of great

importance in securing a return to their pre-leave job for the parents. The sources report parental leave policies as highly variable between nations in respect of regulations, leave duration and size of benefits. Nine European nations in 1993 provided a minimum of fourteen weeks' pay on parental leave and six countries provided rights for over six months off work (Ruhm, 1998, p. 295). Paid parental leave forms a very high proportion of parental leave in all countries except the United States (Olivetti & Petrongolo, 2017, p. 209). Parental benefits in Scandinavian nations such as Iceland, Norway, and Sweden often substitute a very high portion of earnings from previous employment and usually between 70% and 100% (Blum et al., 2017). These nations were also seen pioneering the policy innovation of introducing the father's quota as well. The total amount of time off can also vary, and whereas Iceland has close to 9 months off, Norway has around 12 and Sweden around 16 months off.

The relationship between women's employment and childbearing has been widely studied, with different theories offering different explanations. In high-income countries, many sociologists support the incompatibility approach, which suggests that having a job and raising children often conflict with each other. According to this view, women may delay having children or have fewer children because it is difficult to manage both work and childcare (Behrman & Gonalons-Pons, 2020, p. 710). In contrast, in low-income countries, researchers often take a different perspective. They focus on how employment can empower women, giving them more control over decisions about fertility and family life. From this viewpoint, earning wages helps women gain more negotiating power within the household (Duflo, 2012; Anderson and Eswaran, 2009; Narayan-Parker, 2005). Placing these approaches in dialogue, perhaps, indicates the area where empowerment may be involved in high-income countries and incompatibility in low-income countries and presents a more complex global profile of the employment-fertility relationship.

The development of gender practices in market and domestic work has not proceeded evenly. Women in most Western nations have gradually shared market work with men but men have not, to a comparable degree, taken on a larger proportion of domestic work. This has been referred to as the “stalled revolution” (Duvander et al., 2019, p. 1505). The question is whether societies progress toward a phase where men and women share domestic work on equal lines, marking the final phase of the gender revolution. The aim of gender equality may be argued as referring either to a state without gendered economic or normative limits on the division of labor or necessarily a 50-50 division of labor for all activities. Public policy, and notably family policy such as parental leave policy, has also been viewed as key in facilitating or obstructing advancement toward increased gender equality in employment and care and in determining fertility patterns. Research on the relationship between gender equality and fertility at the macro level tends to cite countries in the Nordics as exemplars which have attained high levels of gender equality and high levels of fertility thanks to policies favouring work-family balance.

This review will examine the complex effects of parental leave policies from the varied findings and approaches found in the given sources. It will address empirical findings on the effects of the duration of leave and women's participation in employment, effects on the gender wage gap, relevance of policy characteristics, and wider effects concerning fertility, career pathways and gender roles.

2.2 Empirical Evidence on Leave Duration & Female Labor Force Participation

One of the early studies by Ruhm (1998) comparing nine European countries between 1969 and 1993 concluded that paid parental leave rights were linked to increases in employment-to-population ratios for women. In particular, requirements of short-length paid leaves of about three months were expected to boost employment of women by between 3-4%. The analysis by Ruhm also implied that effects may be smaller for longer leaves, although the analysis concentrated mainly on differences between the level of outcomes with vs. without leave and dynamics over time. Ruhm did not rule out the possibility, however, that part of the positive correlation between employment rates and durations of leaves would be due to the fact that women on leaves were included as "employed but not present" rather than as "not employed," estimating this might explain between a quarter and a half of the total estimated effect on employment at longer durations. The method used by Ruhm included a difference-in-difference-in-differences (DDD) approach based on aggregates of country-year data estimating the change in the difference between female and male labor market outcomes brought about through changes in paid leaves. However, it has to be acknowledged that these results are not generalizable since the research was done only in 9 countries.

Contemporary and larger-scale studies offer a more complex picture and generally identify an inverted U-shaped relationship between maternity leave duration and women's labor force participation. Rey et al. (2021) did a global analysis of 159 countries in the years 1994, 2004, and 2011. Their theoretical framework suggests maternity leave impacts women's labor supply through two central routes: cutting the time cost of market work (positive labor supply effect but possibly raising ultimate labor supply-reducing fertility) and cutting women's pay (negative effect if income effect dominates substitution effect). Because of these competing effects and the threat of penalties in pay linked with longer absences, their model predicted a possible non-

monotonous relationship. Empirically, applying OLS regressions across their unbalanced panel data, Rey et al. confirmed their prediction and found an inverted U-shaped relationship between maternity leave and women's participation. They found a maternity leave threshold of approximately 30 weeks above which women's participation declines. According to their model, when the policy reduces the time burden of work for mothers below that threshold, the positive effects (like making it easier for mothers to work) are stronger than the negative effects (like lower wages due to part-time work or penalties for taking leave, and the fact that higher labor force participation might eventually lead to fewer children). After 30 weeks, the negative effects overwhelm the positive ones. Rey et al. mention their estimate of 30 weeks as an upper bound and mention possible reverse causality as a cause of concern since low-participation countries tend to be those offering longer leave entitlements.

Olivetti & Petrongolo (2017), summarizing the literature and adding data from 30 OECD countries over the period 1970-2014, also establish the presence of a non-monotonic impact of parental leave on female employment levels. Their conclusion is that employment levels increase for leaves of about 50 weeks or so and fall thereafter. The threshold they establish is higher than found by Rey et al. internationally, possibly capturing a difference between the predominantly high-income OECD nations and the wider range of nations in the global sample. Authors used cross-country data and correlated various policy characteristics, including maximum-job-protected duration of leave and the square of the same variable, and female employment levels. The authors found leave entitlements are a reasonable predictor of take-up rates, although correlation as high as 0.44 with women on leave in the first year after birth from data from 18 countries depends on which variable or variables are used. In their 2017 review, Olivetti and Petrongolo also looked at studies that used differences in the timing of policy changes across regions like in the US or Canada to analyze the effects. The same approach was used by Baum (2003) in the study how different US states adopted leave policies at different

times and found mixed results on whether they helped women return to work. Similarly, Baker and Milligan (2008) looked at different provinces in Canada and also found mixed evidence on employment outcomes. The authors Arredondo and Mondal (2010) also cover theoretical impacts of compulsory leave policies on female employment generally and US state policies like California's in particular and discusses different research designs in order to investigate this.

Canaan et al. (2022), in their review of recent studies on parental leaves in high-income nations, agree that the effect hinges on duration. They report that the implementation of brief maternity leaves has a positive effect on mothers' labor market outcomes. However they emphasize that longer leaves have minimal or even negative effects on mothers' labor market outcomes. This view corresponds to the falling segment of the inverted U-shaped relationship established in previously mentioned studies. Canaan et al.'s review aggregates findings from various studies based on alternative approaches to estimating the economic effects of legislative reform in high-income nations. They cite single-country studies accounting for policy variation and attempting to measure causal effects and verifying the general finding of a concave relationship between parental leave duration and mothers' labor market outcomes.

The World Bank's cross-country analysis of maternity and paternity leave development indicates dramatic rises in the number of days of available leaves for mothers in regions over the last five decades. The analysis also accounts for the linkages between leave policy and women's labor market performance at a global level. Whilst their regression estimates reveal a negative coefficient for the logarithm of mothers' leaves on labor market participation of women, this contradicts the positive effect of brief leaves identified in other locations. The World Bank study by Hyland and Shen(2022) methodologically utilizes a new dataset of 190 countries over 52 years and employs panel data regressions controlling for country and year fixed effects. The study by Klasen et al. (2019), which targets female labor market participation

in developing and emerging markets, incorporates the family size in households as a determinant of the participation of women, recognizing family conditions as controlling supply-side variables. Whilst this source doesn't analyze parental leaves effects directly, it provides context on the relevance of the type of family concerning female labor supply in various economic conditions.

In conclusion, empirical evidence from the sources provided clearly indicates the relationship between maternity and parental leave duration and female labor market participation is not positive everywhere. Whilst brief leaves seem positive for labor attachment, longer leaves tend to be neutral or even negative as indicated by the inverted U-shaped relationship revealed at a global level and in high-income areas, and at thresholds at about 30-50 weeks. Some of the methodologies used include aggregate cross-country panel data analysis, difference-in-differences methods using policy reform changes, and systematic reviews of the existing literature.

2.3 Studies on Maternity/Parental Leave & Gender Wage Gap

Beyond participation in the labor force, research also examines the effect parental leaves, and even their length, have on women's wages and the gender pay gap. The gender pay gap, as the differential between the median earnings of full-time working men and women, also differ between countries (Hufe, 2024). The gender pay gap in 2021 stood at 14.2% in Germany, somewhat higher than the OECD average of 11.9%, and somewhat lower than the 16.9% US gap (Hufe, 2024). Work on the gap also generally considers the impact of parenthood policies.

Various sources report that although shorter or intermediate maternity leaves can have small negative impacts on earnings, longer maternity leave durations correspond with decreases in women's relative earnings or hourly wages. A study on data from 9 European countries between

1969-1993 reported that although three months of parental pay did not impact earnings much, nine months of parental leave corresponded with a decline in hourly earnings by about 3%(Ruhm, 1998). Comparable findings report longer leaves having negative impacts on mothers' labor market performance, which may involve decreased earnings (Canaan et al., 2022).

Theoretical framework connecting the duration of leaves and earnings typically incorporates the notion of a mother's wage penalty for time out of work (Rey et al., 2021). The penalty exists because time away from work through childbirth not only may lower a mother's earnings if the time off is not fully compensated for, but may also depress her marginal product or cause skill deterioration (Rey et al., 2021). From a firm's side, employee absence on account of maternity leaves may impose immediate costs (such as replacement and overtime) as well as implicit costs such as productivity losses (Rey et al., 2021). The costs may induce employers to punish extended-leave employees by paying them lower wages or giving them lower career stages. Certain studies on the effect on later wages of the duration of leaves consolidate above arguments. Studies based on German data asserted that a year away from work on parental leaves may lower wages between 6% and 20% and that the percentage would be dependent on the specification used (Lequien, 2012). Another study on maternity leaves extensions and mothers' labour market performance subsequent to giving birth also speaks about this argumentation (Rossin-Slater & Stearns, 2020). Likewise, a study on parental leaves duration and later wages effects invokes the arguments about the German decline in wages (Rossin-Slater & Stearns, 2020). The relationship between parental leaves and wages also features in discussions on reviews of family policies. Olivetti and Petrongolo (2017) mention the gender pay gap as one of the main outcomes they study in the context of family-friendly policies, of which parental leaves form part. They define the gender pay gap as the log ratio of median earnings of working-age women and men for full-time workers. Although the table presenting

the correlations itself does not present the correlation between maternity leaves and the gender pay gap, the fact that they included the variable in the framework of outcomes they study suggests it can feature a relevant outcome determined by such policies.

These studies draw data sources from cross-country labor market and policy databases, possibly even data on earnings or wages. Some microdata studies may draw on country-specific surveys or administrative data (e.g., German data) but a noted shortcoming here is that in some instances, information on wages may be limited to groups of individuals (e.g., manufacturing employees). Parental leave is aimed at supporting mothers' attachment in the labor market and returning them to their pre-birth workplace jobs but longer leave can be a "double-edged sword". If young women are seen as likely to take years or months off work, employers may take this into account when making hires and promotions and may harm women's subsequent labor market experience and earnings levels. This indicates a complex and sometimes negative trade-off involving women's use of longer leave entitlements where, although time off work is protected through job security, the extent may also lead to a penalty in terms of wages and career advancement. These studies indicate cumulatively that although policies on leaves can assist women's employment attachment, especially shorter leaves, the amount of time away from work plays a key determinant in the level of subsequent wages and perpetuates gendered wage gaps.

2.4 The Role of Policy Features

Parental leave policies vary and incorporate a range of characteristics, which may affect their effectiveness and impact. These characteristics are the total amount of leave on offer, whether the leave is remunerated and the level of remuneration as a percentage of earnings, the level of employment protection included, and whether the leave is reserved or shareable between both

mothers and fathers (Canaan et al., 2022, p. 18). Comparison of various features and the way they can be mixed and matched between countries is important to understand the economic and social implications of family policies (Olivetti & Petrongolo, 2017).

One important difference is between paid and unpaid leave. In most countries, a high percentage of parental leave is paid, although it has been pointed out as an exception in the United States. Leave benefits are usually financed through a mix of social insurance and employee/employers' contributions. The average payment rate, the share of previous earnings replaced by the benefit, also differs between countries (Olivetti & Petrongolo, 2017). In OECD countries in 2014, the average replacement level was 52% for an average earner of national earnings (Olivetti & Petrongolo, 2017). The wage replacement rate plays an important role in theoretical models of female labor supply, and a higher rate may expand labor supply if the substitution effect of the higher wage prevails (Rey et al., 2021). Policies targeting reform of leave schemes may suggest higher earnings replacement levels for low-income parents, for instance.

Another essential part of parental leave is job protection. It allows employees to return to their pre-birth employment upon returning from leave. Job-protected leave can be instituted with varied maximum durations. The United Kingdom's provision of job protection linked to paid leave was extended to a year in 2000 (Canaan et al., 2022). The duration of job-protected paid parental leaves is a central variable under investigation in labor market outcomes research. The development of policies promoting fathers' participation in care provision is a new concern. The provision of reserved leave for fathers or paternity quotas has the aim of enhancing fathers' take-up and participation in childcare (Heymann et al., 2023). In a case in point, the European Parliament adopted a directive in 2019 requiring member states to guarantee at least two months of earmarked paternity leave (Heymann et al., 2023). In the Nordic countries, quotas for fathers were established beginning in the 1990s (Norway 1993, Sweden 1995, Iceland 2001-

2003), and initial quotas varied from 4 to 12 weeks (Duvander et al., 2019). These policy interventions have been shown to be effective in promoting fathers' take-up of leave. In Iceland in 1997, a single month was reserved for the mother and two shared requiring the permission of the mother, and despite this, only a very small percentage of fathers took paid leave (Heymann et al., 2023).

Upon reformations, Icelandic fathers' take-up increased, although it decreased after the 2008 economic crisis. Norwegian fathers' take-up has grown to over 15%, and since the reform of the parental allowance in Sweden they now take more than a fourth of total leave (Duvander et al., 2019). Meanwhile back in the days in Sweden, when the leave was recently introduced for men, they took only 7% of total weeks in 1988 (Ruhm, 1998). And in Germany in 1989, less than 1% of recipients of parental leave were men (Ruhm, 1998). Reserved or shareable paid family leave entitlements in OECD countries in 2019 reveal striking differences in duration and type between parents (Dahl & Loken, 2024). Studies analyze the effects of policies targeting fathers' take-up of leave in particular. The available evidence indicates the specific characteristics of parental leave policies, rather than their very existence, are crucially important in determining their effects on employment and wages and on gender roles. Paid leave, and especially earmarked fathers' leave, and job protection emerge as key policy instruments for affecting take-up and potentially for supporting a more equal division of care responsibilities between women and men.

2.5 Broader Consequences: Fertility, Career Trajectories, Gender Norms

A number of sources examine the connection between work and childbearing choices. Behrman and Gonalons-Pons (2020) look at women's work and fertility from an international context and remark on the interdependence between the two outcomes. They explain how working may be inversely related to having children in wealthy countries through incompatibility between

childcare and employment and explain that in poor countries, wage work may be empowering and enhance the capacity of women to bargain over childbearing choices. Parental leave policies exist so as to alleviate the conflict of incompatibilities. Rey et al.'s (2021) theoretical framework clearly has as a starting assumption the fact that maternity leave lengths, by lessening the time cost of market labor supply, may indirectly raise labor supply since it increases birth rates and the increased birth rates give rise to lower labor supply. This illustrates the feedback loop of complexities between childbearing, work, and take-up of parental leave. Olivetti and Petrongolo (2017) also encompass total birth rates when examining family policies, but specific correlations between the take-up of parental leave and duration of leave are not discussed in the given excerpt.

Examinations explore the relationship between parental leave, and in particular fathers' take-up of leave, and subsequent childbearing (having a second child). Some evidence exists that mothers' childbirth intensities would be higher if the father takes some parental leave rather than none, but findings on the relationship between a more gender-egalitarian division of parental leave and subsequent childbearing are not consistent and differ between countries, parity (whether a woman already has a child or not), duration of leave, time period (e.g., early vs. later years), and strength of the association (Duvander et al., 2019). Some examinations of Sweden and Norway, for example, found fathers' take-up of leave has a positive relationship with subsequent childbearing, however possibly differently (Duvander et al., 2019). Examinations of the effects of parental leave on fertility form part of wider reviews of family policy (Canaan et al., 2022). It has been hypothesized that financial incentives tied to maternity benefits may affect fertility (Rossin-Slater & Stearns, 2020).

Parental leave, and in particular whether it is of long or short duration and whether or not it has employment protection, affects mothers' continued attachment to the labor market and their long-term career trajectories. Advocates suggest that leave enhances mothers' attachment to the

labour market and facilitates their return to their pre-birth employment (Canaan et al., 2022). Nevertheless, as explained under the wages section, leaves of longer duration can adversely impact mothers' long-run earnings (Lequien, 2012). This can happen if skills lose their relevance in the event of a prolonged absence or if employers think women who take leaves of longer durations do not commit or are not so productive (Rey et al., 2021). Leave duration's impact on mothers returning to employment is also researched. Research on parental leave reforms in nations such as Germany targets mothers' long-run earnings (Frodermann et al., 2020). The economic effects of family policies and their impact on female employment and pay gaps between genders form key topics of study. Parental leaves policies are regarded as having an effect on gender roles and gender norms both in the family and society at large. The 'stalled revolution' concept points out that progress toward gender equality has varied unevenly and attributes this discrepancy to the fact that women's participation in the labor market has increased more than men's participation in domestic work (Duvander et al., 2019). Policies such as specific paternity leave or quotas for fathers aim explicitly at disrupting traditional gender roles and engaging fathers in childcare. The application of policies aimed at changing gender roles in the family in a specific manner, i.e., fathers on parental leave, forms the subject of study alongside outcomes such as ongoing childbearing. Studies on fathers' take-up and the effect of this on children's understanding of the relationship between fathers and children (Pihl & Basso, 2019) form part of the subject matter.

There remains disagreement concerning whether the relationship between fathers' take-up and subsequent childbirth is determined by the level of sharing, the two gender-equal parenting notions symbolized by the level of sharing (policy-conforming vs. egalitarian), or policy set-up and context (Duvander et al., 2019). For example, in Sweden, Norway, and Iceland, fathers generally take extensive portions of their leave, particularly since the implementation of fathers' quotas (Duvander et al., 2019). Research on Germany examines the possible impacts

of parental leave and parenting benefits on fathers' participation (Vogl & Krell, 2012). Social norms are also known to be important for female labor supply worldwide. Broadly speaking, the consequences of parental leaves are far-reaching and complex. They affect family size choices, affect the long-run career patterns of women through pay penalties and actually contribute to changing traditional gender roles and expectations about childcare through policies promoting fathers' involvement.

Despite a rapid expansion of the literature on parental leaves in recent years, there are still some gaps remaining. The majority of studies treat leave as a mother's right and pay little attention to what happens when fathers takes an active part. Landmark pieces of research established that rich maternity leaves benefit women's employment continuity, health conditions, and even long-term earnings profiles. These analyses confirm the assumption underlying most policy debates about leaves that care work falls disproportionately on women's shoulders since they ignore the very policy instruments such as nontransferable paternity allocations and family-shared leaves that would counterbalance household labor and reduce the career penalties typically incurred by women. Compounding this central omission are a number of methodological and contextual limitations.

First, a lot of empirical work comes from a limited sample of high-income economies whose labor-market institutions and social norms may not be representative for the wider global context. Even large-scale panel studies encompassing dozens of countries conceal significant heterogeneity: a policy promoting paternal leave in Sweden may well produce very dissimilar effects if adopted in Southern Europe or East Asia. Without granular, micro-level studies in a variety of settings, we cannot fully understand cultural and institutional consequences structuring the relationship between leave policies and women's labor-market outcomes.

Second, causal inference poses significant challenges. Aggregate cross-country regression would fail to identify whether parental-leave mandates cause changes in female labor-force participation and pay gaps or if pre-existing societal preferences and economic conditions cause both more extensive leaves and less pay inequality. Leave policies also seldom change in a standalone manner: they tend to be adopted as part of a package of family-friendly policies subsidies for childcare, flexible working arrangements or increased rights for unpaid leaves. Without strict identification mechanisms or natural experiments, estimates of the effect of leaves may confound the effect of multiple policy reforms.

Third, eligibility and behavior data limitations limit our understanding. Reliance on statutory rights (weeks of leave provided for under the law) easily available as proxies for actual behavior conceals the fact that not all eligible employees take their full right, and take-up rates differ based on socioeconomic group and/or by occupational group. Where high-quality data on leave take-up and duration and subsequent employment patterns are available on an individual level, they tend to be of limited populations (e.g., manufacturing employees or government employees), making generalizability impossible.

Fourth, employer-centered analysis is sparse in literature. Parental leave policies do not just impact individual employees, they also create costs and administrative changes for employers. Recruitment efforts, workload reassignments, and training expenditures can all change due to leave benefits at the firm level and may temper or enhance labor-market effects on both men and women. Firm-level dynamics must be understood in order to create policies balancing employee protections and business sustainability.

Amongst those gaps, the particular case of father-inclusive leave is unusually under-researched. A few path-breaking studies have investigated "daddy quotas" or use-it-or-lose-them policies, but the evidence is scattered, context-specific, and methodologically inconsistent. There is a lack of knowledge about the impact of paternal take-up on not just mothers' return-to-work and on large gender earnings gaps in the longer term. Do fathers' take-up of leave signal changing social norms and economically supporting women's career advancement? Or do they merely redistribute the unseen care burdens without changing the structural inequalities harming women?

This thesis aims to fill this gap by examining parent-leave designs explicitly aimed at promoting shared responsibility. From a panel of OECD nations with differently designed paternity-leave regimes, I will follow the short-run and long-run consequences of policies including fathers for female labor-force participation and the gender pay gap. By doing so, it will shift the debate away from mother-centric paradigms and toward a balanced approach to caregiving which recognizes mothers and fathers as contributing equally.

Chapter 3: Methodology

This chapter outlines the research approach, data collection and construction of variables, and analytical methods used in examining the impact of father-inclusive parental-leave policies on the labor-force participation of women and the gender pay gap in. Recognizing that randomized experiments at the national policy level are not feasible, this study adopts a quasi-experimental, comparative approach. By using each OECD country that had paternity leave or a nontransferable quota for fathers and analysing whether that caused any changes in the labour market for women.

3.1 Introduction and Objective

The primary aim of the research is to assess whether paternity leave (or parental leave that is dedicated to fathers only), specifically when paid, long, or non-transferable, is a measurable factor in two of the most important gendered labor market indicators: the female labor force participation (FLFP) rate and the gender wage gap. The two primary hypotheses are that 1) a more generous paternity policy, particularly the type that is paid, will be positively related to increased FLFP and narrowing the gender wage gap and 2) the length of paternity leave or parental leave that is reserved only for fathers will increase labour force participation for women and decrease the wage gap. The analysis is limited to 2000-2023 for OECD nations. This timeframe is particularly significant, as the expansion of paternity leave as well as parental leave reserved for fathers increased in many countries after the early 2000's (see Table 1.a). This increased happened due to re-evaluation of fatherhood and their role in the child's life as well as change in gender attitudes (Khan, 2020). To properly examine the long-term impact of the policy reforms, the most available amount of years was chosen. Although an ideal end year would have been 2024 in order to include the most up-to-date information,

limitations in the available data for a number of the different variables necessitated choosing 2023 as the terminal year of observation, leaving a 23-year period for analysis. Additionally, considering the large diversity of national economic and political systems between countries, the results of single-country studies might not be applicable. To overcome the above-mentioned limitation, this research is carried out for OECD countries, which would allow for cross-national analysis with the use of up-to-date information on paid paternity leave, FLP and GWP, thus adding to a relatively unexplored research direction in the literature (similarly as in Khan, 2020; Olivetti & Petrongolo, 2017; Lambert, 2008)

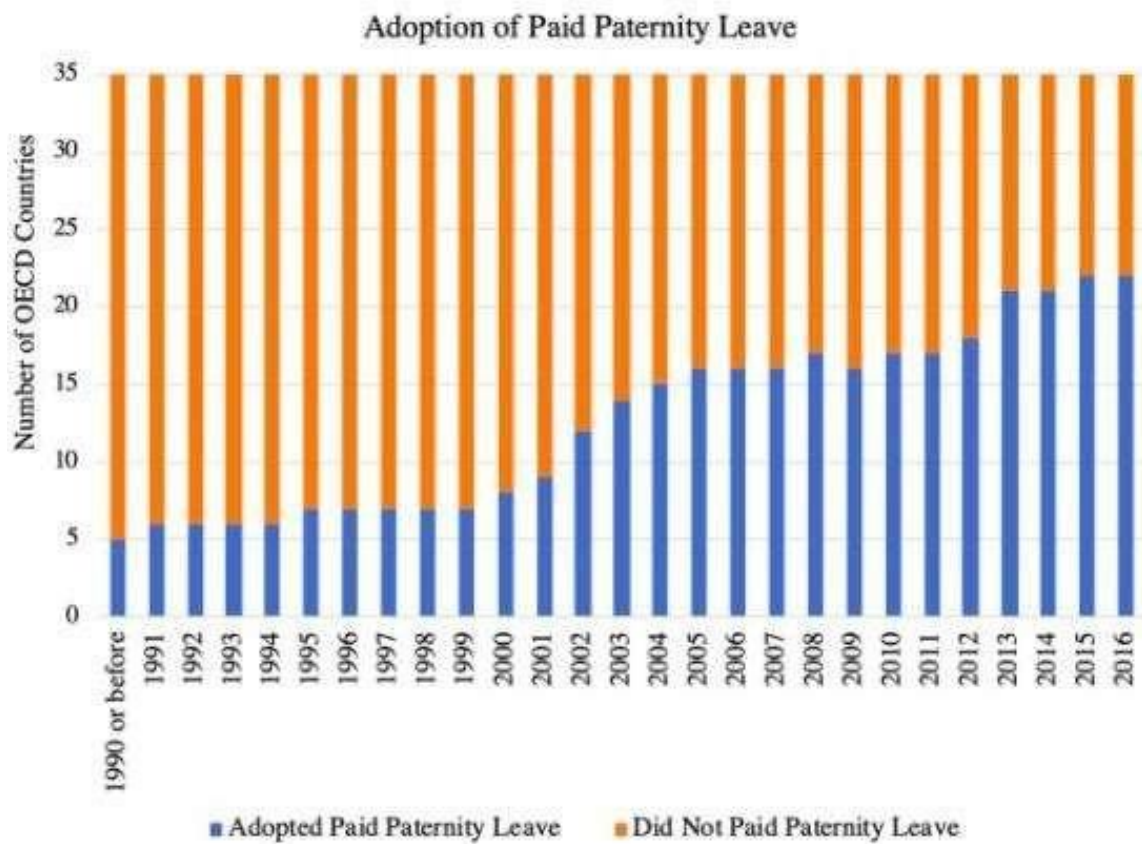


Table 1.a. Adoption of paid paternity leave. Source: OECD Family Database, 2019

The analysis employs a quantitative, panel data approach based on within-country variation over time. The empirical approach combines descriptive analysis which includes summary statistics and scatterplots. It also uses fixed effects panel regression models to calculate the relationship between father-specific leave policies and two key outcomes: female labor force participation and the gender wage gap. To test whether the consequences of the increase in length are effective in short-term (1-year lag) or long-term (5-year lag), the analysis incorporates lagged specifications. The mixed approach is applied to yield both breadth as well as depth of evidence for supporting or rejecting the main hypotheses of this research. With this analysis, the paper aims to advance knowledge on the impact of fathers' leave policies on achieving gender balance in the labor market. In the process of exploring the involvement of men as caregivers, it presents empirical evidence that can be used in the creation of more inclusive and gender-transformative family policies. The ultimate aim is to encourage fathers' involvement in childcare.

3.2 Data and Sources

The data used in this study is a time-series cross-sectional panel of 38 OECD member countries from the period 2000 to 2023. As noted above, the period was chosen to include both past trends and developments in parental leave policy. OECD countries are included for a number of reasons. While OECD countries are different when it comes to specific institutional arrangements, they share key features as high-income economies with relatively developed labor markets and structured policy frameworks. Additionally, for OECD countries, there is the highest availability of data, including complete records on family policy, labor force characteristics, and measures of wage inequality over the course of the period, which also helps this study with closing the gap in the literature.

The dataset was constructed by harmonizing and merging several publicly available secondary sources. The core family policy indicators, specifically data on paternity and parental leave entitlements, were drawn from the OECD Family Database, including indicators PF2.1 and PF2.2, which provide detailed information on the availability, duration, and payment levels of leave by gender. These indicators specify both the total amount of leave available and the number of weeks specifically reserved for fathers, as well as the information of how long the paid leave and unpaid leave is. The female labor force participation rate data was collected from OECD database. The variable is used to represent the proportion of 25–64 year-old women (it was a deliberate decision, as it is the most important lifetime period when women are most likely to build their family and make major labor market choices regarding childbirth and childcare) who are employed. The gender pay gap evidence is also from the OECD Database, which calculates the pay gap as the difference between women's and men's median earnings.

To control for other socioeconomic and demographic factors likely to affect the relationship between paternity leave and gendered labor outcomes, a number of extra variables were collected. Educational attainment information i.e., the proportion of women aged 25–64 with tertiary education was obtained from OECD Database. The variable measures the human capital potential of the female labor force and can be a predictor of employment probability as well as earnings. GDP per capita was included to control for the general level of economic development. Fertility rates, in terms of births per woman, were included to control for differences in childcare requirements and societal pressures for women to exit the labor force. The national unemployment rate (whole population) was included to control for the labor market conditions that are likely to impact participation rates irrespective of gendered policy. Total maternity leave duration, measured in weeks and payment, was also included as a control

variable to distinguish the effects of paternity leave from broader parental leave regimes that focus primarily on mothers. Data on maternity leave came from the same OECD PF2.1 indicators and was cleaned to ensure comparability across years and countries. Although some national systems offer integrated parental leave rather than separate maternity and paternity entitlements, maternity leave was maintained as a distinct variable given its differential social function and longstanding role in shaping labor market exits for women. Each observation in the dataset corresponds to a specific country-year pair. The dataset was cleaned to make sure that there is consistency, particularly by converting string variables into numeric format. The panel is slightly imbalanced because of the lack of the availability of the data, especially for newer OECD members or for previous years. But the overall coverage is still very high, with a minimum of 20 country-years available per country included. The ultimate dataset comprises 912 observations, plenty for within-country analyses. By merging data from diverse sources and harmonizing them across time, it was possible to construct a coherent and statistically sound platform for testing the relationship between leave reserved only for rather and women's labor market outcomes in OECD economies.

3.3 Analytical Framework and Statistical Models

The statistical analysis was divided into several steps, starting with simple data exploration and ending with advanced regression models to check how reliable results are. First, to spot general trends, basic summaries and graphs were used. Then, regression models were used to test the main hypotheses. Finally, additional tests were run, such as lag tests, to check whether the consequences of the leave are more powerful in the short-term or long-term.

The analysis started with the generation of descriptive statistics in order to investigate patterns in the data. Descriptive statistics for key variables, such as the number of weeks of leave (both parental and paternity) allocated specifically for fathers (Total_Father_specific_num), and the

proportion of those weeks paid (Total_Father_specific_paid_num), were considered for all the countries of the OECD between 2000 and 2023. Summary statistics showed a lot of variation in countries. For example, in 2023 alone, Slovakia had nearly 28 weeks of leave paid at a rate near 70%, while Slovenia had a lower leave duration of 11 weeks but full wage payment. Spain had an equally generous policy, with leave for 16 weeks paid at 100% wage. At the opposite end, while Korea and Japan had the largest leave periods available among OECD countries (52 weeks), their average payment rate in each nation was surprisingly low, i.e., around 40%, and possibly constraining take-up. For every variable, averages, minimum, and maximum were provided, with the hope of taking advantage of the heterogeneity of policies in the fixed-effects models in the near future. Descriptive statistics for control variables, such as fertility rate, total rate of unemployment, tertiary education among women, and GDP, were also provided.

To get a preliminary visual sense of the information, scatterplots were built. These showed bivariate patterns between important independent variables and desired outcomes. Two scatterplots showed the pattern of father's share of leave in weeks and father's share of paid leave in weeks in relation to women's labor force participation. The positive trendline of these graphs implied a possible link in which the countries with more comprehensive leave entitlement for fathers showed more women in the labor force. A similar plots for the same variables with respect to the gender wage gap were run. And while for the length of the weeks it indicated a less powerful but suggestive negative pattern, implying a possible link between better length of leave for fathers and smaller gender wage gaps. For paid weeks it had a less powerful but positive pattern. This trend-line was an unexpected result, that was decided to analyze better in regression models.

Fixed-effects regression models were used in order to test if women's labor force participation or the gender wage gap are correlated with the changes in paternity leave policies. This approach fits the panel data, as it follows the same countries over time, with the option of

estimating the change in developments within countries instead of comparing cross-sectional observations. The fixed-effect model isolates the year-to-year effect of changes in policies in every country while holding constant the other unobserved, time-invariant traits in the model, which otherwise may confound the relationship. Because such features are persistent over the period under review, they are effectively constant in the model. Therefore, the estimated relations capture how changes in the outcomes track the changes in the policies in a given country over time. Although this strategy does not statistically prove causality, it gives a sounder foundation for interpreting correlations than do simple correlations, particularly if the changes in policy are temporally prior to the changes in labor market outputs. To enhance the validity of the estimates further, a set of time-varying controls was used. These were the fertility rate, tertiary education of women, the total rate of unemployment, the GDP per head, and the number of weeks of paid leave for the mother. These controls were chosen in order to minimize the potential for the observed impacts of paternity leave laws to be due to a range of other changes in either economic or demographic circumstances. Finally, to investigate if anticipated effects of policies materialize with a delay, lagged variables were introduced into the models. Father's leave lagged one year in weeks was used in the models in order to test if changes in paternity leave policies have an effect on labor market outcomes a year later. For further investigating the delay in the effect, a five-year lag was introduced into the model.

Chapter 4: Results

4.1 Descriptive Statistics

Table 1 contains descriptive statistics for the gender wage gap and the indicator of female labor force participation as the dependent variables, the total and paid father-specific leave as the independent variables, as well as controls. Female labor force participation, on average, stands at about 71%, ranging from slightly above 25% up to almost 88%. This implies considerable heterogeneity over countries and over time, allowing for the existence of policy impacts. The gender wage gap averages 16.3% but also exhibits considerable variance, from almost 0% up to more than 41%. These differences indicate varying gender inequality in earnings in national labor markets. Father-specific leave also varies significantly. Average total father-specific leave stands at 31.6 weeks, but up to 156 weeks, and paid leave at 6.8 weeks, suggesting a high degree of non-remunerated leave, a fact reinforced by the maximum of 54 weeks of paid leave. This gap has the serious consequence of such leave not being taken, or taken less readily, by primary earners, who are often men. Tertiary enrollment among women, as a measure of women's human capital, has a mean of 35.4%, while fertility averages 1.6 children per woman. Unemployment rate and the level of GDP per capita also show real variations, and controlling for the macroeconomic differences therefore becomes essential

4.2 Scatterplots

To examine the bivariate relations, scatterplots are employed to plot father-specific leave against the female labor force participation and the gender wage gap. Figure 1 plots female labor force participation against total father-specific leave. The line of best fit reveals a slight positive association, with the implication that countries with more generous leave for fathers are characterized by the greater participation of females. The association is not especially

robust, and the biggest share of the data falls at the lower end of the leave continuum (0 to 50 weeks). Figure 2, plotting the gender wage differential against total father-specific leave, reveals a more definite downward slope, with the implication that fathers' greater participation in early childcare is associated with a reduced difference in men's and women's earnings. Focusing on paid leave (Figures 3 and 4), the results are less clear. Female labor force participation continues to have a weak positive relationship with paid leave, but the slope is less steep. In contrast, the paid father-specific leave-gender wage gap scatterplot reveals a counterintuitive weak upward relationship. This could be the result of reverse causality or endogeneity in institutions: larger wage gaps could implement paid leave as a compensating policy, or the leave could be underused and therefore not generate the desired effects of reducing inequality.

4.3 Regression Results

The fixed-effects regression for female labor force participation is shown in Table 2. The coefficient for total father-specific leave is positive and significant (coef. = 0.030, $p < 0.001$), consistent with the second hypothesis that increased length of leave for fathers increases the participation of women. It could do this through either a rebalancing of the division of housework or the normalization of fathers' involvement in childcare. And the positive impact further suggests that gender-symmetric leave policies could weaken the motherhood penalty indirectly as they encourage a more balanced division of labor in the household. However paid father-specific leave enters negatively and significantly (coef. = -0.052, $p < 0.015$). The intuition is initially contradicted, but this result could be driven by a number of underlying mechanisms. The estimated impact of the control variables is as expected according to theory. The interaction between labor force participation and fertility is as expected to be positive, perhaps because policies in high-fertility countries enable reconciliation between labor market

attachment and family-building. Tertiary female schooling has a sizeable and highly significant positive coefficient, supporting the human-capital role in attachment to the labor force. Both unemployment and GDP enter positively, and this might capture responses to the business cycle and longer-run economic development patterns. The focus of Table 3 is the gender wage differential. The estimates are similar to the FLFP model in various aspects but show different patterns. Father-specific total leave is significantly and negatively related to the wage differential (coef. = -0.024, $p < 0.01$), indicating that greater father involvement has the potential to equalize men's and women's earnings. The estimate is significant in the context of statistical discrimination and gender-role expectation theories because policies that make male caregiving the norm may overcome assumptions made by employers regarding the availability and commitment of women. However, the relationship between paid leave and gender wage gap are positive but statistically insignificant. If paid leave is not commonly used among men or even only under limited conditions then perhaps little will be achieved in terms of changing wage structures. The impact of the control variables is significant again, except for GDP. Tertiary-level education is correlated with a significant decrease in the wage gap (coef. = -0.247, $p < 0.001$), consistent with the argument that education increases the bargaining power and access to better-paying jobs for women. The less intuitive negative impact of unemployment upon the wage gap might represent labor market compression: in contexts of high unemployment, overall wage levels are pushed downward, which can reduce differences between male and female earnings as both groups are similarly affected.

4.4 Lagged Models

To better understand whether the effects of paternity leave length unfold gradually rather than immediately, the next set of models introduces temporal lags. This approach tests whether the effects of leave policies only appear after families and institutions have had time to adapt.

Specifically, a one-year lag allows us to observe near-term responses to policy changes, while a five-year lag captures more structural or cultural shifts.

The lagged-one year specifications are in Tables 4 and 5. The coefficient for lagged total father-specific leave is still highly significant and positive (coef. = 0.024, $p < 0.001$). What it indicates is that if fathers are allocated additional weeks of leave, there is a definite and significant association of an increase in female labor market participation, even after a year. In the one year lagged GWG model, the effect of father-specific leave remains sound. The coefficient on lagged total leave is again negative and significant (coef. = -0.023, $p < 0.01$), confirming that the wage-equalizing effect of father leave still exists over time.

The five-year lag models explore longer-term dynamics. Table 6 presents the results for female labor force participation. Here, the coefficient on lagged total leave is still positive but no longer statistically significant, suggesting that the initial gains in female employment may decrease over time, or become diluted by other policy or economic developments. For the gender wage gap, the five-year lag model (Table 7) once again confirms the negative and significant effect of father-specific leave (coef. = -0.018, $p < 0.01$). This persistence over five years underscores the strength of the relationship and supports the idea that shifting caregiving norms through paternal leave can yield durable effects on gender pay disparities. And long term ones when it comes to gender wage gap.

Chapter 5: Discussion

5.1 Regression Models with FLFP

A. Length of paternity leave and FLFP

The coefficient was positive and statistically significant. This indicates that when fathers have a greater number of available leave weeks, women are likely to enter the labor market in greater numbers. There are a number of possible reasons to why it is the case. To begin, when leave duration is longer, there tends to be a temporary substitute hired at the workplace. That would minimize obstacles for women's entry into the labor market since hiring would increase. Another reason is also connected to recruitment dynamics. Women are stigmatized by possibly going out for maternity leave and thus are discriminated against when it comes to hiring. If men then start to take lengthier, and possibly expensive, paternity leave, employers might no longer think about women as being the single “risk” when it comes to taking leave, which could decrease gender-based prejudices when it comes to hiring. Ultimately, extended paternity leave could help women get back to work. If fathers take leave to actively participate and share caregiving responsibilities or to fill in just when mothers are about to get back to work, then women have a lighter overall load when it comes to childcare. This shared plan enables them to get back into the labor market or back to their previous posts smoother and less disrupted.

B. Paid paternity leave and FLFP

A possible reason why paid father-specific leave has been found to be negatively related to female labor force activity is that the policy is often poorly designed and implemented. Whereas paid leave is legally granted to fathers, conditions to actually receive it from the employer might be difficult or restrictive. For instance, application for leave may be bureaucratic, filled with hard to follow or ambiguous rules, or subject to employer permission,

which would discourage fathers to take it. If men are not going to or cannot overcome such hardships, then the policy becomes symbolic and not transformative. Women then continue to bear all or a significant burden of childcare, and none of the anticipated increases in labor market activity by women occur. Another possible explanation is that where fathers are present and take paid leave, and particularly if leave is extended or well-compensated, it could lower pressures for quick labor market re-entry by the mother. If one parent is staying at home and bringing in an income, families may choose to postpone re-entry by the mother, particularly where it is costly or hard to access childcare. The policy then is consistent with gender equality in theory but would produce a fall in female labor market participation in the short run purely due to the decreased motivation to be back to the labor market. This could benefit women's careers eventually by developing collective caregiving norms, but the initial statistical result could look negative.

5.2 Regression Models with GWG

A. Length of paternity leave and GWG

The relationship between the total leave available for fathers and gender wage gap proven to be significantly negative, which means that with the increase in leave weeks gender wage gap decreases. Even when paternity leave is not paid, merely lengthening the duration of time that fathers are eligible to take off can have a variety of indirect but important ways of helping narrow the wage gap between men and women. To begin, an extended leave period, even if not paid, potentially sends a message of institutional and cultural support for father's involvement in early childcare. This can help gradually remake social expectations around caregiving and make it acceptable for men to leave work for family duty. As mentioned above, when

caregiving is framed less by a gender-specific expectation in the eyes of employers and society, women are less likely to be discriminated against in hiring and promotion, since they are no longer assumed to be the single likely caregiver. Second, extended paternal leave can enable families to arrange caregiving responsibilities more flexibly. Even if men are not taking the full leave, formal provision of an extended duration could enable couples to regulate their leaves on such an arrangement: the mother would go back to paid work while the father looks after their baby. This enables women to rejoin the labor market more quickly, cutting their out-of-work duration, which is one of the primary causes of wage penalties over time. That is, while fathers might lag behind when it comes to take-up levels for unpaid leave, their availability and length are significant.

B. Paid paternity leave and GWG

The paid leave showed positive relation to gender wage gap, however since statistically insignificant, it cannot be claimed as a realistic result. While father-specific paid leave is generally aimed to increase gender equality, a positive (though not significant) coefficient on the gender wage gap indicates that, in certain situations, such policies could inadvertently widen wage differentials. This could be because paid paternity leave would be taken disproportionately by men who are richer, have more security, and are working in settings that encourage or institutionalize leave-taking. If such men take up the benefit and women who are working less securely or lower-paid do not enjoy a similar support, then such a policy could mistakenly increase privilege instead of narrowing inequality. However, given that the outcome is not significant statistically, it cannot be concluded from the analysis that paid leave for fathers widens the gender wage gap. What it indicates is that no consistent pattern is detected from the data.

Overall, these results show that only one hypothesis can be confirmed. Increased amount of total leave reserved for fathers increases FLFP and decreases gender wage gap.

Chapter 6: Limitations

Although this research makes significant contributions to the understanding of the interaction between paternal leave policies and female labor force participation, as well as the gender wage gap, the analysis is limited by several factors. Those limitations equally create worthwhile possibilities for further research. First, the prior analysis fails to capture the dynamics of the timing of parental leave take-up between mothers and fathers. Existing evidence indicates that maternity leave has a non-monotonic, inverted U-shaped link with labor force participation among women: initial increases facilitate labor force attachment, but after a point, longer leaves could lower FLFP through the erosion of labor force attachment among women.

A good direction for additional research would be to examine the extent to which the phasing of fathers' leave uptake, especially, if fathers take leave at the stage at which the female labor force participation of women begins to fall, can help to balance this impact and maintain female employment levels. An estimate of this kind would depend upon more finely ordered dataset and information regarding the specific months of leave take-up across each parent and from time-use surveys or administrative data describing intra-household leave allocation. Second, the research fails to investigate long-term financial implications for pension buildup, something that is heavily influenced by interruptions in the career path as a result of giving birth and childcare. Women in various OECD nations, the United Kingdom among them, have reported instances of pension penalties because of inadequate contributions during maternity leave or because of underdeclaration of income by their employers during this period (Esmund, 2025). It is less evident from short-term wage gap analyses but plays an important role in lifetime earnings disparities. While the introduction of more equitable and generous paternity leave policies might potentially decrease or affect these pension-related disadvantages, this hypothesis remains untested within this research framework. A new study using the pension

gap as a dependent variable would likely provide richer insights, although such an extension lay outside the scope of the current examination due to data limitations and a main interest in labor market attachment and wage gaps during working life. The inclusion of pension outcomes would have significantly enlarged the topics under examination and shifted priority from the central goals of this thesis.

Third, while this thesis examined formal availability and structural generosity of paternal leave policies, it did not look at behavioral responses per se, i.e., how fathers actually use their leave. The assumption that entitlement leads to balanced caregiving might not hold across all settings. There might be cases where fathers taking leave might be using the leave as a type of holiday instead of taking up full-time caregiving responsibilities. This calls into question whether paternity leave is effective to shift gender norms and reduce the burden of childcare from women. If leave take-up by fathers does not correspond to actual adjustments to household labor arrangements, then policy has little potential to reduce either FLFP or the GWG. If one wishes to know about this behavioral aspect, then policy analysis would need to be paired with micro-level time-use data or ethnographic research, which was not within the empirical approach.

Finally, like many cross-national panel studies, this research is limited by data availability and comparability across countries and years. Variations in how countries report wage data, define labor force participation, or classify parental leave policies might have introduced measurement error. Moreover, even though fixed models accounted for unmeasured time-varying confounders, it might potentially continue to bias estimates. Future research might take advantage of quasi-experimental designs, like difference-in-difference analyses of policy reforms across individual countries, to make stronger causal claims.

Chapter 7: Policy Implications and Conclusion

7.1 Policy Implications

A. Increase the Duration of Leave

To begin, the persistent positive association of total father-specific leave and female labor market attachment provides evidence supporting an increase in father-targeted leave entitlements. Policymakers can increase the overall length of father-specific leave, particularly non-transferable quota dedicated to fathers, to incentivize a fairer division of caregiving responsibilities among families.

Additionally, given that use-it-or-lose-it design elements have functioned effectively across Nordic countries, where male take-up has been high and gender differences are among the smallest such differences achievable, the same methods can be applied across non-Nordic OECD countries to encourage men to take leave and, indirectly, bolster women's labor market attachment. This type of design is successful since it provides a significant incentive for men to utilize the leave before it is lost, effectively redefining traditional caregiving culture. Governments should further fund public awareness campaigns to de-stigmatize male caregiving and de-normalize the stigma of paternal leave utilization. Public perceptions continue to be an important obstacle across much of their respective countries, where caregiving continues to be identified primarily with women. Campaigns that emphasize positive stories about fathers taking leave, particularly among leadership roles or historically masculine domains, can help shift these perceptions.

B. Actual Uptake

Policy must address not just availability but actual take-up of leave. Availability does not automatically translate into take-up, and if take-up is low, then there is little hope of changing workplace culture or household division of labor. Many men might not take up available leave if they are afraid of career reprisals, mockery by colleagues, or pay penalties. Therefore, an effort must be directed towards satisfying both the social and economic aspects of take-up. Systems of monitoring would need to be put in place to monitor who is taking leave, for how long, and whether take-up is equitable across different socioeconomic groups.

These statistics would reveal whether take-up is primarily among higher-income, public sector, or more educated workers, which are groups who tend to be overrepresented among family policy take-up groups. Governments might provide recognition schemes or pay premiums to employers with high take-up levels of male leave and include it among overall measures of gender equality and diversity goals. For example, a national certification or "family-friendly workplace" would be awarded to firms that facilitate caregiving among male workers and incentivize others to follow them.

C. Additional Research

The surprising result that paid father-specific leave could be related to a long-term rise in gender wage disparity highlights an area that requires further exploration. The result could be an unintended outcome of leave policy, such as reinforcing income-based differentials if higher-paid men take leave and lower-paid men cannot. The result might indicate that employers adjust pay levels based on anticipated leave expenses or that available paid leave without a supporting culture does not alter behavior.

Governments need to perform an in-depth examination of why paid leave is not delivering intended equity benefits. This could be accomplished through surveys of employer practices, qualitative analyses of workplace culture, and leave utilization disaggregated by income and

occupation. These assessments would help determine whether men working in high-income occupations are unfairly benefiting from leave policy while women in lower-paid or unstable labor settings enjoy no benefit or even face pushback. If not understood, there is a danger that policies intended to provide benefits could backfire or entrench existing inequalities. Defining these mechanisms is important to refine policy designs that address structural underpinnings of gender inequality and not merely conceal these through superficial reforms.

7.2 Conclusion

The goal of this study was to investigate how paternity leave, and specifically its length, monetization, and fathers' exclusivity, affect two of OECD labor markets' most important measures of gender equality measures: female labor market activity and the pay gap between women and men. This aimed to shift beyond mother-focused parameters for analyses of parental leave, and instead to emphasize men's caregiving involvement as a key driver of change. Based on a panel dataset of 38 OECD countries from 2000–2023, and utilizing fixed-effects regression analyses, the results add significant empirical understanding to how family policy design can influence labor market forces and gender balance.

The main result of the thesis is that father-specific leave entitlements, and especially overall weeks reserved for fathers, are positively related to greater female labor market engagement and narrower gender wage differentials. Such relationships hold even when accounting for important economic and demographic controls such as GDP per capita, fertility rate, female education through tertiary levels, and overall unemployment. The findings are consistent across model specifications and time horizons, indicating that paternity leave not only has immediate but also lagged effects on labor market outcomes. This highlights gender

inequality's cumulative and structural processes: when caregiving is spread relatively equally, female labor market attachment rises, and wage differentials narrow.

However, this study also indicates the nuance and depth of leave policy design. Total father-specific leave, for example, has a positive effect on female outcomes, but paid father-specific leave has inconsistent or even negative relationships. Paid leave is connected to lower female labor market participation or wider wage inequalities, especially in the short term, in a subset of models, which rejects the second hypothesis.

These findings complicate policy discussion: leave design in itself is not sufficient. Cultural acceptance, firm-level practices, and social meanings put on male caregiving are just as important to ensure that policy benefits are achieved. Uptake rates are an important factor. If leave policies are not taken up by fathers across diverse segments of the male workforce, then their capacity to reduce inequality or narrow wage differentials is diminished. Moreover, an inconsistency between leave entitlements and household labor practices could undermine the policy's effectiveness. These lessons call for an integrated policy approach that synchronizes legal entitlements with social incentives and organizational culture.

A further benefit of this study is to be found in methodological design. Using fixed-effects panel regression models and incorporating temporal lag, the analysis could disentangle within-country variation across years and distinguish lagged policy effects, which are the two elements not typically available to cross-section or single-year analyses. This dynamic strategy adds depth to causal inference from the findings, even while recognizing that quasi-experimental designs (difference-in-differences or instrument variable models) could further sharpen causal attribution when future analyses are conducted.

Above all, the scholarship adds to the literature by underscoring how parental leave should be understood not merely as a protective policy for women but as a redistributive tool for

reorganizing incentives throughout the entire labor market. The allocation of household labor and childcare inequities remains one of the central causes of labor market inequality. If fathers are deeply integrated into caregiving in early stages, and importantly not as non-compelling participants but rather as co-equal stakeholders, then labor market structures and employer expectations might start changing towards reinforcing actual gender equality.

In conclusion, this thesis provides powerful empirical evidence for the proposition that father leave in total/length has the capacity to help women's careers and reduce long-standing gender imbalances in labor market outcomes. But whether or not it succeeds is not just a matter of policy generosity but depends equally upon effective implementation, take-up by employers and employees alike, and changing social and workplace culture. The evidence indicates that carefully designed, gender-symmetrical family policy has the potential to be an important lever for labor market fairness, but it has to be situated within overall efforts to redistribute and reform the gendered division of labor. Future research must complement these findings by investigating the day-to-day lives and experiences of leave-taking fathers, employer take-up of such measures, and women's and men's pension and life earned income implications over the course of a lifetime. Only through insight into these deeper planes can policy be levered to maximum effect towards gender equality.

Tables and Figures

Table 1: Summary table

Variable	Obs	Mean	Std. Dev.	Min	Max
Gender wage gap	655	16.32422	7.410946	.1139601	41.65435
FLFP	910	71.04788	10.66355	25.27893	87.624
Fathers leave	860	31.55775	45.47143	0	156
Fathers leave paid	851	6.791518	11.61963	0	54
Fertility	774	1.602549	.2719358	.808	2.932
Unemployment	889	7.90172	3.774705	1.9	27.825
GDP	899	44827.31	18743.75	10904.3	130164.4
Tertiary education	641	35.40014	13.14416	8.4	69

Figure 1

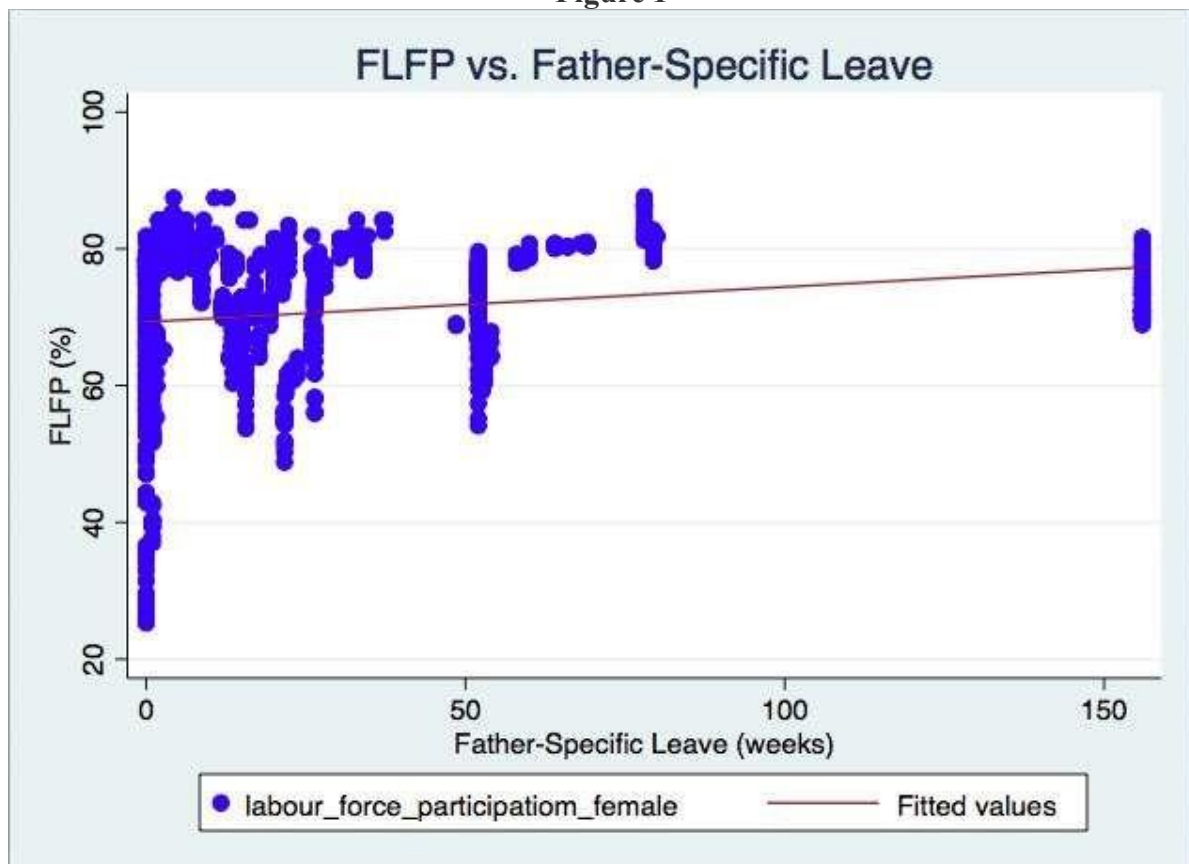


Figure 2

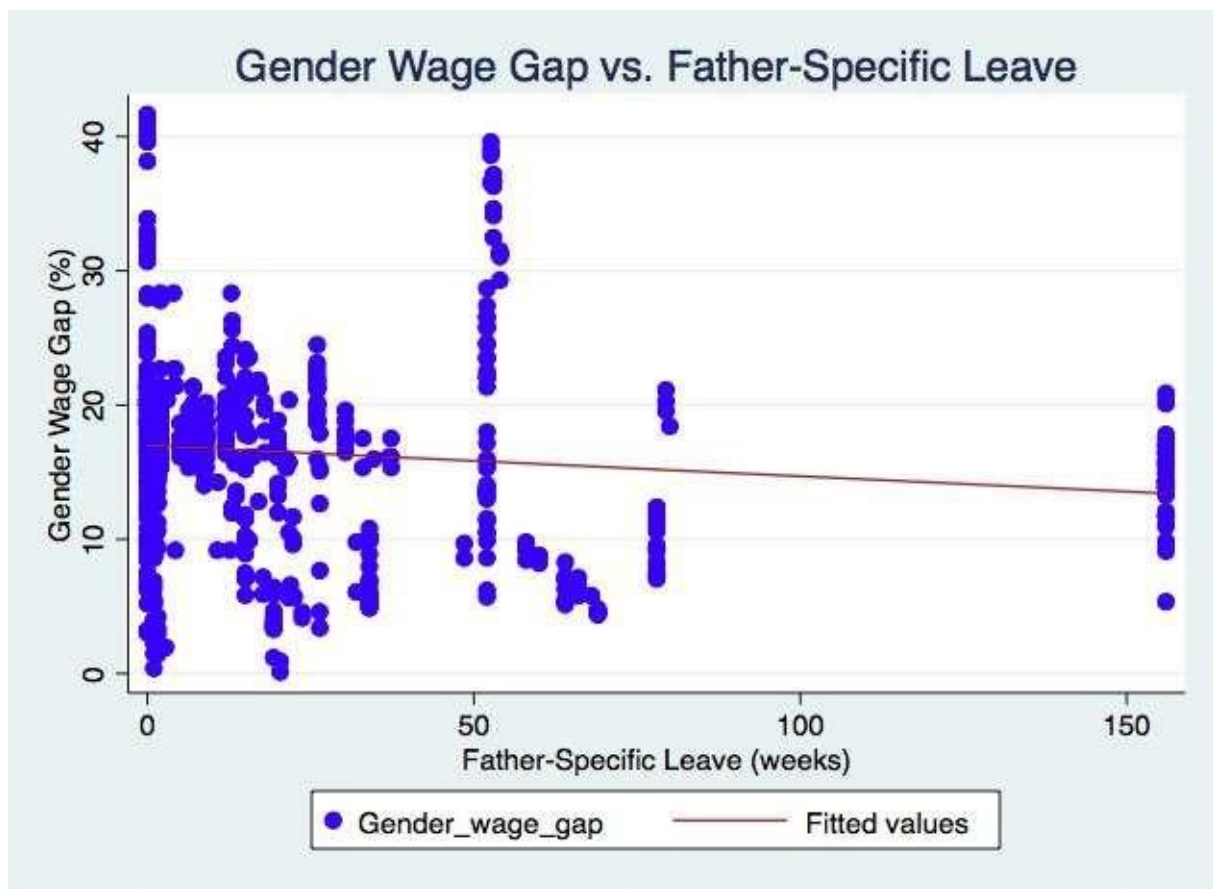


Figure 3

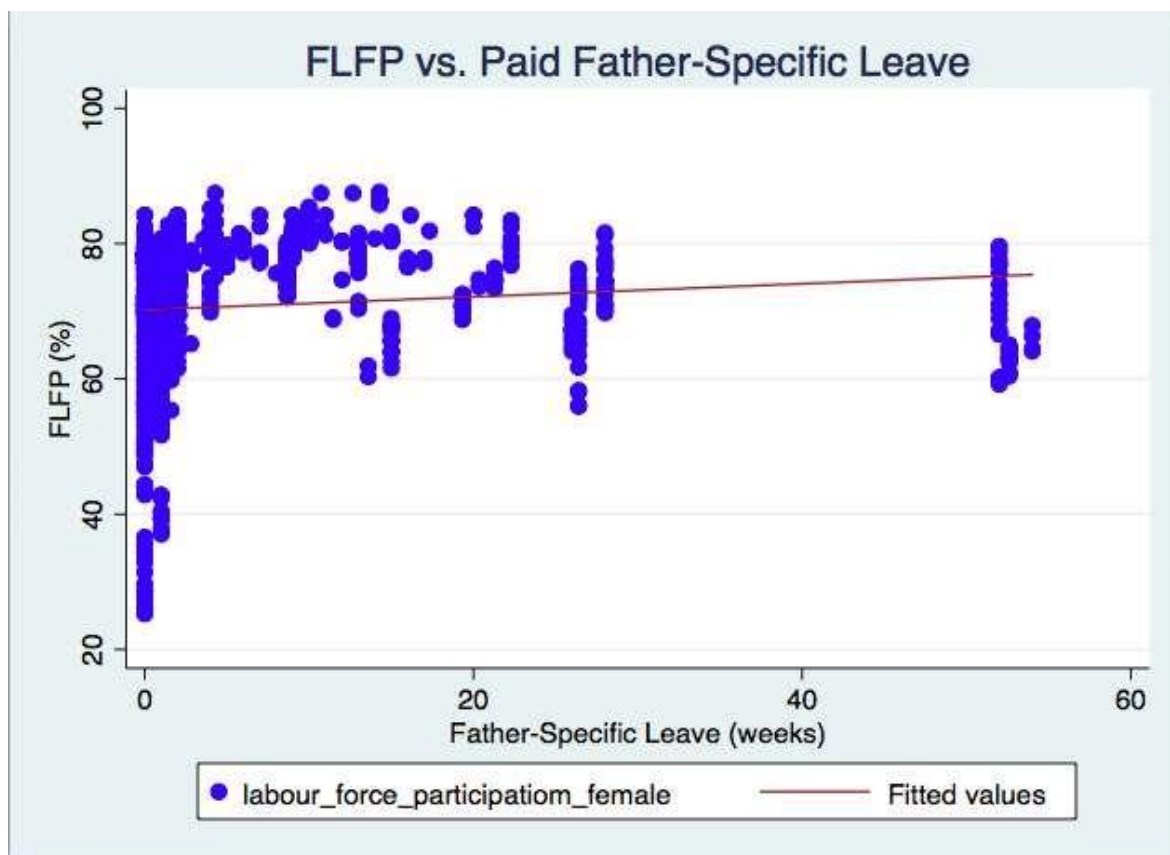


Figure 4

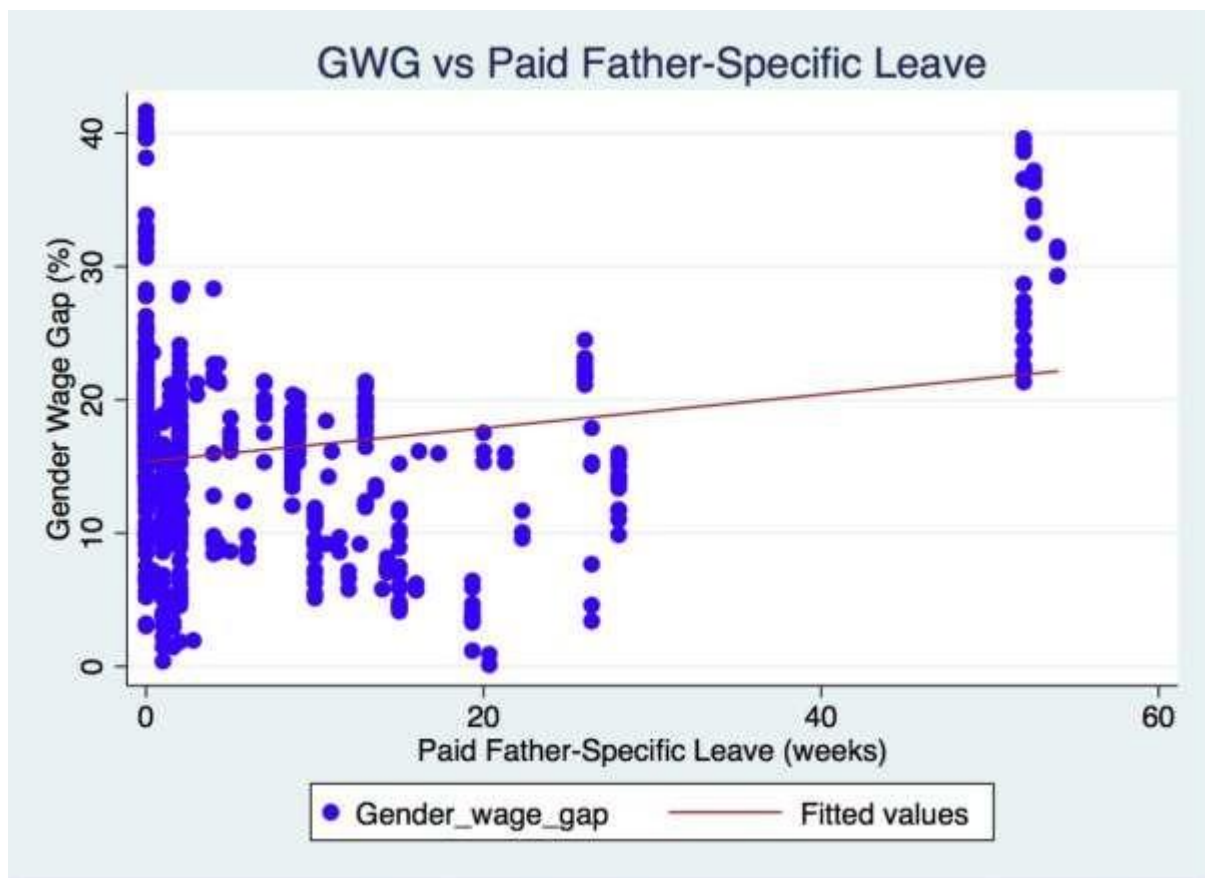


Table 2: Fixed-effects regression (FLFP)

Fathers leave weeks	0.030* (0.006)
Fathers leave paid	-0.052* (0.021)
Fertility	3.06* (0.73)
Unemployment	0.22* (0.050)
GDP	0.00027* (0.00004)
Mothers total leave	0.007 (0.007)
Tertiary education	0.36* (0.022)
Constant	39.4* (2.32)
<hr/>	
R-squared 0.71	
No. observations 503	
min = 1	
average = 17.3	
max = 24	

Standard errors are reported in parentheses. * indicates significance at the 95% level

Table 3: Fixed-effects regression (GWG)

Fathers leave weeks	-0.24* (0.006)
Fathers leave paid	0.054 (0.029)
Fertility	1.98* (0.87)
Unemployment	-0.40* (0.079)
GDP	-0.00009 (0.00006)
Mothers total leave	0.0127 (0.009)
Tertiary education	-0.25* (0.031)
Constant	28.6* (3.08)
<hr/>	
R-squared 0.49	
No. observations 376	
min = 1	
average = 13.9	
max = 23	

Standard errors are reported in parentheses. * indicates significance at the 95% level

Table 4: Lag model 1 year (FLFP)

Lagged Fathers leave weeks	-0.24* (0.006)
Fathers leave paid	-0.041 (0.021)
Fertility	2.78* (0.71)
Unemployment	0.20* (0.050)
GDP	-0.0003* (0.00004)
Mothers total leave	0.012 (0.007)
Tertiary education	0.36* (0.021)
Constant	38.7* (2.46)
R-squared 0.70	
No. observations 478	
min = 1	
average = 16.5	
max = 23	
Standard errors are reported in parentheses. * indicates significance at the 95% level	

Table 5: Lag model 1 year (GWG)

Lagged Fathers leave weeks	-0.23* (0.006)
Fathers leave paid	0.039 (0.031)
Fertility	2.18* (0.89)
Unemployment	-0.38* (0.081)
GDP	-0.0006 (0.00007)
Mothers total leave	0.015 (0.009)
Tertiary education	-0.25* (0.031)
Constant	26.02* (3.36)
R-squared 0.48	
No. observations 360	
min = 1	
average = 13.3	
max = 22	
Standard errors are reported in parentheses. * indicates significance at the 95% level	

Table 6: Lag model 5 years(FLFP)

Lagged Fathers leave weeks	-0.08 (0.005)
Fathers leave paid	-0.042* (0.020)
Fertility	1.57* (0.67)
Unemployment	0.098 (0.052)
GDP	-0.0003* (0.00005)
Mothers total leave	0.017* (0.007)
Tertiary education	0.36* (0.020)
Constant	40.98* (3.23)
R-squared 0.66	
No. observations 388	
min = 1	
average = 14.4	
max = 19	
Standard errors are reported in parentheses. * indicates significance at the 95% level	

Table 7: Lag model 5 years(GWG)

Lagged Fathers leave weeks	-0.019* (0.006)
Fathers leave paid	0.018 (0.031)
Fertility	3.81* (0.91)
Unemployment	-0.23* (0.089)
GDP	-0.0002 (0.00007)
Mothers total leave	0.021* (0.010)
Tertiary education	-0.20* (0.032)
Constant	15.9* (4.72)
R-squared 0.42	
No. observations 300	
min = 1	
average = 11.1	
max = 18	
Standard errors are reported in parentheses. * indicates significance at the 95% level	

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