

Gender Economics

Session 4

Policy Evaluation

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Sciences Po Menton



Why Policy Evaluation in Gender Economics?

- **Motivation:** Gender-related policies (like maternity leave or equal pay laws) can alter labor market outcomes and reduce inequality
- **Evaluation:** We need credible methods to determine whether policies *cause* improvements (e.g., higher female labor force participation or smaller pay gaps) rather than simply *correlate* with them
- **Goal of This Lecture:**
 - ▶ Introduce core ideas in causal analysis.
 - ▶ Discuss empirical strategies (particularly difference-in-differences)
 - ▶ Present key empirical findings from seminal papers.

Policy Example

- **Childcare subsidies/availability:** facilitating return to work, mitigating earnings gap
- **Parental leave policies:** balancing maternal and paternal leave to reduce child penalties
- **Anti-discrimination laws and enforcement:** addressing gender and motherhood bias
- **Flexible work arrangements:** remote work, flexible scheduling to accommodate care responsibilities

Causality vs. Correlation

What is the difference between causality and correlation?

<https://www.tylervigen.com/spurious-correlations>

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Causality vs. Correlation

- **Correlation:** A measure of the association between two variables (e.g., ice cream sales and drowning incidents)
- **Causality:** A change in one variable *directly* leads to a change in another (e.g., a policy *causing* higher wages)
- **Challenge:** Confounding factors and biases often mask true causal relationships.

We need causality:

- To measure policy effectiveness and efficiency
- Policy evaluation became particularly relevant in the U.S. in the 1960s during the period of the Great Society social programs to get rid of poverty and racial injustice

Key Question: How do we disentangle correlation from true causation?

Counterfactual Concept

In economics, causality is assumed under **certain assumptions** (called identifying assumptions)

⇒ So we define a counterfactual under identifying assumptions

- **Definition:** The outcome a unit (e.g., an individual or firm) would have experienced *without* the treatment/policy
- We *cannot* observe both treated and untreated individuals for the same unit at the same time
- Empirical methods aim to approximate this unobserved scenario
 - ▶ Randomized experiments, difference-in-differences, etc.

Example: Class Size and Student Grades

Question: How does being in a smaller class affect students' grades?

- The causal effect is defined as the difference between students' actual grades in small classes and the grades they *would have had* in larger classes.
- Since a student cannot be both in a small class and a large class simultaneously, *one outcome is always missing*.
- We use a *comparison group*
 - ▶ Students in larger classes
 - ▶ Along with certain assumptions to approximate the missing (counterfactual) outcome for students who are actually in smaller classes.

Difference-in-Differences Method

● Before vs. After

We might compare a group's past test scores (before small-class assignment) to their current scores (after small-class assignment)

- *Challenge:* Academic ability evolves over time, so past performance may not accurately reflect what current scores would have been in a large classroom.

● Treated vs. Untreated

We also compare students in small classes (treated) to students in larger classes (untreated), assuming the latter can serve as a counterfactual

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- ▶ *Bias:* Selection into small classes may correlate with other factors (e.g., certain school programs or demographic characteristics)

Other potential biases:

- School headmasters may select low-achieving students to be in smaller classrooms in order to improve their performance
- Demographics and background-origin of students may be associated with the school they go to, their test scores

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Difference-in-Differences

- **Idea:** Compare changes over time for a treatment group to changes over time for a comparable control group.
- **Assumption:** In the absence of the policy, the treatment and control groups would have *parallel trends* in outcomes.
- **Formula (simplified):**

$$\text{DiD} = (Y_{T,\text{post}} - Y_{T,\text{pre}}) - (Y_{C,\text{post}} - Y_{C,\text{pre}})$$

- Common in policy evaluation: e.g., analyzing states or countries that adopt a policy at different times.

Overview of Family Policies

- **Instruments:**

- ▶ Childcare: Price subsidies, increased availability
- ▶ Direct family spending: Child allowances, family tax benefits
- ▶ Parental leave (detailed later).

- **Trade-offs:** High-cost policies vs. potential increases in long-term economic growth through higher labor supply and gender equality.

Olivetti and Petrongolo (2017)

The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries

Research Question:

- How have family policy expansions (e.g., parental leave, childcare support) in high-income countries shaped female employment, gender wage gaps, and fertility?

Data & Empirical Approach:

- Cross-country comparisons over time (primarily OECD countries).
- Review of policy reforms and their measured impacts on maternal labor supply, wages, and fertility.
- Identification based on variation in policy generosity and eligibility criteria

Historical Evolution of Family Policies (Olivetti and Petrongolo, 2017)

Key Developments:

- **Early regulations (19th century):** Protective measures for working women (e.g., maternity leave without job protection)
- **Post-WWII:** Strengthening of traditional gender roles in some countries
- **1970s–1990s:** Shift towards gender-neutral family policies (e.g., parental leave for both parents)
- **Present:** Wide variation across countries in parental leave duration, childcare support, and tax incentives.

Olivetti and Petrongolo (2017) Impact on Maternal Employment

How do family policies affect women's labor force participation?

- **Parental Leave:** See later
- **Childcare Availability:**
 - ▶ Expanding public childcare services leads to strong positive effect on female employment
- **Taxation:**
 - ▶ Joint taxation discourages female labor supply; individual taxation encourages it

Childcare Price and Availability

- **High Costs:** Discourage secondary earners (often mothers) from working
- **Availability Gaps:** Limited spots or inconvenient hours can reduce maternal labor supply - especially at the intensive margin
- **Empirical Evidence:**
 - ▶ Subsidizing childcare costs can increase labor force participation of mothers, particularly among lower-income groups.
 - ▶ Publicly funded childcare (e.g., in Scandinavia) is linked to high female employment rates.
- **Policy Note:** Quality of childcare also matters for child development outcomes.

Lefebvre and Merrigan (2008) - Quebec Childcare Policy

Research Question: How does universal childcare affect maternal employment?

- **Policy:** Quebec introduced low-cost childcare in 1997
 - ▶ Comparison with other Canadian Provinces without reduced childcare costs
- **Findings:**
 - ▶ Increased maternal labor force participation by 8 percentage points
 - ▶ Significant increase in annual work hours for mothers
 - ▶ Long-term positive effects on employment persistence - Lefebvre, Merrigan, and Verstraete (2009) and Haeck, Lefebvre, and Merrigan (2015)

Havnes & Mogstad (2011) - Norway

Research Question: Did the large-scale expansion of subsidized childcare in 1975 increase maternal employment?

- **Policy:** Nationwide expansion of public childcare.
- **Findings:**
 - ▶ Despite high take-up, **no significant effect on maternal employment**
 - ▶ Why ?

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- **Policy:** Nationwide expansion of public childcare.
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 - ▶ Despite high take-up, **no significant effect on maternal employment**
 - ▶ Public childcare **crowded out informal care** rather than increasing overall labor supply.
 - ★ Switch from informal to formal childcare

Givord & Marbot (2015) - France

Research Question: Did the 2004 childcare subsidy increase female labor force participation?

- **Policy:** A 50% **subsidy** to childcare expenses introduced in 2004
- **Findings:**
 - ▶ **Only a 1 percentage point increase** in female labor force participation at the extensive margin
 - ▶ **Why?**
 - ▶ Limited impact due to already low childcare costs in France.
 - ▶ Also a crowding out effect

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Bettendorf, Jongen, & Muller (2015) - Netherlands

Research Question: How did childcare subsidies affect female employment in the Netherlands?

- **Policy:** Expansion of childcare subsidies.
- **Findings:**
 - ▶ **Slightly stronger effects** than in France and Norway.
 - ▶ Subsidies **increased** maternal employment, but effects were modest.

Nollenberger & Rodríguez-Planas (2015) - Spain

Research Question: How effective were childcare subsidies in Spain?

- **Policy:** Government support for childcare expansion.
- **Findings:**
 - ▶ **Higher employment effects** than in Norway and France
 - ▶ **Why?**
 - ▶ Suggests childcare subsidies are more impactful in **countries with initially high childcare costs**

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Comparing Childcare Subsidy Effects

Key Takeaways:

- **Countries with low baseline childcare costs (Norway, France):**
 - ▶ Small or no effect on employment
- **Countries with high baseline childcare costs (Netherlands, Spain, US, Canada):**
 - ▶ Stronger employment effects
- **Policy Implication:**
 - ▶ Childcare subsidies are most effective when they alleviate a real cost barrier to employment

School setting (Duchini and Van Effenterre, 2022)

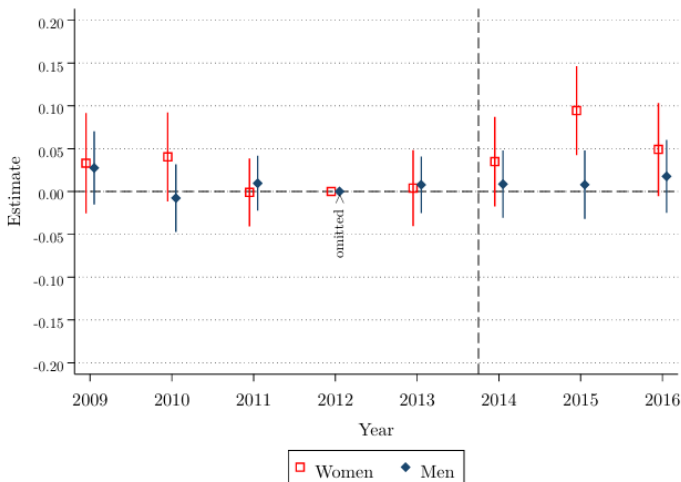
Context:

- Historically, French primary schools had no classes on Wednesdays.
- In 2013, a reform introduced classes on Wednesday mornings.

Methodology:

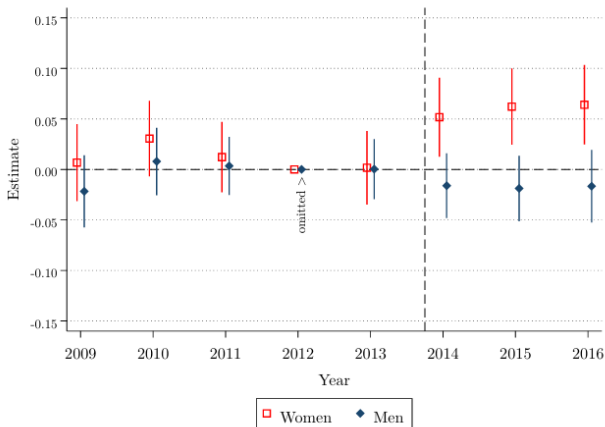
- Exploited variations in the reform's implementation over time and across children's ages.
- Compared labor supply changes between mothers and fathers before and after the reform.

School setting (Duchini and Van Effenterre, 2022)



(B) Days Worked per Week of Men and Women

School setting (Duchini and Van Effenterre, 2022)



(A) Average Monthly Wages of Men and Women

School setting (Duchini and Van Effenterre, 2022)

Implementation of mandatory school on Wednesday:

- Mothers were more likely to adopt a regular Monday–Friday full-time work schedule post-reform.
- Fathers' labor supply remained unchanged.
- The reform decreased the monthly gender pay gap by 6%.
- Generated fiscal revenues that substantially outweighed its costs.

(Olivetti and Petrongolo, 2017) Fertility Trends

Do family policies influence birth rates?

- **Childcare Support and Parental Leave:** More generous policies are associated with higher fertility rates, especially in countries with strong labor market attachment for women.
- **Cash Transfers vs. Services:** Direct financial incentives (e.g., child allowances) have smaller effects compared to subsidized childcare and paid leave
- **Cross-Country Differences:**
 - ▶ Nordic countries: Strong labor market attachment + generous childcare → higher fertility and maternal employment
 - ▶ Southern Europe: Less public childcare, weaker employment gains

Parental Leave

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The multiple dimension of Parental Leave

- **Types of Leave:** Maternity or paternity
- **Duration:** Length of leave varies by country and employer policies.
- **Compensation:** Level of income replacement during leave
- **Eligibility:** Criteria determining who can access leave
- **Timing Flexibility:** Options for taking leave intermittently, and when
- **Job Protection:** Assurance of same or equivalent position post-leave.
- **Transferability:** Whether leave entitlements can be transferred btw parents
- **Supplementary Benefits:** Additional support such as continued health benefits, accrual of seniority, or retirement contributions during leave.

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Parental Leave: Definitions and Goals

- **Maternity Leave:** Leave reserved for mothers around childbirth.
- **Paternity Leave:** Leave reserved for fathers, often underused or much shorter.
- **Objectives:**
 - ▶ Support child bonding and health.
 - ▶ Retain parents (particularly mothers) in the workforce post-birth.
 - ▶ Foster gender equality in care responsibilities.

Difficult to measure its impact on gender gaps on the labor market

- Because of the multiple dimensions and existing settings
⇒ Challenging cross-country comparisons
- Often implemented nationally
⇒ Challenging within-country estimation

Olivetti and Petrongolo (2017)

Does expanding family policies reduce the gender wage gap?

- **Cross-country comparison**
- **Mixed Effects:**
 - ▶ Generous parental leave policies **increase** job continuity but may **slow down** wage progression
 - ▶ Childcare subsidies help **reduce** long-term wage penalties for women.
- **Wage Penalties for Mothers:** Long career breaks (e.g., multi-year parental leaves) contribute to wage gaps through missed experience and slower career progression.

Baker and Milligan (2008): Research Design

Baker and Milligan (2008) *How Does Job-Protected Maternity Leave Affect Mothers' Employment?* *Journal of Labor Economics*, 26(4), 655–691.

Research Question:

- Does the expansion of job-protected maternity leave increase mothers' job continuity and subsequent labor supply in Canada?

Data: Administrative data from Canada, exploiting policy reforms that increased the length of job-protected leave

Empirical Strategy:

- Difference-in-differences: Comparing mothers before vs. after reforms, and relative to a control group of non-mothers or mothers unaffected by the expansions.

Baker and Milligan (2008) - Canada

Key Results:

- *Increase in job continuity:* More mothers returned to their pre-birth employer
- *Mixed evidence on long-term wage impact:*
 - ▶ Modest leave entitlements of 17–18 weeks do not change the amount of time mothers spend away from work
 - ▶ In contrast, longer leaves do have a substantive impact on behavior, leading to more time spent at home

Lalive and Zweimüller (2009) - Austria

Research Question: How does extending parental leave affect employment and fertility?

- **Policy Change:** Austria extended leave from 1 to 2 years in 1990.
- **Natural Experiment:** Austria implemented two major reforms:
 - ▶ **1990 Reform:** Extended parental leave from 1 to 2 years.
 - ▶ **1996 Reform:** Partially reversed this extension (reduced to 1.5 years).
- **Data:** Austrian Social Security Database (ASSD) covering:
 - ▶ Employment history, earnings, and fertility decisions.
 - ▶ Pre- and post-reform cohorts for causal identification.

Lalive and Zweimüller (2009) - Austria

Effects of the 1990 Reform (Extension to 2 years)

- **Fertility:**

- ▶ Mothers affected by the reform were more likely to have a second child.
- ▶ Long-run fertility effects persisted over 10 years.

- **Employment:**

- ▶ Return-to-work was significantly delayed (10 percentage points fewer mothers returned within 3 years).
- ▶ No long-term negative impact on cumulative earnings.

Effects of the 1996 Reform (Reduction to 1.5 years)

- No impact on total fertility, but changes in birth timing
- Faster return to work (5 percentage points higher within 3 years)
- Shorter leave led to higher annual earnings

Schönberg and Ludsteck (2014) - Germany

- **Research Question:**

- ▶ How do expansions in maternity leave coverage affect mothers' return to work?
- ▶ Do extended leave periods improve long-term labor market outcomes?

- **Empirical Context:**

- ▶ Germany implemented five major maternity leave expansions between 1979 and 1993
- ▶ The reforms increased both job protection and benefit periods, ranging from 2 to 36 months

- **Empirical Strategy:**

- ▶ Difference-in-Differences (DiD): Compared women who gave birth just before and just after a policy change.
- ▶ Used German Social Security Data for long-term employment tracking.

Schönberg and Ludsteck (2014) - Germany

Short-Term Effects:

● Delayed Return to Work:

- ▶ Each expansion led to lower maternal employment rates immediately after childbirth.
- ▶ Spikes in return-to-work rates aligned with the end of job protection periods

● Minimal Long-Term Effects:

- ▶ After 3–6 years, employment rates returned to pre-reform levels.
- ▶ No significant impact on mothers' cumulative earnings

Policy Implications:

- Short extensions (2 to 6 months) had negligible long-term effects.
- Longer extensions (6 to 22 months) discouraged some mothers from returning to work permanently.
- **Job protection played a crucial role—without it, longer benefits led to more labor market detachment.**

Dahl et al. (2016) - Norway

● Research Question:

- ▶ Do expansions in paid maternity leave impact child and parent outcomes?
- ▶ Are there redistributive benefits, or is it a regressive policy?

● Policy Context:

- ▶ Norway expanded paid maternity leave from 18 to 35 weeks between 1987-1992.
- ▶ No change in job protection (remained at 1 year).
- ▶ Leave was 100% income-replacing for most women.

● Empirical Strategy:

- ▶ **Regression Discontinuity (RD):** Compared families just before and after reform eligibility cutoff.
- ▶ Data: Norwegian Social Security Tax Registers (longitudinal dataset).

Dahl et al. (2016) - Norway

- **No Effect on Child Outcomes:**

- ▶ No measurable impact on children's educational achievement (exam scores, dropout rates).

- **No Effect on Maternal Employment:**

- ▶ No significant increase in long-term maternal labor market participation.
- ▶ No significant change in earnings trajectory for mothers or fathers.

- **Negative Redistribution Effects:**

- ▶ Maternity leave primarily benefits middle- and upper-income families.
- ▶ Funded by general taxation, leading to regressive transfers from low-income, childless taxpayers.

- **High Fiscal Costs:**

- ▶ Cost: \$1 billion/year (0.5% of Norway's GDP).
- ▶ No measurable increase in future tax revenues to offset costs.

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Paternity Leave: Why It Matters

- Encourages fathers to participate in early childcare, potentially reducing the motherhood penalty
- **Recent Policy Development:**
 - ▶ Most high-income countries now provide some form of paternity leave.
 - ▶ However, paternity leave policies were introduced relatively recently.
 - ▶ Take-up rates remain low compared to maternity leave.
 - ▶ Countries like Sweden and Iceland have “use-it-or-lose-it” paternity quotas to boost paternal take-up
- **Evidence from Sweden (1995 Reform):**
 - ▶ Introduction of one month of exclusive paternity leave.
 - ▶ Increased fathers’ time off work after childbirth.
 - ▶ **No impact** on fathers’ share of childcare, as measured by leave for care of sick children [Eckberg et al. \(2013\)](#).
- A recent literature
 - ▶ A lot of ongoing research

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Impact of Paternity Leave on Household Dynamics

Intro of a 2-week paternity leave in Spain (González and Zoabi, 2021):

- **Low gender wage gap (egalitarian couples):**
 - ▶ No significant changes in fertility, labor supply, or household work division.
- **Intermediate-gap couples (traditional but not extreme):**
 - ▶ **Fertility: Reduction**
 - ▶ **Divorce: Increase** in separation rates.
 - ▶ **Household labor:** Fathers increased time spent on childcare and housework by 1+ hour per day.
 - ▶ **Maternal employment:** Increased by 8 percentage points **two years after** childbirth.
- **High gender wage gap (traditional households):**
 - ▶ No significant effects

Long-Term Gender Norms: (Farré et al., 2024)

- Children born after the paternity leave reform exhibited more gender-egalitarian attitudes and engaged in less stereotypical behaviors.

Conclusion: Lessons from Policy Evaluation

● Policy Evaluation Matters:

- ▶ Gender-related policies (e.g., parental leave, childcare subsidies) shape labor market outcomes.
- ▶ Empirical methods help distinguish causal effects from mere correlations.

● Parental Leave:

- ▶ Short and moderate leave policies can support maternal employment.
- ▶ Long leaves may slow career progression and widen the gender pay gap.
- ▶ Paternity leave has mixed effects—most significant in households with intermediate gender gaps.

● Childcare Subsidies:

- ▶ More effective in countries with high baseline childcare costs (e.g., Spain, Netherlands).
- ▶ Can crowd out informal childcare, limiting impact in low-cost settings (e.g., France, Norway).

Other policies against gender gaps on the labor market

- **Flexible work arrangements:** remote work, flexible scheduling to accommodate care responsibilities
- **Anti-discrimination laws and enforcement:** addressing gender and motherhood bias, transparency pay, work environment etc.
- Another lecture

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