

How Should We Design Parental Leave Policies? Evidence from Two Reforms in Italy

Valeria Zurla*

October 25, 2021

Abstract

This paper studies the design of parental leave policies by analyzing the effects of three core features: the duration of benefits, the level of benefits and the provision of job protection. Using Italian administrative data on the universe of working mothers, I implement a difference-in-differences design around two unemployment insurance reforms that increased, respectively, the level of benefits and the duration of benefits, without offering job protection. I find that both reforms increased separations from the pre-birth employer and delayed mothers' return to work, implying that women are willing to give up the certainty of returning to their pre-birth employer for more generous benefits. I exploit the fact that women choose between unprotected benefits, protected benefits and returning to work to estimate the value they assign to different design features. I then estimate the costs of changing the generosity of unprotected benefits in terms of women's earnings, labor force participation and benefits from other social programs. Finally, I develop a conceptual framework to evaluate the welfare effects of parental leave policies in terms of the estimated values and costs.

*Brown University, Department of Economics. Email: valeria_zurla@brown.edu. I am grateful to John Friedman, Emily Oster and Neil Thakral for their guidance and advice. This study uses the anonymous data from the Italian Institute of Social Security (INPS). Data access was provided as part of the VisitINPS Scholars Initiative. I thank the staff of Direzione Centrale Studi e Ricerche at INPS for their invaluable support with the data and the institutional setting. This project benefited from discussions with Anna Aizer, Giulia Buccione, Edoardo Di Porto, Maor Milgrom, Pablo Garriga, Marco Petterson, Jon Roth, Jesse Shapiro, Sara Spaziani and seminar participants at Brown and INPS. Financial support from PSTC International Fellowship, the VisitINPS fellowship and the Policy Impact Early Career grant is gratefully acknowledged. The findings and conclusions expressed are solely those of the author and do not represent the views of INPS.