Squeezing Birth into Working Life. Household Panel Data Analyses Comparing Germany, Great-Britain, the Netherlands and Sweden
Wetzels, C.M.M.P.

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1 INTRODUCTION

‘Children are usually not purchased but are self-produced by each family, using market goods and services and the own time of parents, especially of mothers.’

Becker, 1981: 96

1.1 Subject and relevance
At a time when women in industrialised countries have a stronger and more permanent presence in the labour market than ever before, how do births fit into a young woman’s curriculum vitae? In this book several aspects of women’s labour market behaviour in connection with childbearing are analysed. First, we analyse labour force transitions in connection with child birth. Secondly, we analyse women’s share in joint family earnings around the birth of the first and second child. Thirdly, we analyse the timing of having the first child and subsequent children in connection with labour force attachment of women. Fourth we focus on the optimal age of maternity considering career costs by studying the (potential) age earnings curves of women.

Today, most economists and other social scientists as well as politicians will readily admit both the importance of female paid careers in society and the importance of healthy young mothers and new born children. Employers also have an interest in happy and healthy employees. Both individual women and governments may be interested in securing that women may be mothers without having to sacrifice their financial independence. Particularly this has become an issue in connection with single mothers to what extent they have to rely on tax revenue financed social benefits rather than on their own earned income. And at what age of the child is it acceptable that the mother has no earned income from labour market work? The same type of reasoning applies to married women although in this case it is more common to accept the view that division of work within the family can allow the married woman to be a full-time home maker for most of her life. Increasingly, women do not accept this role for themselves but want to increase their own economic independence as well as develop their own human resources into a labour market career.

From the child’s point of view it is desirable that parents have enough time to care for and develop the child’s psychic and physical wellbeing. This consideration is a reason for aspiring mothers and fathers not to reenter the labour force too early after having a child and not for too many hours of work per week. From the government’s point of view expenditures on child care by own parents or others, which enhance the cognitive development of young children, may be justified, since long term productivity in an economy may be affected (Blau and Grossberg, 1990).

Public policies have been designed to influence the re-entering decision of the mother and the father. These policies include maternity benefits, paid parental leaves, job security during a pre and post birth period and subsidised day care which allow parents to combine work and family responsibilities. Thus policies are on the one hand designed to allow parents time with their young children and on the other hand to allow mothers
not to lose contact with the labour market for ever. Until now very few fathers make use of opportunities to reduce work hours to care for their own children. This is the main reason why this book concentrates on women and gives only a secondary role to men.

The contribution to social science research on women’s labour market behaviour, this book aims at, is three fold. First, the subjects are analysed in a welfare state comparative perspective. The focus of study includes four countries namely Germany, Sweden, the Netherlands and the United Kingdom. Secondly, a birth and work histories file has been created on a monthly basis by making use of all available waves of the household panel data from the four countries. The fertility and work files are organised around the same moment in women’s family building cycle, namely at the point of having a child. Thirdly, we analyse policy relevant issues in a comparative perspective making use of these fertility and work history files.

1.2 Positioning in the scientific field

Our hypotheses on women’s labour market behaviour in the period they (time to) have a child are derived from human capital theory, theory on labour supply and micro economic theory of fertility. In addition, we believe that different public policy on the family will make women with the same human capital behave differently between countries. This approach contrasts with the usual functional approach in most economic thinking, which emphasises social policy design as the result of solving a problem: if all four countries have industrial market economies, one would expect similarity in the problems and therefore in the solutions. However there may not be a strong uniqueness to the solution of common problems.

The position of the analyses on the timing of maternity and spacing of children is in the field of population economics with a relevance for gender issues. Population economics can be defined as using the economic approach to demographic issues such as the behaviour of birth rates. Related public policy issues such as family policies: child care, taxation systems, social benefits are of relevance to the outcomes. The theoretical approach is micro economics of the family (e.g. Cigno 1991). Decisions about the timing of births are influenced by economic factors such as opportunity costs of time, which primarily consist of labour market income forgone and investments in human capital forgone.

What differences do welfare state variations make for women with the similar human capital, who are in the same stage of their family building life cycle? In exploring this question it is important to examine countries that represent a broad array of variations. Accordingly, the analysis here deals with Germany, the Netherlands, Sweden and the United Kingdom. The welfare states of these countries differ in significant ways. Furthermore, these countries started to collect household panel data sets, with similar, individual household member’s information on labour market behaviour and fertility behaviour, on a monthly level, from the 1980s onwards. These data sets allow the empirical analyses of Chapters 4-7. Similar information has not yet been available for other European countries, although recently household panels are becoming available also for Poland, Hungary and Italy.
1.3 Data

The empirical analyses in this book are based on the fertility and work history files, which have been constructed for this purpose from the German Socio Economic Panel (GSOEP), the British Household Panel Study (BHPS), the Swedish HUShällens ekonomiska levnadsförhällanden (HUS) and the Dutch labour supply panel collected by the Organisatie voor Strategisch Arbeidsmarktonderzoek (OSA). We organised the data on women’s labour market status with the date of birth of children as a starting point. Human capital variables are based on the date of childbearing or some period before and after the date of childbearing. Human capital variables have been made compatible between countries. Since Germany, Great-Britain, Sweden and the Netherlands started to collect household panel data from the mid 1980s onwards, we make use of data on the household situation and labour market situation of household members over a period of ten years. Women’s position is our starting point, the person the woman is living with, will be included in the analyses as her spouse.

1.4 Outline

The following is a brief guide through the contents of the book: Chapter 2 gives the most important differences between Germany, Sweden, the Netherlands and the United Kingdom regarding policies that affect women’s combination of work and children. Chapter 3 describes how we constructed fertility and work history files from national household data sets of Germany, Great-Britain, Sweden and the Netherlands. Chapter 4 is a revised version of an article published in a special issue of the Journal of Population Economics (1996). In Chapter 4 the following questions are answered in a welfare state comparative perspective: What is the labour force status at several points in time around the birth of children according to child order? What determines whether a woman is a continuous career person i.e. if she participates on the labour market both 3 months before giving birth and 24 months after giving birth? What are the determinants of the time till the woman is back on the labour market after childbearing? We find that women’s capital endowment and the income of the spouse explain an important part of women’s career orientation. Chapter 5 is a contribution to the research on the effect of children on women’s career and earnings. Different from most research along these lines we study a more short term effect of a childbirth on earnings rather than the long run effect, which has been studied previously. We believe that the most vulnerable period in a woman’s career and her future capability of providing for herself is the time immediately around childbearing. The degree to which earning and mothering can be made compatible is crucial for these effects. We analyse earnings of women as the share in total earned household income before and after the birth of children. We analyse the determinants of share of earnings of the wife decomposed into predicted wage, probability of labour force participation and predicted hours of work, simplifying the analysis by assuming husband’s income to be exogenous. We hypothesise that human capital, accumulated before having children, will determine earnings during and after mothering of pre-school children. Most studies in female labour supply include variables on family composition, number of children and children’s age. Our study differs from these studies in that we selected the women at precisely the same moment in their family building cycle namely at the point of having their first child. In addition we carry out a simulation to compare labour supply behaviour between Sweden and Germany.
Chapters 6 and 7 deal with the relation between accumulated human capital and the timing of births in a woman’s life, and explain women’s age at maternity and the age at having a subsequent child, whereas in chapters 4 and 5 age at giving birth had been regarded as exogenous. Chapter 6 presents the decisions on the timing and spacing of children in a woman’s life in West-Germany, Great-Britain and Sweden. Chapter 7 estimates the gains in life time earnings by education that Dutch women have made by postponement of maternity. We analyse Dutch women’s potential age earnings curves, women’s wages before and after giving birth and, labour force participation and hours of work after giving birth. Chapter 8 concludes with a summary of the main findings.