

The Long-Run Effects of Wage Replacement and Job Protection: Evidence from Two Maternity Leave Reforms in Great Britain

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Abstract

This paper examines the effects of maternity leave coverage on women's employment and career trajectories in Great Britain using data from the British Household Panel Survey. Using a difference-in-differences identification strategy and two changes to the national maternity leave policy, I distinguish between the effects of expanding access to wage replacement benefits and the additional effects of providing job protection benefits. Access to paid maternity leave increases the probability of returning to work after childbirth in the short run, but has no effect on long-run employment. Expanding the amount of job protection available to new mothers results in substantial increases in maternal employment rates and job tenure more than five years later. However, job-protected leave expansions lead to fewer women holding management positions and other jobs with the potential for promotion. Although these maternity leave policies have large employment effects on the extensive margin, there is little evidence of effects on average earnings.

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