

**The Effects of Maternity Leave on the Labor Market and
Unemployment in the United States vs. the European Union**

Ethan Miller

December 5th, 2022

Abstract

This paper seeks to examine the effects of maternity leave policies on labor market outcomes and unemployment, comparing the United States federal policy against the European Union policy. This paper discusses historic and current maternity leave policies in the United States versus the European Union and utilizes graphs and various unemployment equations to determine the differences in labor market and unemployment outcomes. The analysis will utilize unemployment calculations from U-3 and U-6, and European Union statistics, to determine which measures of unemployment and labor market participation show how maternity leave policies impact the object of study and the labor market as a whole. The results of this study found that government-mandated paid maternity leave has a generally positive effect on the labor market up until between 25 to 30 weeks of leave, after which adverse effects begin to lessen the benefits of the policy. Cultural distinctions between the United States and the European Union also are likely to have effects on which policies are adopted, and how they would be utilized by either case study.

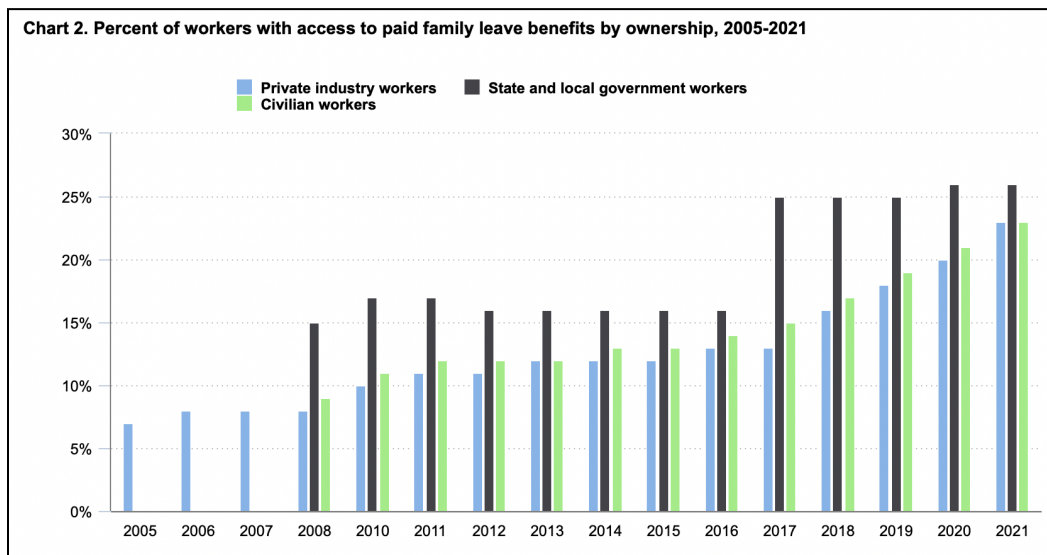
Introduction

In the past few decades, the Western World has largely coalesced around the adoption of common policies of social welfare such as public healthcare, maternity leave, paid vacation, and other benefits. In regards to maternity leave, policy reforms in the 1980s and the 1990s amongst EU member states mandated certain amounts of time and pay to be guaranteed to new mothers. The most significant shift in European Union policy regarding maternity leave was the 1992

Maternity Leave Directive, which mandated at least 14 weeks of maternity leave, 2 of which must take place before birth.¹

The United States has distinguished itself as the only Western country to not guarantee maternity leave benefits on the federal level and is one of only 7 countries in the United Nations to not guarantee maternity leave.² While the United States federal government guarantees up to 12 weeks of paid leave to its employees, and states have their own policies on the issue, there is no national law regarding universal family leave.³ While the United States remains the world's top economy, the question remains whether the United States, if it adopted social welfare policies common amongst western countries, would benefit in ways that otherwise would not be realized.

The United States



¹ Jurviste, Ulla, and Lecerf, Marie. “Maternity and paternity leave in the eu.” EU Parliamentary Research Service. March, 2022.

² NCSL Editors. “State Family and Medical Leave Laws.” National Conference of State Legislatures. September, 2022.

³ NCSL Editors. “State Family and Medical Leave Laws.” National Conference of State Legislatures. September, 2022.

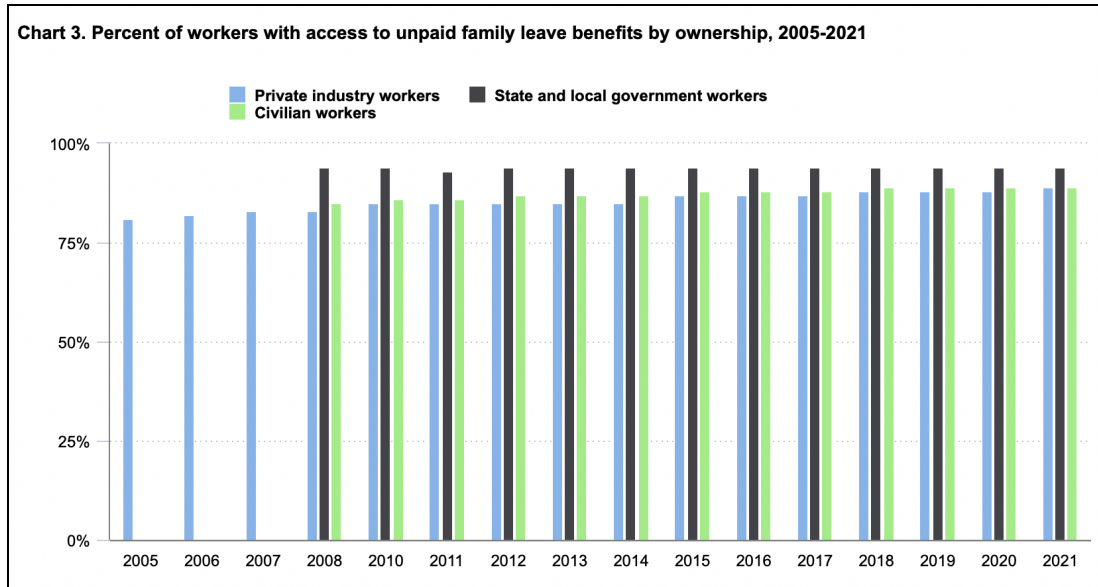
BLS Editors. Bureau of Labor Statistics.

In 2021, only 23% of civilian workers had access to paid family leave, which is broken up into 23% for private workers and 26% for government workers.⁴ While these are low figures, the earliest data for all three types of workers, from 2008, has 9% of civilian workers receiving paid family leave benefits, with the latter categories at 8% and 15% respectively.⁵ Across all data, government employees most frequently receive paid family leave benefits. However, that difference has narrowed in recent years, as private workers receiving paid family benefits has quickly increased, while for government employees it has stayed constant at around 25% since 2017, and at 15% before then.⁶ As workers have slowly accumulated bargaining power over employers in recent years, standards of work-life balance benefits have likely increased as a result, causing a market-driven shift in family leaves policy without any new federal government initiatives affecting private sector employers. However, an evolution in state-mandated family leave benefits affecting private-sector workers is also likely to play a part in the faster growth rate of private-sector family leave benefits.

⁴ BLS Editors. "What data does the BLS publish on family leave?" Bureau of Labor Statistics. September, 2021.

⁵ BLS Editors. "What data does the BLS publish on family leave?" Bureau of Labor Statistics. September, 2021.

⁶ BLS Editors. "What data does the BLS publish on family leave?" Bureau of Labor Statistics. September, 2021.



BLS Editors. Bureau of Labor Statistics.

In 2021, the share of private sector workers who received unpaid family leave benefits was 89%, and 94% of government employees received such benefits.⁷ A slight increase in unpaid family leave benefits is observable for private sector workers, however, the general stiffness in the chart may indicate that unpaid family leave is nearly universally offered to workers in full-time or applicable positions where such benefits would be reasonable to expect. As part of my theory on evolving expectations from private sector workers on work-life balance benefits, unpaid family leave would be expected by workers to be widely offered and increase in popularity. The popularity of this benefit suggests that the labor market adopted this as a standard benefit before the statistics became available and that the only fields in which this benefit may not be offered are positions that are colloquially viewed as temporary, such as minimum wage service and retail employment. Employers in this sector likely feel that there is little to no

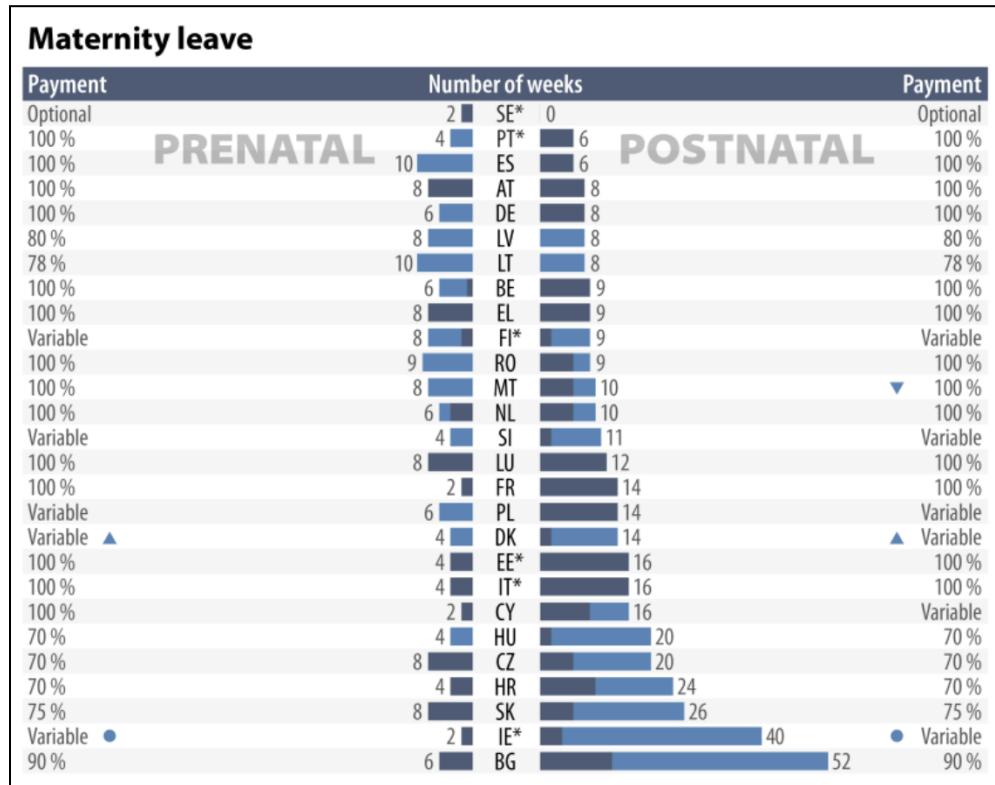
⁷ BLS Editors. "What data does the BLS publish on family leave?" Bureau of Labor Statistics. September, 2021.

expectation of work-life balance benefits, and the frequently low skill level necessary to fill such positions would make bargaining for family leave benefits especially difficult.

The statistics for unpaid family leave benefits indicate that the share of those who receive such benefits has remained relatively stable since 2008, whereas the portion of workers who receive paid family leave has drastically increased since 2008, with much of that growth occurring since 2017.⁸ For paid family leave, the proportion of government employees receiving such benefits remains constant excluding sudden jumps, likely attributed to new policies having immediate effects. For private workers, there is a consistent steady increase in those receiving paid family leave benefits, likely due to evolving expectations and increased demand for work-life balance benefits and a tightening labor market.

⁸ BLS Editors. "What data does the BLS publish on family leave?" Bureau of Labor Statistics. September, 2021.

The European Union



Jurviste Et Al. European Parliamentary Research Service.

The European Union established standardized minimum maternity leave policies as a result of the enactment of the 1992 Pregnant Workers Directive, which sets a minimum of 14 weeks of maternity leave, two of which must be taken before the birth of the child.⁹ A right to two weeks of paternity leave was also introduced as part of a work-life balance initiative in 2021.¹⁰ Paid leave is not required to be 100% of the individual's salary as part of EU legislation,

⁹ Jurviste, Ulla, and Lecerf, Marie. "Maternity and paternity leave in the eu." EU Parliamentary Research Service. March, 2022.

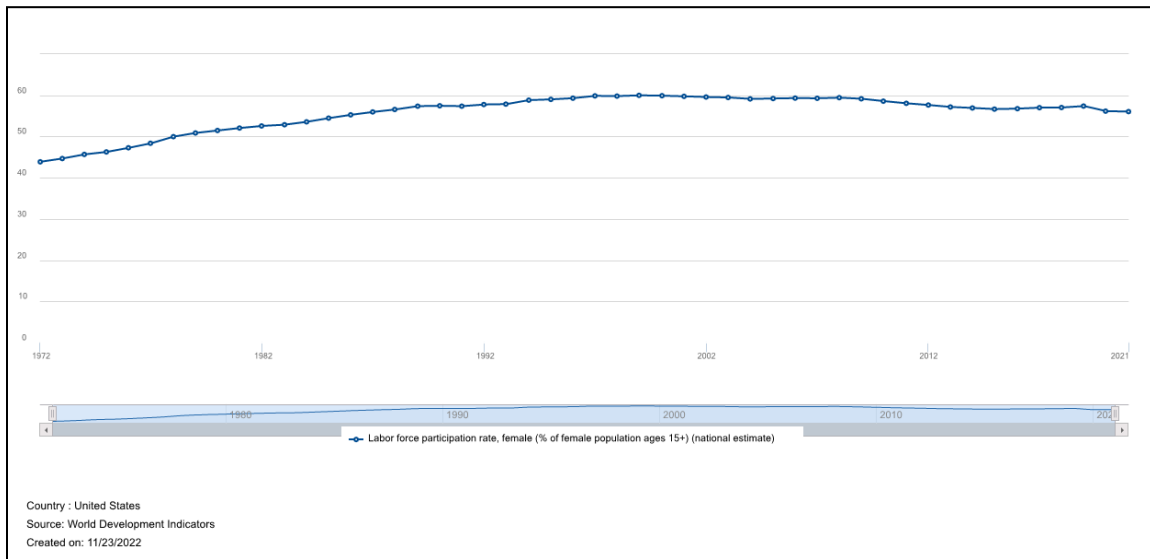
¹⁰ Jurviste, Ulla, and Lecerf, Marie. "Maternity and paternity leave in the eu." EU Parliamentary Research Service. March, 2022.

however, such figures are no less than 70% of a mother's salary, excluding variable figures.¹¹ This may be due in part to societal expectations of what is reasonable to be classified as paid leave, and that such phrasing would imply that paid leave would be enough for workers to sustain themselves while taking leave. Prenatal maternity leave ranges from two to ten weeks, while postnatal, it ranges from six to 52 weeks.¹² The most generous maternity leave policies regarding the length of leave granted are found in smaller central and northern European countries. These countries often have more generous social welfare programs, especially in Nordic countries, and longer family leave benefits to reflect a wider array of more generous policies beyond just family leave. Culturally too, central and northern European workers, especially men, may feel less obliged to return to work within a shorter time or to deny their leave, as is frequently the case in more conservative countries. The culture, religiousness, and government institutions of a country regarding gender equality versus gender roles play a significant role in whether or not workers, especially men, take advantage of their already guaranteed benefits.

¹¹ Jurviste, Ulla, and Lecerf, Marie. "Maternity and paternity leave in the eu." EU Parliamentary Research Service. March, 2022.

¹² Jurviste, Ulla, and Lecerf, Marie. "Maternity and paternity leave in the eu." EU Parliamentary Research Service. March, 2022. SE, Sweden, provides 52 weeks of maternity leave, however this chart does not reflect that policy.

Analysis

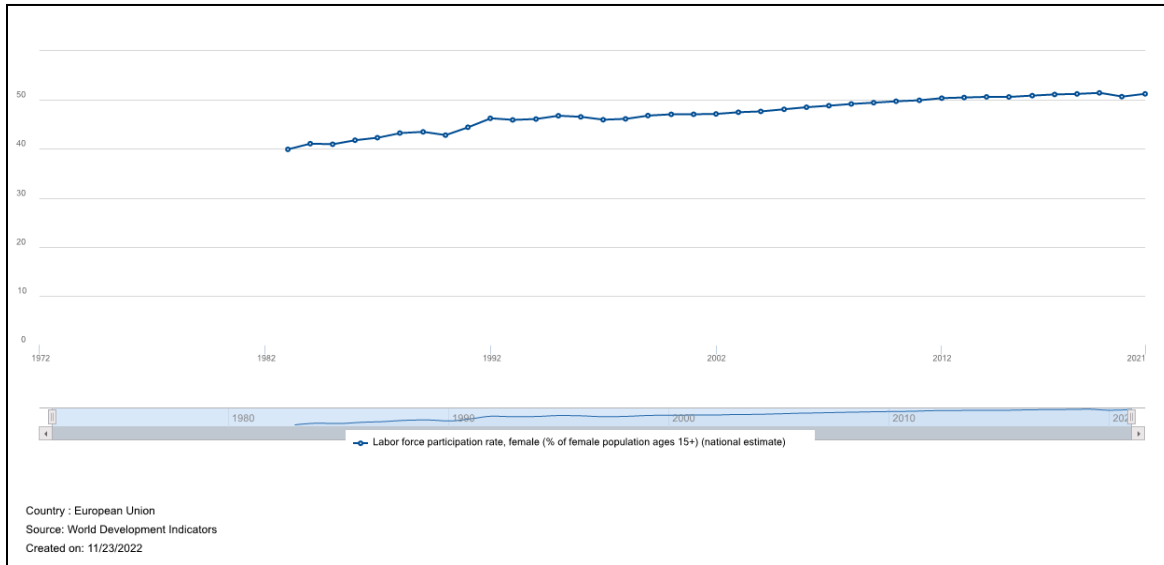


Labor force participation amongst women in the United States has gradually risen from about 44% in 1972 to about 60% in 1996 and has hovered around that level since then, excluding a small decrease in the past few years to about 55%, likely attributable at least in part to the COVID-19 pandemic.¹³ Many effects of the COVID-19 pandemic, especially layoffs and school closures, had a disproportionate effect on women and have contributed to a lower FLFP which has not yet recovered. In 1993, when President Clinton enacted a bill granting federal employees up to 12 weeks of unpaid maternity leave, a small increase was observed that year in female labor force participation, though there is no observable increase in FLFP past 1993.¹⁴ The limited scope of the legislation would understandably have negligible effects on the labor market. This may mean that the family leave policy was not a significant motivator or deterrent for women

¹³ World Bank Development Indicators Editors. "Labor Force Participation Rate, Female." World Bank Development Indicators. 2022.

¹⁴ World Bank Development Indicators Editors. "Labor Force Participation Rate, Female." World Bank Development Indicators. 2022.

entering the labor force. Another explanation is that the short period which the legislation granted for maternity leave, for the few women who were affected, was not long enough to have the adverse effects of disadvantaging women from job promotions or from losing out on other opportunities.

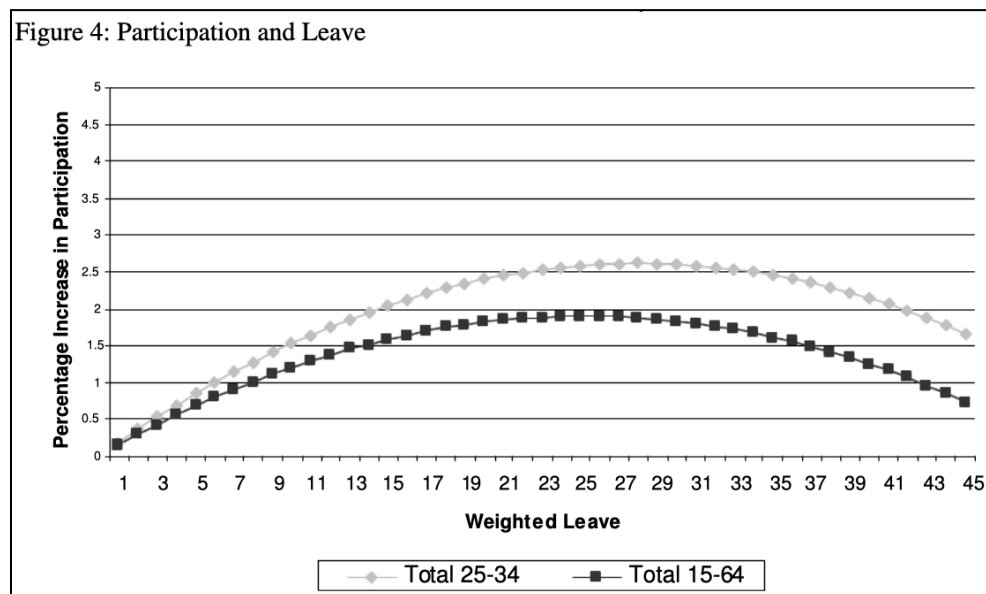


Labor force participation amongst females in the European Union was about 40% in 1982, and has slowly increased since then, and most recently is at about 52%.¹⁵ Despite a small dip during the COVID-19 pandemic, FLFP has since rebounded to pre-pandemic levels. Since the 1992 Maternity Leave Directive, female labor force participation decreased the following year, and any increases in participation can not be directly attributed to the enactment of that legislation. Like with the United States, this may mean that family leave benefits were not a significant factor in whether women chose to enter or remain in the labor force, and that other variables were more important. The lower FLFP in the European Union may be the result of the

¹⁵ World Bank Development Indicators Editors. "Labor Force Participation Rate, Female." World Bank Development Indicators. 2022.

wide cultural makeup of the organization, and in some countries, the social expectation for women may be to either stay outside of the labor force or retire from it upon entering into motherhood.

Contrasting the two case studies, the United States may be more culturally prone to women participating in the labor force, and the “American Dream” ideal of independence and smaller government may motivate women to opt to have shorter periods of maternity leave to not lose out on promotions or other opportunities. The United States may also be less socially conservative than the European Union median. For both populations, government legislation regarding family leave benefits did not have significant impacts on female labor force participation and indicates that family leave benefits were not a motivating or deterring factor in women’s decision to enter or remain in the labor force.



Akgunduz, Yusuf E. Utrecht University.

According to research on European Union family leave benefits by Yusuf Akgunduz from Utrecht University, there is an increase in labor force participation at a decreasing rate until about 25 weeks of leave, after which labor force participation begins to decrease at an increasing rate.¹⁶ At no degree of family leave benefits is there a significant increase in participation, but an increase in working hours is apparent.¹⁷ However, because of generous leave benefits, there are increases in occupational segregation and lower wages for highly skilled workers.¹⁸ Women are also less likely to work in high-skilled, high-wage occupations where generous family leave benefits are afforded.¹⁹ A possible explanation for this is that the time in which a woman is absent from her occupation, especially in countries that offer close to one year of paid leave, she loses out on opportunities for professional development and promotions. Given that paternal leave does not exceed 10 weeks, men are far more advantaged in that there is no government social policy that distracts them from their occupations. This leaves men more available to collect promotions or advance their careers in other occupations during a prolonged absence of female competition due to maternity leave. According to Akgunduz, maximizing paid leave at 25 weeks would minimize these negative effects, and a maximum of 30 weeks would yield the best results for increased participation.²⁰ A paid maternity leave policy closer to 30 weeks would yield the best results for the economy as a whole, and the initial negative effects that women would face by taking leave up to 5 weeks longer than 25 weeks still does not significantly decrease the benefits of paid leave to women or the labor market overall.

¹⁶ Akgunduz, Yusuf E. "Labour market effects of parental leave: a European perspective." Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

¹⁷ Akgunduz, Yusuf E. "Labour market effects of parental leave: a European perspective." Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

¹⁸ Akgunduz, Yusuf E. "Labour market effects of parental leave: a European perspective." Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

¹⁹ Akgunduz, Yusuf E. "Labour market effects of parental leave: a European perspective." Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

²⁰ Akgunduz, Yusuf E. "Labour market effects of parental leave: a European perspective." Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

U-3: Unemployed / civilian labor force.

U-6: Unemployed + marginally attached + part-time for economic reasons / civilian labor force + marginally attached + part-time for economic reasons.

When calculating unemployment in the United States from statistics in the most recent Bureau of Labor Statistics situation report, U-3 and U-6, which follows the above equations, were used in this analysis to provide both a simplistic classification of unemployment as well as one in which workers who are either marginally attached or part-time were included to determine whether the U-6 classification yields a significantly larger result, which would open up the possibility of women being disproportionately included in U-6 vs. U-3. In October of 2022, the seasonally adjusted unemployment in the United States for U-3 was 3.7%, while for U-6 it was 6.8%.²¹ While there is no definitive conclusion of whether women are disproportionately marginally attached or part-time due to maternity leave benefits, the BLS also found that women who maintain families had an unemployment rate of 4.9%, while for married men and women that figure was 2%.²² Married women may have a lower unemployment rate because, unlike women who maintain families, they are more able to leave the labor market after their maternity leave expires, and thus are excluded from the statistics. Women who maintain families are less likely to have the opportunity to leave the labor market, as they would have no male spouse to assume the responsibility of providing an income, and thus they remain included in labor force statistics. However, though these women are included in labor force statistics, they would still face the same challenges in loss of opportunities or promotion as a result of maternity leave, and

²¹ BLS Editors. "Employment Situation Summary - 2022 M10 Results." Bureau of Labor Statistics. November 4, 2022.

²² BLS Editors. "Employment Situation Summary - 2022 M10 Results." Bureau of Labor Statistics. November 4, 2022.

would conceivably have a higher unemployment rate as a result. However, counter to this point, both men and women between the ages of 25-34, key ages for maternity, had an unemployment rate of 4.1%.²³ This may suggest a delayed encounter of the harmful effects of maternity leave, and that women who will soon, currently are, or recently have taken maternity leave do not face the challenges of that policy upfront. This is supported by men and women between the ages of 35 and 44 having unemployment rates of 2.4% and 3% respectively, and for ages 45 to 54, unemployment rates are 2.6% and 2.8% respectively.²⁴

For the European Union, the most recent EU quarterly labor statistics report shows employment rates of 80% for men, and 69.1% for women, a far wider disparity.²⁵ However, countries with more generous social welfare programs, including paid family leave, often have a smaller gender gap in employment versus those with less generous welfare programs.²⁶ As stated in prior sections, these same countries with generous leave benefits also have institutionalized goals of promoting gender equality, and lower gender gaps in employment rates are reflective of a wider system that encourages gender equality.

Conclusion

When examining the effects of maternity leave policies on labor market outcomes and unemployment, comparing United States federal policy against European Union policy, the results of this study found that government-mandated paid maternity leave has a generally positive effect on women and the labor market up until between 25 to 30 weeks of leave, after

²³ BLS Editors. "Employment Situation Summary - 2022 M10 Results." Bureau of Labor Statistics. November 4, 2022.

²⁴ BLS Editors. "Employment Situation Summary - 2022 M10 Results." Bureau of Labor Statistics. November 4, 2022.

²⁵ Eurostat Editors. "EU labor market - quarterly statistics." European Commission. September, 2022.

²⁶ Eurostat Editors. "EU labor market - quarterly statistics." European Commission. September, 2022.

which the adverse effects of maternity leave begin to lessen the benefits of the policy.²⁷ In the United States, unemployment rates are generally lower than in the European Union, though a large difference in U-3 and U-6 unemployment classifications, coupled with gender gaps in employment rates, suggest women may face additional challenges in the labor market, though it is not clear if maternity leave policies are a direct cause of this phenomenon. If maternity leave is at fault, the adverse effects of the policy seem to be delayed until years after women take leave. In the European Union, wide gender gaps in employment exist for most member states, though those with more generous social welfare problems tend to have a smaller gender gap than those without.

The European Union's family leave benefits of paid leave at a minimum of 14 weeks for women and 2 weeks for men is more advantageous than the United States federal policy, which provides up to 12 weeks unpaid maternity leave for federal workers, and leaves additional benefits up to state-level decisions. Though the European Union has a more advantageous system, it would be improved further by adding a cap on the amount of leave that member states can offer, taking into account the 25 to 30-week range at which optimal benefits are found. Cultural distinctions between the United States and the European Union are likely to explain some of the social welfare policy differences between the two case studies, as well as the effects that either strategy would have.

²⁷ Akgunduz, Yusuf E. "Labour market effects of parental leave: a European perspective." Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

Bibliography

Akgunduz, Yusuf E. “Labour market effects of parental leave: a European perspective.” Utrecht School of Economics, Utrecht University. Vol.37, Issue. 4 (April 2011), pp.845-62.

https://www.researchgate.net/publication/228456267_Labour_market_effects_of_parental_leave_a_European_perspective.

BLS Editors.”What data does the BLS publish on family leave?” Bureau of Labor Statistics. September, 2021.

<https://www.bls.gov/ncs/ebs/factsheet/family-leave-benefits-fact-sheet.htm>.

BLS Editors. “Employment Situation Summary - 2022 M10 Results.” Bureau of Labor Statistics. November 4, 2022. <https://www.bls.gov/news.release/empsit.nr0.htm>.

Eurostat Editors. “EU labor market - quarterly statistics.” European Commission. September, 2022.

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_labour_market_-_quarterly_statistics.

Henderson, Ailsa, and White, Linda. “Shrinking welfare states? Comparing maternity leave benefits and child care programs in European Union and North American welfare states, 1985–2000.” *Journal of European Public Policy*. Vol.11, Issue 3 (June 2004), pp. 497-514.

https://www.researchgate.net/publication/233060468_Shrinking_welfare_states_Comparing_maternity_leave_benefits_and_child_care_programs_in_European_Union_and_North_American_welfare_states_1985-2000.

Jurviste, Ulla, and Lecerf, Marie. “Maternity and paternity leave in the EU.” EU Parliamentary

Research Service. March 2022. [Maternity-and-paternity-leave-in-the-eu](#).

NCSL Editors. "State Family and Medical Leave Laws." National Conference of State

Legislatures. September, 2022.

<https://www.ncsl.org/research/labor-and-employment/state-family-and-medical-leave-law.s.aspx>.

World Bank Development Indicators Editors. "Labor Force Participation Rate, Female." World

Bank Development Indicators. 2022.

<https://databank-worldbank-org.proxygw.wrlc.org/reports.aspx?source=world-development-indicators#>.