

**Female and maternal employment rates.
Women aged 15-40, Hungary 1993-2005**

	Employment/population rate		Relative to "other women aged 15-40"		
	Other women aged 15-40	Mothers of youngest child aged 0-2	Mothers of youngest child aged 3-5	Mothers of youngest child aged 0-2	Mothers of youngest child aged 3-5
1993	.595	.119	.533	0.200	0.896
1994	.583	.137	.504	0.235	0.864
1995	.568	.105	.474	0.185	0.835
1996	.558	.088	.456	0.158	0.817
1997	.552	.089	.450	0.161	0.815
1998	.556	.094	.455	0.169	0.818
1999	.562	.093	.464	0.165	0.826
2000	.563	.086	.457	0.153	0.812
2001	.564	.082	.448	0.145	0.794
2002	.567	.072	.432	0.127	0.762
2003	.562	.069	.447	0.123	0.795
2004	.543	.079	.449	0.145	0.827
2005	.547	.079	.423	0.144	0.773

Source: Labor Force Survey

The evaluation of such policies in respect with the labour market participation should take into account that child-related public policies are often designed to attain other purposes: e.g. to tackle child poverty or to influence fertility decisions. Even though the main aim is related to labour market participation, there can also be unintended consequences.

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WORKCARE

**What policies can help get
mothers back into work?**



**An evaluation of maternity
leave schemes and support
for mothers with
young children.**

Authors:

**Scharle Agato
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János Köllö**

The Lisbon Agenda set out in 2000 was concerned to raise the participation rates of people in the labour force across Europe. In particular, there was concern to raise the participation rates of women, which varied significantly between countries. For women, having children was often incompatible with maintaining a continuous career in the labour force and was the main reason why women dropped out of work. Once out of work, it was often difficult for them to re-enter employment and their choice of jobs might be limited.

All governments have been concerned to develop policies to improve the participation rates of women and tackling the working situation of mothers was one of the main targets of their policy agendas. Yet there were very different ways of doing this and the different policy options fitted with different welfare regimes. Some governments, such as France or the Scandinavian countries offered comprehensive childcare facilities for working mothers to enable them to combine work and family. The role of parental leave policies including wage replacement during the first period of child care is also an important pillar of the Nordic model and is increasingly promoted by the European Commission as well. Other governments, such as the UK, offered tax incentives but left it to families to seek their own solutions on the private market. Yet other governments, such as those of Southern Europe assumed that families would care for young children somehow and this was therefore not a concern for the government.

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But what was the best policy?

János Köllö and Ágota Scharle investigated which of these policy options was really most successful in raising the labour force participation of women by looking at the effects of both cash income supports and child care services on mother's labour supply across Europe using the Labour Force Survey. They found that providing day care was the most effective way of getting mothers into work, but this varied by educational level. Providing day care services had a strong effect on getting low educated mothers into work, whilst providing cash for care was a disincentive. Among high educated mothers, by contrast neither cash nor day care had much effect on return to work, except in transition countries. A plausible explanation for the strong positive coefficient for higher educated women in CEE might be that the private provision of child care is less developed in these countries, so that public facilities are important even for those families who could otherwise afford private services as well. Among mothers with middle levels of education, a conversion of cash transfers into child care would yield the highest employment rate, especially in transition countries.

János Köllö then tested this proposition even further by taking Hungary as a test case and using both survey and administrative data for analysis. Hungary has the highest level of per-child per-GDP cash expenditure on parental leave in the OECD – a level three times the OECD average, two times that of Austria and 1.5 times that of Sweden. The child support system is heavily biased for cash payments

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with a small proportion of children enrolled in day care institutions under the age of 3.

This is a result of a series of reforms introduced by the Hungarian government to encourage fertility, cut potential unemployment and support mothers at home. In 1995 a reform was introduced whereby maternity leave grants were extended to three years and available on a means-tested basis, but also cut the level of benefit compared to what had been available previously. In 2006 this was changed into a universal benefit available to all mothers irrespective of labour market status. Neither of these reforms had much impact on levels of labour market participation due to

- 1 high costs associated with maternal employment (travel costs, day care costs)
- 2 the low quality of day care institutions and
- 3 high returns on home production.

The author concludes that: **manipulating the costs of cash policies is not an effective way of getting women back to work after having children and that maternal employment could be better supported by the development of day-care institutions and active support for working mothers.**

Consistent with this, they find that Hungarian levels of maternal participation in the labour force are among the lowest in the OECD as well as in Europe generally. Maternal employment is not only low, but it fell substantially in the period between 1993 and 2005 when the reforms were introduced.

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