

# Mom or preschool? How an extension to paid parental leave affects children's future education and employment<sup>2</sup>

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## Summary

- In this study we quantify the impacts of the duration of paid parental leave on the education and future labor market outcomes of affected children when they reach 21-22 years of age. We examine the Czech Republic's 1995 reform of paid parental leave, which extended the duration of parental allowance receipt from 3 to 4 years. This extension was not, however, accompanied by any extension of the job protection period that remained at 3 years. It also prevented the receiving parent to engage more substantially in the labour market, leading to one more year of full-time home child care.
- The reform resulted in an additional 38 % of mothers with three-year-old children staying at home with their children. These mothers' exclusive, full-time care mostly replaced the care their children would otherwise have received in state-subsidised preschools. Majority of the affected children thus started (pre)school education later, by at least one year.
- Our empirical findings show that this additional year of exclusive parental care at home, in place of attendance at preschool, had a negative impact on the children's future educational and labor market outcomes. The children affected by this reform

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<sup>2</sup> This study is based on a 2021 academic paper by Alena Bičáková and Klára Kalíšková on the same research, entitled "Is Longer Maternal Care Always Beneficial? The Impact of a Four-year Paid Parental Leave". We are grateful to Daniel Münich and Filip Pertold for their useful comments and suggestions on the working version of the text. We also thank the Czech Statistical Office for providing the data (VŠPS 2010-2016). Any remaining ambiguities or errors, and all opinions expressed, are the authors' own. This study was produced with financial support from the Czech Science Foundation, grant No. 18-16667S, and as part of the Czech Academy of Sciences' AV21 Strategy programme „Society in Motion and Public Policies“.

are 4 percentage points (p.p.) more likely to be neither studying nor working at the age of 21-22, and are 6 p.p. less likely to study at university. Those whose mothers do not have high-school leaving qualifications and who are living in the same household as their mother at the age of 21-22, are more than 9 p.p. more likely to be neither studying nor working, and are 12 p.p. less likely to go to university. Among girls, there is an increased likelihood that they will not be in paid employment at the age of 21-22 years, but will be taking care of the home instead.

- The children who spent longer at home in full-time family care as a result of the reform would otherwise very likely have attended public preschools, as was the case both before the reform and among families who chose to stop receiving the allowance when their child was three years old. Our estimates thus show the benefits of preschool attendance in comparison to the benefits of full time parental care between the ages of 3 and 4. Our findings are in line with most international research documenting positive impacts of preschool attendance on children's development: most such studies emphasise that the social and intellectual stimuli that preschools provide are crucial for the long-term development of cognitive and non-cognitive skills, in particular for children from socio-economically disadvantaged families.
- Our findings, especially those about outcomes of daughters, could be also explained by a possible shift towards more 'traditional' family values and a related change in mothers' and families' attitudes towards gender roles, which could also have dampened daughters' career ambitions. It is also possible that the longer absence from work had a negative impact on mothers' future earnings and status on the labour market, which might in turn have limited their children's educational and employment opportunities. We have not, however, found anything to indicate the existence of such effects that would confirm these alternative explanations.