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**Parental Benefits Improve Parental Well-being:
Evidence from a 2007 Policy Change in Germany**

Mikko Myrskylä [1]

Rachel Margolis [2]

Abstract

Family policies aim to influence fertility and labor force participation, and support families. However, often only fertility and labor supply are considered in policy evaluations. For example, the 2007 extension of parental leave benefits in Germany is generally considered unsuccessful because changes in fertility and labor force participation were modest. However, parental well-being is also important, in itself and as a determinant of child well-being. This paper is the first to consider the effect of parental leave policies on parental well-being. We analyze the German 2007 parental benefits reform and find that the extension of benefits strongly increased parental well-being around the birth of a child. The effect is observed for first and second births and for various sub-populations. A placebo test using data from Britain where there was no policy change supports the causal interpretation. Our results cast the success of the German 2007 policy change in new light. Parental leave benefits have an important direct impact on parental well-being.

[1] Corresponding author. Max Planck Institute for Demographic Research, Konrad-Zuse-Str. 1, 18057 Rostock, Germany. Phone +49 (0)381 2081-118, Fax +49 (0)381 2081-418, Email myrskylä@demogr.mpg.de

[2] Department of Sociology, University of Western Ontario, Social Science Center #5326, London Ontario N6A 5C2, Canada. Email: rachel.margolis@uwo.ca