

# **Work/family reconciliation: an impact evaluation of the Czech “Multi-Speed”**

## **Parental Benefit reform**

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### Abstract

Female labour supply has reappeared on the Czech political agenda as part of the European Union accession process. The European Commission recommendations to tackle low levels of maternal employment due to very long paid parental leave (four years per child) have been half-heartedly followed, and we investigate the key reform in the subject. It implemented a “multi-speed” parental benefit scheme in 2008 and promoted a faster return to work by adding shorter alternatives to the existing 4-year track. There is very little knowledge in economic literature about family policies in Eastern Europe, in spite of the fact that these were typically very comprehensive and large in scale, as a legacy of the interventionist social and family policy under the state socialist regime. After 1989, these systems faced new situations linked to the newly implemented market economy, but also later on underwent major restructuring in order to face the changes and to proceed to the European social integration. These legislative changes, large in scale, have therefore potential large effects, from which more lessons can be drawn about the functioning of the incentives provided by parental leaves in order to enrich the existing literature.

We use the Labour Force Survey to assess the effect of this reform on maternal employment and activity levels, thanks to a difference-in-differences identification strategy. Two approaches are combined: a cohort effect analysis over both the period of interest and a control period, and a regular difference-in-differences setting with the counterfactual group composed of mothers with older children. The reform provides an extensive change in financial incentives in favour of shorter leaves, and we show that effects on return-to-work

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timing are large and significant. However, if mothers do respond to the incentive by advancing the timing of the return to work by one year, the scope of the effect merely compensates for the massive opposite trend induced by the 1990s reforms, and confirms the heterogeneity of parental leave strategies for mothers with different educational levels.

JEL Code: J16, J18, P30

Key words: Policy Evaluation, Parental Leave, Female Employment, Difference-in-differences