



## **“Carlo Dell’Aringa” Young Labor Economists Award 2021**

### ***“How Should We Design Parental Leave Policies?***

#### ***Evidence from Two Reforms in Italy”***

**Valeria Zurla**

The paper written by Valeria Zurla evaluates the effects of providing increased benefits without job protection, or unemployment insurance (UI), around childbirth, on women’s decisions to return to work, labour market outcomes and welfare. Valeria used two important unemployment insurance reforms in Italy that changed differentially women’s incentives to take up UI and to quit their job around childbirth. The first reform (introduced in 2013) increased the generosity of UI and expanded its eligibility. The second reform (in 2015) increased UI’s duration from 8 months to a maximum of 24 months.

Italy is an interesting field of analysis because, after childbirth, Italian mothers are compelled to take a compulsory maternity leave which usually ends three months after birth. Later, women can choose to take up the standard parental leave (PL) program or to go back to work and arrange for childcare. If they resign before their child turns one year old, they are nonetheless entitled to unemployment benefits. This particular unemployment benefit eligibility implies that the UI program can effectively work as a substitute or a complement to standard PL programs. Finally mothers are also entitled to job protection: in fact, they cannot be fired in the period between 300 days before the expected birth date and the child’s first birthday.

Using rich administrative data on the universe of mothers employed in the private sector from the Italian Social Security (INPS), Valeria exploits quasi-experimental variation from the sharp introduction of these two UI reforms. She estimates the reform’s effect by comparing cohorts of mothers differentially exposed to the reforms based on their date of the end of compulsory maternity leave. She rigorously used a difference-in-differences approach to assess the impact of the reforms.

Valeria finds that both reforms increased separations from the pre-birth employer and delay mothers’ return to work but some differences depend on the specific policy parameters modified by the reforms. The 2013 reform, increasing the replacement rate of UI mostly leads to crowding out of PL due to a substitution effect between the two programs and the main driver of the choice between UI and PL is how much mothers value job protection. Instead, after an increase in UI duration (2015 reform), there is almost no evidence of PL crowding out. The explanation is that women exploit UI “after” taking up parental leave in response to an increase in UI duration due to a complementarity effect. In this case, the replacement rate is unchanged, consequently, the choice depends on how much mothers value going back to their pre-birth employer.

The AIEL executive board believes that this paper is highly deserving of the “Carlo Dell’Aringa” Young Labor Economists Award. It has great policy relevance and adopts careful estimation strategies applied to new and high-quality data. Valeria’s contributions are significant because she exploits the role of parental leave policies in shaping women’s decisions to return to work and clarifies which policy instruments affect women’s decisions and which are the most effective ones. These topics are particularly important in Italy, where the debate on job protection, cash subsidy and how the interaction between the entire sets of welfare system programs affects labor force participation of women is actually open.