The Effect of Parental Leave Benefit on Fertility and Female Employment

Jungho Kim
Ajou University

Abstract:
The paper examines the implications of expanding parental leave benefits in South Korea, one of the major policy responses to low fertility rates. The study focuses on female employees who gave birth between 2010 and 2022, registered in the National Employment Insurance database. Preliminary findings suggest that an increase in parental leave benefits has had a favorable impact on women’s utilization of leave, their employment status, and fertility decisions. More specifically, when the monthly benefit increases by KRW 100,000 (equivalent to EUR 71), there is a 1.8 percentage point increase in the uptake of leave by mothers, along with an extension of the desired leave duration by 10.0 days. In addition, the percentage of mothers who return to work and subsequently have another child within three years of their birth increases by 0.3 percentage points and 0.4 percentage points, respectively. Furthermore, the study reveals substantial heterogeneous effects across wage groups, firm sizes, and industries, highlighting the need for policy interventions aimed at reducing disparities in effective access to parental leave among different demographic groups.

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