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## Parental Leave Take Up: Case of Luxembourg

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### Abstract

Luxembourg introduced a parental leave scheme in 1999 as one of the policy efforts to stimulate equality between men and women with regard to bringing up children and to allow for reconciliation of family and professional life, so that the caring parents do not have to withdraw from the labour market after having a child. The analysis presented in this paper is one of the first systematic attempts to assess the parental leave take up of women in Luxembourg and to analyze it in light of micro-level characteristics of potential beneficiaries. The paper aims to explore the acceptance of parental leave provisions by the population of young women residing in Luxembourg and to examine which of their socio-demographic and labour market characteristics determine parental leave take up. Attention is also paid to anticipated labour market strategies of women after parental leave.

### Key words

parental leave, family policy, welfare regimes

### Introduction

Empirical evidence confirms that women with small children are less likely to be engaged in the labour market and more likely to work part time than women without children or whose children are grown (Connelly, 1992; Joshi, 1992; Leibowitz *et al.*, 1992 cited in Mayers *et al.*, 1996). This might have a negative impact on their further careers and competitiveness in the labour market. Parental leave is one way to enable women and men to reconcile work and family life and consequently limit the negative impacts of parenthood on career (Esping-Andersen, 2002; Gauthier, 1996; Bussemaker, van Kersbergen, 1996; Witwer, 1990). Some studies claim that the existence of a parental leave arrangement in a country is positively associated with female employment following childbirth (Sainsbury, 1996; Rhum, 1998).

Luxembourg's parental-leave scheme was introduced in 1999 and until now its outcomes have not been sufficiently researched or evaluated. The present

paper aims to examine anticipated parental leave take up of women of reproductive age in the context of their socio-demographic and labour market characteristics<sup>i</sup>. It first explores what proportion of women potentially eligible for parental leave provisions, i.e. those who are active in the labour market and plan to have children in the near future, would actually take parental leave, in what form they would take it, and what their labour market strategies would be after their parental leave. The paper then examines the main micro-level determinants of parental leave take up.

The importance of this research becomes apparent when one takes into account the labour market context of the country. Luxembourg exhibits a strikingly high rate of women who are inactive in the labour market due to family responsibilities and, consequently, a relatively low female labour market participation rate, which might pose a problem for meeting the Lisbon criteria concerning female employment (Lisbon strategy) aims at increasing the female employment rate to 60% by 2010 in the EU countries (<http://www.eurofound.europa.eu>). Given this, the government tries to motivate parents, mainly women, to re-enter or to stay in the labour market after having children. One of the tools to facilitate this process has been the introduction of a paid parental leave scheme. Thus, an in-depth assessment of anticipated parental leave take up can provide useful feedback for policy-makers in charge of employment and family affairs.

The paper will be structured as follows. The first section describes the situation in Luxembourg regarding family-related welfare arrangements and women's labour market participation<sup>ii</sup>. The second provides a brief overview of development and characteristics of parental leave schemes in the country. The third part of the paper describes the dataset and methodology used in the empirical analyses. The fourth segment contains the results of analysis regarding anticipated parental leave take up and its determinants. The last section summarizes the main findings and presents concluding remarks.

## **Welfare context**

Parental leave represents a welfare-state effort to facilitate family and work balance. Parental leave evolved differently in different European countries and its character (i.e. duration, eligibility, whether it is paid or not) reflects particular institutional, welfare, and cultural settings of each particular country. Therefore the role and outcomes of parental-leave arrangements in modern societies cannot be analysed and fully understood without putting them in a broader social and economic context, in particular in the context of existing family-related welfare policies, the labour market situation, and the prevailing patterns of division of labour between men and women.

Regarding family policies, Luxembourg exhibits rather familialistic and corporatist (i.e. pro-male-breadwinner) features, as Leitner (2003), Sainsbury (1996), Lewis (1992), Pfau-Effinger (2004) define them. One of the most significant is the joint taxation system. Within this taxation system a married couple is treated as one tax unit and profits from the most generous tax reliefs and tax benefits. The value of tax relief as a percentage of the average income of a man in a household is almost double compared to tax relief (measured the same way) in other countries (except Germany) .

With respect to generosity of the cash family benefits and their importance, Luxembourg is the second biggest spender in the EU-15 zone. Parents of children under 2 years old who decide to quit the labour market to fully dedicate themselves to bringing up their children can profit from the so-called child raising allowance, which represents approximately one third of the minimum salary. The return to a previous job after a break due to child raising is not guaranteed by law. OECD data (2002) reveal that participation in formal care for children under 3 years of age in Luxembourg is among the lowest in the EU-15 countries, which indicates that children in this age category are being taken care of either by family members (mainly mothers) or by other private care providers<sup>iii</sup>. The cost of the child care depends on the parents' income. Given this, low-income families pay less than their better off counterparts. However, the overall costs of formal childcare are relatively high.

A new universal scheme of parental leave that provides one parent with universal parental benefits was introduced in Luxembourg in 1999, significantly later than in other EU-15 countries. (The Luxembourgish parental leave scheme will be described in detail in section 3.)

Statistics on employment-to-population ratios suggest that women in Luxembourg are engaged in the labour market less than in other countries, with the exception of the Southern European countries and Belgium (OECD, 2005). Low female participation in the labour market is due to the strikingly large number of women who are inactive. Although the labour market inactivity rate<sup>iv</sup> in Luxembourg dropped from 61 % in 1980 to 35 % in 2001 (ILO, 2003), it remains relative high compared to the EU average. The proportion of women not engaged in paid labour due to their family responsibilities reached beyond 30% in 2004 (Hardarson, 2006). A more detailed analysis of female inactivity in Luxembourg based on the national data from 2003 shows that inactivity due to family responsibilities is a generational problem and there is a big difference in labour market strategies between younger and older women. Married women and women with more children are more likely to withdraw from the labour market than their counterparts who are unmarried or have fewer children. Luxembourgish nationals are more likely to be inactive in the labour market than, for example, women of Portuguese nationality<sup>v</sup> who live in Luxembourg (Valentova, 2005). Despite rather alarming figures on female labour market inactivity, there are signs

of improvement. For example, in recent years female employment rates increased more dramatically in Luxembourg than in other countries: the growth was 6% in 2000, whereas other EU-15 countries exhibited an average growth in female employment of 2% (Eurostat, 2007).

Almost every fourth employed woman in the Luxembourg worked part-time in 2003 (Lejealle, 2008). More than half of female part-timers state that they limited their labour market engagement due to caring responsibilities for their significant others (Dautel, 2005).

When speaking about the position of women/mothers in the labour market, one should not rely solely on objective indicators because labour market behaviour of women is also shaped by their attitudes and preferences (Hakim, 2002; Kangas and Rostgaard 2007; Crompton and Lyonette 2005). According to Valentova (2008), Luxembourgers are more likely than inhabitants of other EU-15 countries to agree with the statement that “being a housewife is as meaningful as being employed” and to disapprove the claim that “both partners should contribute to the household budget”. They also show a rather conservative stance regarding the opinion that preschool children suffer if their mother works. However, it must be noted that younger women (16-35 years old) exhibit more progressive views than their older counterparts.

From the above description of the institutional setting one can deduce that the parental leave scheme in Luxembourg has been introduced to a rather familialistic and corporatist welfare context. It is one of the first policies which explicitly encourages and allows parents to re-enter the labour market after spending some time by childcare and stimulates dual-earner family structure.

### **Parental leave**

Parental leave policies have been implemented at different paces in different countries, and the duration of parental leave and salary replacement rates also vary significantly from country to country. To harmonize parental leave arrangements across the EC countries the EC directive 96/34/EC (Parental leave directive) was launched in 1996 (Gauthier, 1996). This directive sets the rules for nondiscriminatory use of parental leave and stresses the importance of equal opportunities and equal treatment of men and women, which means that parental leave should be made equally accessible for both parents.

Luxembourg launched its parental leave scheme in 1999. Eligible parents may choose either part-time leave for 12 months or full-time leave for 6 months. Parental leave is granted to any parent who takes care of a child under the age of 5 years receiving family allowances and who, spends most of his/her time on the education of a child or children, and is engaged at most part time in paid labour during the parental leave period. Both parents are eligible to take parental leave under the condition that the first one takes it immediately after maternity leave.

The second parent can then take it any time before the child reaches 5 years of age. During parental leave the employment contract is suspended. The part-time form of parental leave is conditional on the employer's agreement and on a reduction of the professional activity by at least half. The eligible parent is entitled to a monthly lump sum benefit that corresponds approximately to the minimum wage guaranteed in the country.

According to the available administrative data provided (CNPF, 2006), the number of parental leave beneficiaries has been continuously increasing (for example, by 12 % from 2001 to 2002). The preference for full-time parental leave has remained the same over time. About 60% of beneficiaries took full-time parental leave for 6 months, while the other 40% took part-time leave for 12 months. The proportion of men taking parental leave went up to 19% in 2002. The data reveal that in 2002 almost a half of the beneficiaries were workers not residing in the country, i.e. cross-border workers mainly from Germany, Belgium and France.<sup>vi</sup>

### **Analysis: Methodology and data**

The main aim of this paper is to answer the following questions: How many women who plan to have children in the near future would like to take parental leave and if yes, in what form? What would be their post-birth labour market strategies? Do women who plan to take parental leave and those who do not differ significantly with respect to their socio-demographic and labour market characteristics?

The portrait of potential beneficiaries of parental leave provisions will be drawn in two steps. In the first step, I examine bivariate associations between parental leave take up and selected socio-demographic and labour market characteristics of respondents by using chi-square statistics and standardized adjusted residuals. In the second step, I employ binary logistic regression. This technique allows for the estimation of the odds of "taking parental leave" versus "not taking" it, and permits the inclusion of all relevant socio-demographic and labour market characteristics in the analysis, so that the direct effects of specific characteristics can be investigated while confounding factors are controlled for.

The analysis is based on the *EU-SILC/PSELL3* data from 2003 archived in CEPS/Institute in Luxembourg. The whole sample consists of 9580 respondents residing in the country. For the purposes of this paper I mainly use a module of the survey that was conducted on a subpopulation of 759 women who were at the time of the interview economically active<sup>vii</sup> and who were younger than 40 years of age. Of these, only 335 women who reported that they plan to have children in the near future were asked a set of questions on anticipated parental leave take up<sup>viii</sup> and post-birth labour market strategies.<sup>ix</sup>

The sample described above and the hypothetical nature of the measurement of the parental leave take up (anticipated take up), present certain limitations to our analysis that should be noted here. The fact that only women were interviewed in this module of the survey prevents us from comparing parental leave take-up rates between sexes. Another limitation is that the survey included only people residing in the country. This excludes from the analysis cross-border workers who in fact represent almost half of all beneficiaries of parental leave provisions provided by the Luxembourgish welfare system.

One could argue that analyzing anticipated/ hypothetical behaviour does not give a real picture of actual parental leave take up. I acknowledge that findings based only on this type of information might not be the best predictors of actual behaviour. Anticipated behaviour might change over time depending on personal, economic and societal circumstance. However, at the moment the data used in the study seem to be the best source of information for in-depth assessment of the parental leave take up in the country. Existing administrative data are either not yet accessible or they cover only beneficiaries (thus, do not allow calculating take-up rate) or they do not contain enough contextual variables to examine the effect of key socio-demographic characteristics. Moreover, EU-SILC/PSELL3 traces individuals across time (from 2000, i.e. year after implementation of parental leave, till 2006), and thus provides information on individual labour market trajectories including parental leave take up, but the problem is that the number of respondents who took parental leave is too small to draw any reliable conclusions.

## **Hypotheses**

In the following I set my main hypotheses regarding the relationship between parental leave take up on one side (dependent variable) and selected socio-demographic and labour market characteristics of respondents on the other side (independent variables).

Since a large proportion of younger women prefers to work and a growing majority even puts careers before motherhood (Esping-Andersen, 2002; Hakim, 1996), it can be expected that younger women in Luxembourg will follow this trend and will take parental leave more than their older counterparts.

In countries with a corporatist welfare regime legacy, marriage and having children means that women are encouraged to withdraw from the labour market and profit from the welfare state provisions as housewives and family care givers. Thus, I assume that married respondents will be less likely to take parental leave than unmarried/single respondents.

I expect that women who already have children will be more likely to take parental leave than will their counterparts who plan to have their first child. Following the existing evidence arguing that the Luxembourgish women are more

often inactive in the labour market due to family responsibilities than women of other nationalities (Valentova, 2005), it can be expected that the Luxembourgish nationals will be less likely to take parental leave than residents of other nationalities.

Human capital theory and theories dealing with an individual's costs of labour market withdrawal suggest that persons with bigger human capital, higher earning potential and more stable jobs tend to withdraw less from the labour market (Chiplin and Sloane, 1976; Bernhard, 2000; Gauthier, 2000; Desai and Waite, 1991; Math and Meilland, 2004). From this one can deduce that women with a higher educational level, a higher hourly net salary, an indeterminate contract and an occupation<sup>x</sup> higher up the professional ladder will be less likely to take parental leave and more likely to continue with their career.<sup>xi</sup>

As part-timers have in general lower monthly salaries and the replacement rate of parental leave benefit is rather high (monthly parental leave benefit is approximately equal to a minimum salary and is independent of the salary and full- or part-time employment status of the beneficiary), I hypothesise that women working part-time will be more likely to take parental leave than full-timers because taking parental will not represent a significant drop in their income.

Decisions regarding women's parental leave take up also depend on the labour market position and income capacity of other members of her household. Given this, I assume that the higher the level of total household income, the higher the probability of taking parental leave, because a drop in the woman's income would not mean a serious threat to household budget.

## Analyses

By looking at their strategies after child delivery and maternity leave, one can see that 65% of women of reproductive age who are active in the labour market and plan to have children in the near future would like to take parental leave, 20% of those who anticipate having a child would not take parental leave and 14% of women do not know yet. And 1% claim that they would withdraw from the labour market even before delivery.

Data reveal that out of those who would take parental leave 61 % would opt for full-time parental leave of six months and the remaining 39 % would prefer the part-time option of twelve months. Of those women who do not anticipate taking parental leave, 86% plan to re-enter the labour market immediately after maternity leave and 14% claim that they would quit the labour market.

Regarding the data on anticipated labour market strategies after parental leave, it is possible to conclude that 41% of the women who would take parental leave would like to return to the same work engagement they had before childbirth. Some 51% of women would prefer to reduce their working time after



their parental leave is finished. Reducing working hours for most of these women means shifting to half-time work, i.e. working 20 hours a week. Another 8% of women plan to withdraw from the labour market entirely. The main motivation for labour market withdrawal after parental leave is that they would not like another person to take care of their child. A more detailed analysis regarding labour market strategies after parental leave points out that women with foreign origins (that is, non Luxembourg nationals), low educational attainment, jobs requiring no special skills and low hourly wages claim that they will neither reduce their working engagement nor withdraw from the labour market when their parental leave is over.

The outcomes of the bi-variate analyses indicate that Portuguese women, women aged 35-40 years, i.e. the oldest category of women in our sample, women with children, and women living in low-income households, having low or non-qualified jobs and undetermined contracts are statistically less likely<sup>xii</sup> to take parental leave. In contrast, childless women (those who plan to have the first child), women 24 years old and younger, i.e. the youngest category in our sample, Luxembourgish nationals, women employed in “medium-qualified” or administrative jobs and women with fixed contracts exhibit a higher probability to benefit from parental leave provisions<sup>xiii</sup>.

From the binary logistic regression (see table 1 below), one can conclude that while controlling for all other variables in the model, age turns out to be one of the most important predictors of parental leave take up. The older the women interviewed, the lower the odds that they take parental leave. Women currently working part-time and women with secondary education are significantly more likely to take advantage of parental leave schemes in the near future compared to those working full-time and those who obtained post-secondary education. These findings are in line with our hypotheses. The model explains 24 % of the variance of the dependent variable.

Contrary to my expectations, Luxembourgers are more likely to take parental leave than are Portuguese nationals. This can be explained by the fact that in this study we consider mainly young women, who exhibit more progressive attitudes toward female participation in the labour market, while our hypothesis was based on the overall population of women. The hypotheses regarding marital status, presence of children, and household yearly income were not confirmed at a statistically significant level. However, the direction of the effect corresponds to the expectations we set in the hypotheses part of the paper.

**Table 1: Binary logistic regression**

		Planning to take parental leave (1=yes, 0=other) Exp (B) – odds ratio
Independent variables	Categories	
Age categories	24 and younger (reference)	
	25-34	0.395*
	35-40	0.158**
Nationality	Luxembourg (reference)	
	Portuguese	0.282**
	Other	1.359
Marital status	Single (reference)	
	Married	0.636
	Separated, divorced or widows	3.410
Presence of children in household	Yes	0.655
	No (reference)	
Type of current work engagement	Full-time (reference)	
	Part-time	3.430**
Occupation	Highly qualified occupations (reference)	
	Medium qualified and administrative occupations	0.657
	Low or non- qualified occupations	0.338
Education	Basic + lower secondary	2.314
	Secondary	2.711*
	Post-secondary (reference)	
Type of contract	Undetermined (reference)	
	Fixed	1.421
	Other	1.432
Net hourly wage <sup>xiv</sup>	1 quartile (reference)	
	2 quartile	0.629
	3 quartile	0.368
	4 quartile	0.471
Equivalent yearly household income <sup>xv</sup>	1 quartile (reference)	
	2 quartile	1.579

	3 quartile	1.593
	4 quartile	2.208

Source: EU- SILC/ PSELL3 data 2002/2003, own analysis, N=306

\* significance at the 0.05 level\*\* significance at the 0.01 level.

Model properties: -2Log likelihood =330.8, Nagelkerke R Square = 0.24, Hosmer and Lemeshow Test = 0.18 The outcomes of the step-wise procedure show that socio-demographic independent variables (i.e. age, nationality, marital status, and presence of children) explain 16 % of the dependent variables, the labour market variables (i.e. "type of current work engagement" through "net hourly wage") explain an additional 8 %, and the last independent variable accounts for 0.5% of the variance in the dependent variables.

## Conclusions

The principal goal of this paper was to examine how the national parental leave scheme is accepted by women of reproductive age in Luxembourg, a country with a familialistic and corporatist welfare legacy. In concrete terms, the article aims to describe anticipated parental leave take up and explore which individual socio-demographic and labour market characteristics determine parental leave take up so that potential beneficiaries of the provision could be identified.

The outcomes of the analysis reveal that 65% of economically active women who would like to have children in the near future anticipate taking parental leave. When this figure is compared to female parental leave take-up rates in other European countries (Higgins, 2002), it becomes apparent that Luxembourg lags behind Sweden, Austria and Germany, where female take-up rates reach 90%. On the other hand, the anticipated female parental leave take-up rate in Luxembourg is twice that in the Netherlands and four times higher than in Ireland.

The vast majority (92 %) of women who intend to take parental leave plan to rejoin the labour market afterward. This finding suggests that young Luxembourgish women perceive parental leave as not inhibiting their further participation in the labour market; even if they choose to reduce their working hours, they do not perceive parental leave as a step toward withdrawing from the labour market. Thus one of the objectives of parental leave appears to be met.

Broadly, the data from labour market strategies that women plan to adopt prior to or after confinement suggest that only 9 % of young female Luxembourgish residents active in the labour market who anticipate having a child in the coming years would withdraw from the labour market due to childcare (1% of these would withdraw from the labour market before birth, 31% after maternity leave and 62% after parental leave). This confirms that young women highly value employment, and only a rather insubstantial proportion of young women consider labour market inactivity due to childcare to be an acceptable strategy. Needless to say, the availability of parental leave plays an important role in this process leading towards stronger attachment of women in the labour market.

With respect to the effects of the selected socio-demographic and individual labour market characteristics on parental leave take up, it can be concluded that age, educational attainment, current type of work engagement and nationality significantly influence parental leave take up. Luxembourgish women, women with secondary education, younger women and women working part time are more likely to anticipate taking parental leave than are Portuguese women, women with post-secondary education, older women and full-time workers.

The current paper is one of the first attempts to assess the parental-leave scheme in Luxembourg. Further research based on objective indicators of parental leave take up is needed to obtain a more accurate evaluation of outputs and outcomes of the parental leave scheme in the country. This will be possible when administrative panel data are made available.

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## Notes

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<sup>i</sup> This approach was accepted, because other sources of the data did not allow for answering our research questions. Available administrative data contain information regarding beneficiaries, however they do not include all eligible individuals, thus it prevents us from calculating take-up rates and compare between beneficiaries and non-beneficiaries. Existing panel data that do not have any of the above drawbacks do not include data for enough of people taking parental leave to be able to conduct reliable a multivariate analysis.

<sup>ii</sup> In describing the context, we try to refer mainly to the situation in the year 2002 or thereabouts, because the data we use in the analytical part are from 2002-2003.

<sup>iii</sup> On the contrary, according to Ferring and Weber (2005), care for elderly residents in Luxembourg is much more formalized. Only 0.2 % of adult women are involved in care for elderly and handicapped individuals.

<sup>iv</sup> The proportion of women in the age group 25-54 that is not part of the official labour force.

<sup>v</sup> Around one-third of the population residing in the country are not Luxembourgish nationals. Portuguese nationals are the biggest minority, representing around 10% of the country's population.

<sup>vi</sup> 39% of all paid workers in Luxembourg come from abroad, mainly from the surrounding countries such as France, Belgium and Germany (EURES, 2004).

<sup>vii</sup> The sample includes women who at the time of the interview were taking maternity or parental leave.

<sup>viii</sup> "Do you foresee taking parental leave after the birth of your next child?" Response categories: "Yes", "No", "I will stop participation in the labour market before delivery", "I do not know". For the purposes of our analysis of parental leave take up we dichotomize the response categories. 1 is attributed to "yes" answers and 0 to all other responses.

<sup>ix</sup> One could argue that the fact that women who at the time of the interview were not active in the labour market were excluded from the study could lead to a sample selection bias, for these excluded young women might represent a very specific subgroup of our target population - they were very likely those who were inactive in the labour market due to childcare. My response to this comment is as follows. As those excluded women are not employed, they are not eligible for



parental leave provisions and therefore they should not answer questions regarding parental leave take up.

<sup>x</sup> It would be equally interesting to test the hypothesis that women in public sector and in feminized occupations are more likely to take parental leave (Gornick and Jacobs, 1998; Bettio, 2002), but the dataset does not contain these variables.

<sup>xi</sup> The variable measuring duration of work experience will not be included in the regression model due to its strong co-linearity with age.

<sup>xii</sup> Values of standardized adjusted residuals were smaller than - 2.

<sup>xiii</sup> Values of standardized adjusted residuals were bigger than 2.

<sup>xiv</sup> The variable has been categorized into quartiles.

<sup>xv</sup> Equivalent yearly household income is based on the net total household income from 2002, which is multiplied by the OECD coefficient controlling for household composition. The variable has been categorized into quartiles.