

Conferences 2014



CESifo Conference on Social Economics

21-22 March

Do Family Values Shape the Effectiveness of Labour-to-Work Policies? An Analysis of a Recent Parental Leave Policy Reform in Germany

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Early draft - please do not circulate

Abstract

The effectiveness of policy reform is not independent of family values. To test this argument, this paper explores the effect of a parental leave policy reform in Germany (2007) on the return to work of mothers who hold different family values. The policy incentivized an earlier return to work by reducing the paid parental leave subsidy from two to one year. Although it would encompass delivering child care, the return was expected to generate an income effect in the second year which would mainly affect low-income mothers. The paper relies on a regression discontinuity strategy to estimate the impact of the policy and it shows that the magnitude of the income effect is subject to the family values held by mothers as well as to their education attainment. Specifically, the paper finds that highly-educated mothers upholding liberal family values are more willing to accelerate their return to work after the policy reform and hence benefit from the labour-to-work policy.

I. Introduction

Several scholars have developed the idea that family values shape economic decisions. Reher (1998) gives a historical account of the differences in family ties across Europe to highlight their relevance for social and economic outcomes. Specifically, he suggests that much of socio-economic disparities will remain in place despite similar modernization processes, and that family structure is a relevant driver. Esping-Andersen (1990, 1999) acknowledges the role of the family in certain conservative welfare states of southern Europe, a core trait

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which – for some authors such as Naldini (2003) and Leibfried (in Ferge & Kolberg, 1992) sets the basis for a distinct type of welfare regime. Ferrera's paper(1996) goes further in characterizing the 'southern model of welfare state', highlighting the family role as a "social clearinghouse" in southern Europe. Although taking a more empirical approach, economic scholars(see for instance Aghion *et al.*, 2011; Aghion *et al.*, 2010; Alesina *et al.*, 2010; Algan & Cahuc, 2007) have too made the case for a key role of family values on labour market institutions and policies. They hypothesise the co-evolution between values, demand for regulation (behaviour) and policy design. Values, it is argued, influence the demand for certain types of regulation, which, at the same time reinforce certain attitudes. In this context two possible equilibria emerge; a 'good' equilibrium with low levels of regulation and high levels of social capital and a 'bad' equilibrium with the opposite results.

This paper is motivated by the latter and attempts to go one step further by analysing the interaction between a policy reform and family values and their impact on preferences to work. I aim at showing evidence that a social policy reform depends on the existing family values to be effective.

The empirical strategy is that of examining the implementation of a parental leave policy in Germany which aimed at accelerating the pace of return to work after maternity in a context where different family values co-exist. The paper relies on a regression discontinuity strategy to estimate the impact of the policy and it shows that its effectiveness is subject to the family values held by mothers as well as to their education attainment.

The paper contributes to a literature which uses the broader term 'culture' and looks at its interaction with economic outcomes. Specifically, Barro and McCleary (2003), Tabellini (2010), Guiso, *et al.*, (2004, 2009), Ichino and Maggi (2000) among many others have cast light on the multiple ways culture can affect social preferences and economic outcomes. However, there is controversy on the determinism of the 'cultural' argument. Whereas some authors perceive culture and social preferences as rather static and slow-moving concepts (see for instance Roland, 2004), others – such as Raquel Fernandez - explicitly reject this notion of culture and preferences as something "irrational, static or slow

changing" (Fernandez *et al.*, 2004, p. 4) and argue that their change "depends on the environment broadly speaking, including the opportunities which determine individual's learning pace, their interactions with others, and particular historical experiences" (p. 4). Hence, policies can influence the environment. Similarly, this paper contributes to the debate on policy convergence at a European level. Although the choice of policy is ultimately left to member states, there is little doubt that these EU recommendations have an effect on the policy direction adopted by each state (Featherstone & Radaelli, 2003). These policies, however, and following the argument stated above, may have different results depending not only on the existing institutional framework but also on its cultural framework and, more precisely, on the family values in place (Fernandez, 2007, p. 306). These ones, therefore, cannot be ignored at the time of designing labour market and social policies.

The rest of the paper is organized as follows. Section II describes the policy reform and section III gives an account of the data and the methodology used. Section IV presents the results, followed by the discussion in section V. Finally, section VI concludes.

II. The 2007 policy reform

The numerous parental policy reforms that took place in Germany in the past three decades reflect a conflictive equilibrium between the traditional breadwinner model and the dualearner-carer model. The introduction of maternal leave dates back to 1979, when the coalition of Social-democrats and Liberal devised a maternal leave policy grounded on mothers' health and well-being issues (Leitner, 2010), which, in the eyes of the policy-makers could have promising effects in increasing employment rates among mothers. The policy implemented a six months paid maternal leave period which enabled formerly employed mothers to receive a capped earnings-related benefit. This benefit did not account for partners' earnings, and targeted formerly employed mothers, which suggests a departure from the predominant existing breadwinner model. However, part-time work was not included, given that it was not in line with health goals of the policy. In 1986 the coalition of Christian-democrats and Liberals promoted a second reform, which reverted back to the old breadwinner model (Leitner, 2010). Firstly, the pre-existing cappedearnings benefit was substituted by a flat-rate benefit available to both employed and nonemployed mothers as well as fathers. The benefit, however, was so low that it did not attract fathers. Secondly, breadwinner's earnings were taken into account and could reduce the benefit (i.e. it was a means-tested benefit). Thirdly, the paid maternal leave period was increased firstly to ten months and later on, in 1993, to two years. Additionally, the overall leave period was extended to three years. Implicitly the model was therefore promoting a breadwinner model, the traditional family model (Leitner, 2010). Part-timing, however, was permitted up to 18-19 hours per week. In 2000 the Social democrats and the Green party², implemented another reform which slightly departed from the breadwinner model (Fleckenstein, 2011), acknowledged the individual right to parental leave by allowing both parents to take the leave simultaneously, although the benefit remained a means-tested one. It also allowed part-time work up to 30 hours per week and it included the possibility of having a higher flat-rate benefit if the benefit span was reduced from two to one year. The impact of the reform, however, was weakened by the lack of institutional childcare facilities. In 2005 the so-called Red-Green coalition made an attempt to tackle this issue by passing a law which committed to the expansion of childcare facilities for children less than 3 years old.

Finally, in 2007, the Social-democrats and Christian-Democrats took a big step forward to shift from a breadwinner model towards a dual earner-carer model (Fleckenstein, 2011). The reform – called *Elterngeld* - replaced the flat-rate benefit with a wage-replacement benefit up to 67% of earnings before maternity leave, funded by the federal government through public taxation (Blum, 2012). A cap of €1800 and a minimum of €300 was set and the non-employed were entitled to this minimum. Importantly, the reform also decreased the benefit span from two to one years and devoted resources to the expansion of childcare places.

² These parties were encouraged by the 1996 EU directive on parental leave (96/34/EC)

The expected benefits of the 2007 parental leave reform

The design of the policy suggests that low-income mothers are the group which should experience a larger change in their work behaviour. Before the policy they were entitled to a maximum of \notin 300, whereas after the policy they are entitled to 67% of their pre-maternal earnings with a minimum of \notin 300, a substantial increase of the benefit. In the second year, however, by design, employed low-income mothers experience a total decrease of the benefit. High-income employed mothers, instead, do not see their incentives much changed by the policy, especially in the second year. Before the policy high-income mothers did not receive any benefit so the incentives to return to work after maternity leave were high. After the policy this situation changes and they receive 67% of their earnings during the first year (with a cap of \notin 1800) and nothing in the second year.

The argument of the paper is that these expectations are likely to be influenced by family values in the case of a working mother. As Bork states in his paper (2011), attitudes towards working mothers in Germany have been rather negative over the years, especially in West Germany. A term has been coined - 'Rabenmütter' (raven mother) - to designate working mothers with young children. Fleckenstein (2011) makes a similar point in his paper when he argues that, despite a decline in traditional family values, 'West Germany remains relatively conservative by international standards' (p. 548). With the aim of testing the argument empirically, I therefore expect the policy to work only for those mothers who hold liberal family values.

III. Data and methods

In this section I show, firstly, the intuition behind the empirical strategy followed. Secondly, I explain the choice of the method used: the Regression Discontinuity Design (RDD). Thirdly, I describe the nature of the variables, treatment and control, placing special attention to family values. Finally the section contains some descriptive statistics and some preliminary evidence.

Empirical strategy

The paper examines the effects of the 2007 policy on the decision to return-to-work for mothers with different family values. The paper runs a series of logit specifications of the following type:

$$P(Y_{it}=1) = \alpha + \beta_1 t_{it} + \beta_2 f_{v_i} + \beta_3 t_{it} f_{v_i} + \beta_4 X_i + \varepsilon;$$

where Y_{it} is the probability of preferring a fast return to work after maternity for a given individual *i*. It takes value 1 if the mother states that she will go back to work as soon as possible or within one year, and 0 if she states that it will take two or more years to go back to work. t_{it} stands for the treatment group, that is, the individuals affected by the policy, and is a time dummy variable which takes value 0 if the observation belongs to the period before the policy was implemented (1st January 2007) and 1 after the policy. Data spaces from 2005 until 2009, that is, two years before the policy and three years after the policy. The choice of years accounts for a potential delay in implementation. fv_i is a proxy of the family values of each individual, which are assigned depending on the country of migration (see subsection below for an explanation of the construction of the variable family values). $t_{it} f v_i$ is the interaction between the time dummy and the family values. Finally, X_{it} includes a set of individual characteristics as controls. This is the main specification corresponding to the hypothesis of the paper. In addition I also run other similar specifications where I test the effect of the policy on different subgroups of people according to their income and education. In these cases the interaction term happens between one of the control variables and the time dummy.

Methodology

The method used in this paper is the Regression Discontinuity Design (RDD) with a Difference-in-Differences (DD) specification. The RDD method is used to estimate causal

effects of an intervention by examining comparable observations before and after the cut-off point. It relies on the assumption that the intervention is randomly assigned and therefore observations *around* the cut-off point are comparable. Observations before the cut-off point (the implementation of the policy) can then be treated as a control group (Green *et al.*, 2009). The policy intervention analysed in this paper seems suited to a RDD method. Firstly, the intervention can be argued to be randomly assigned, given that the treatment would be available for all new-mothers from 1 January 2007. The cut-off point, therefore, did not depend on any individual characteristics of the mother, only on the birth rate of the child. Although it can be argued that mothers could have attempted to change their behaviour and delay maternity, this argument is rather weak due to the speed of the legislation process. The main features of the reform were discussed in May 2006, drafted in June, the law was passed in September 2006 and it became effective on 1 January 2007 (Kluve, 2009). *Figure 1* supports this argument by showing that the monthly number of birth rates did not change significantly from 2005 to 2007.



Figure 1: Birth rates across years

Source:, Bergemann and Riphahn (2011), from the German Federal Statistical office

The observations in the analysis are therefore divided between years 2005 and 2006, which belong to the control group, and years 2007 to 2009, which belong to the treatment group³.

³See the section 'Discussion' for an analysis of the choice of the number of years taken.

Moreover, I use a DD specification – reflected in the interaction term - comparing different subgroups of individuals according to their family values, education or income.

The choice of the RDD method has a number of advantages worth mentioning. To start with, in the analysis of the paper the overall RDD choice substitutes the difference-in-differencein-differences method (DDD) – whose results are always more difficult to interpret. In this paper this is a great advantage because, aside from a control and treatment group that allows me to infer causality, I also need a control and treatment group to assess the impact of family values (i.e. the impact of the policy depending on values needs a comparison before and after and between traditional and liberal family values). Secondly, in a RDD context the control group is probably more similar to the treatment group than in a DD context. And thirdly, the RDD specification reduces the probability of having measurement errors: my dependent variable is based on a question in the GSOEP database about the 'willingness to return to work' (see data and descriptive statistics section for more information), which leads to a four categories response which I code as binary: fast return or slow return. This choice would not have been possible with a DDD specification, given that my control group would have probably been working mothers (childless or with older children), for whom it makes no sense to ask a question on the willingness to return to work (given that they are already working). Alternatively, an option for the DDD would have been to look at the number of hours worked by mothers with one-year old child, and compare those before and after the policy, with working mothers or women as a control variable, for which I would also look at number of hours worked. The data, however, makes it difficult to know the age of the child as it only provides data for the mother, and this could possibly lead to measurement errors.

The identification strategy follows Fernandez (2007) to evaluate the impact of the policy reform on the decision to return-to-work across individuals with different family values. This approach uses migrants to overcome the problem of disentangling the effects of culture or values from economic and institutional environment. Migrant groups face the same institutional and economic environment of the native individuals in the country of residence

but they are assumed to preserve, to a certain extent, family values of their country of ancestry. With this approach I then analyse the effects of the policy for different female migrants groups, comparing their outcome within these groups and between them and native groups (East and West Germans). The basis for clustering the individuals in different groups will be family values. That is, I cluster them according to whether they hold traditional or liberal family values (family values can also be – and will be – rated on a continuum). In order to avoid problems of reverse causality (i.e. current attitudes may have been influenced by previous economic outcomes), I use a proxy for current family values, which are values expressed by individuals in the migrant's country of ancestry in previous years.

Data and descriptive statistics

I use the German Socio-economic panel data (GSOEP)⁴, a longitudinal dataset running yearly since 1984 until 2011 (the latest wave) which interviews all the members of the household, newcomers and follows the leavers in new households. The GSOEP has gradually increased its sample up to nine times, with some of these samples being focused on migrants (see *Appendix 1* for a relation of the existing samples). In total – from 1984 to 2011 - it contains around 600.000 observations. For the present analysis I select women who work and have had a child in one of the years from 2005 to 2009. To know whether they had a child, there is a question which asks '*Has your family situation changed after December 31, 200X*?' (200X belongs to *n-2*, i.e. if the questionnaire belongs to year 2008, the question will refer to December 31, 2006). One of the answers is 'Yes, had a child' and for each answer the respondent is asked whether this was in year *n* or *n-1* (i.e. in the questionnaire belonging to year 2008, the options are: 2007 and 2008). Given that the interviews happen in different months of the year for each respondent, it can be the case that they are asked this question

⁴ The data used in this paper were extracted using the Add-On package PanelWhiz v4.0 (Oct 2012) for Stata. PanelWhiz was written by Dr. John P. Haisken-DeNew (john@panelwhiz.eu). The PanelWhiz generated DO file to retrieve the SOEP data used here and any Panelwhiz Plugins are available upon request. Any data or computational errors in this paper are my own. Haisken-DeNew and Hahn (2010) describe PanelWhiz in detail.

before they have had a child (e.g. the respondent is interviewed in January 2007 and she has a child in December 2007). To avoid dropping women who have actually had a child, I rely on the answers from year *n*-1. In the case of multiple births, I have only kept the observation belonging to last birth. After dropping missing observations and coding all the variables I need, I end up with a total of 491 observations.

My dependent variable is based on the following question from the GSOEP questionnaire: *'When approximately, would you like to start with paid employment?'* The answers can be: *'1) As soon as possible, 2) Next year, 3) In the next two to five years, 4) In the distant future, in more than five years'.* I code them as fast return (dummy = 1) if the answer is *'as soon as possible'* or *'next year'* and slow return if otherwise (dummy = 0). I therefore have a binary dependent variable which is the intention to return to work. *Appendix 2* explains in detail the coding of the dependent variable.

My independent variable – individual family values - is, as stated above, proxied by societal family values expressed by individuals in the migrant's country of ancestry in the year 2000. The societal family values are constructed as follows: I take the answers from the following question from the WVS: *Do you agree with the following statement?: A working mother can establish just as warm and secure a relationship with her children as a mother who does not work'* and run an individual logit regression, with this question being the dependent variable and my main independent variable being country dummies. The base region is 'West Germany'. The country coefficients then tell me the likelihood that an individual from a certain country or region will agree with the previous statement compared to an individual from West Germany. I control for age, age squared, size of town, marital status, sex and education. The country dummy coefficients will be the instrument used for my independent variable. All coefficients happen to be statistically significant (most of them at 1% significance level) except for Portugal. *Figure 2* depicts the results.



Figure 2: effects of country of origin on 'working mother' acceptance

In my analysis these values will be used as a continuous variable as well as a binary variable. I therefore create a dummy variable which is a dichotomization of the variable family values. To carry out this dichotomization I have calculated its mean value and I have categorized all observations below the mean as *traditional* family values and all observations above the mean as *liberal* family values.

Both family values and the dummy variable are then assigned to each of my observation depending on their migrant origin. The GSOEP database allows me to know whether the observation has 'no migrant background', a 'direct migrant background' (first-generation migrant) or an 'indirect migrant background' (second-generation migrant) and it tells me the country of origin for those who are categorized as migrants. See *Appendix 2* for details on how I have coded the country of origin for each migrant. To separate East from West German observations, I have used the information from the variable 'sample'. Sample C includes only observations from East Germany. I have also used the variable 'sample' to drop some observations which belonged to samples where the mother was German but the father was a migrant. That is, I have dropped the observations for which the migration background of the

mother was '*no migration background*' and it belonged to sample B (foreigners), D (Immigrants) or F (Innovation) where at least one member of the household is a migrant. The following table, *Table 1*, shows the migration background and the number of observations.

Country of origin	No migration background	Direct migration background	Indirect migration background	TOTAL
East Germany	234			234
West Germany	125			125
Turkey		10	20	30
Russia		11	0	11
Greece		1	5	6
Poland		6	0	6
Macedonia		2	3	5
Croatia		4	0	4
Italy		2	1	3
Rumania		3	0	3
Ukraine		3	0	3
Portugal		2	0	2
Serbia		2	0	2
USA		2	0	2
Belarus		1	0	1
Brazil		1	0	1
Canada		1	0	1
China		1	0	1
Czech Republic		1	0	1
France		1	0	1
Hungary		1	0	1
Iran		1	0	1
Philippines		1	0	1
Slovakia		1	0	1
TOTAL	359	71	32	462

Table 1: Country of origin of observations

Source: own elaboration based on GSOEP

Note: I have dropped the observations with missing information on any crucial variable to pursue the analysis.

Several controls are included in the regression. Household income is coded as 0 if it is greater than $\notin 2000/\text{month}$ and 1 if it is lower than this threshold. The reason to code high income as 0 and low income as 1 – which might seem unusual – is justified by the fact that the policy was expected to influence mainly low income mothers, and therefore, this is the 'treatment' group that I am interested in. In order to dichotomise it I have calculated the mean value of income and I have treated all observations below the mean as low income. Education, measured in 'years of education' is another control variable. It has been coded

both as a continuous variable and as a binary variable. In the latter case, the two categories are low and high education, with the threshold being A-levels. Low education, therefore, includes observations with no A-levels, that is, with less than twelve years of education. High education includes observations with thirteen or more years of education. Some regions in Germany need twelve years of education to achieve A-levels, whereas others need thirteen. Given this difference, when using education as a binary variable, observations with twelve years of education have been dropped. Another control is marital status. This one takes value 0 if the mother is not married and 1 if she is married. Finally, I use regional data on the percentage of zero to three year-old babies that attend childcare as a proxy for regional childcare availability.

Table 2 presents some basic descriptive statistics of the data before and after the policy. The data reveals that there are no statistically significant differences in the means of the variables between the two periods (before and after the policy). The means for the 'fast return' variable, the dependent variable, indicates that in both periods the willingness to quickly re-enter the job market is low. The data also shows that the average maternal age is 32 years old, and that most of the observations in both periods are married. With regards to years of education, the average is 13 years, which is the A-levels threshold. Average household income amounts to approximately $\in 2.700$ and average family values are more traditional.

	Before the polic 2005-20	cy reform 06	After the policy reform 2007-2009		
Number of children born	187		3	13	
Variables	mean SD		mean	SD	
fast return (0/1)	0,45	0,5	0,48	0,5	
maternal age	31,6	6,87	31,7	5,32	
married (0/1)	0,67	0,47	0,7	0,46	
years of education	13,14	2,65	13,26	2,69	
household income	2644	1419	2764	1212	
family values	0,35	0,48	0,29	0,45	
childcare	0,17	0,15	0,16	0,14	

Table 2: Descriptive statistics

Note: t-tests indicate no statistically significant difference between subgroups at 1% and 5% levels.

IV. Empirical analysis and results

Tables 3 to 5 present the results of the empirical analysis. In all regressions the dependent variable is the probability of preferring a fast return to work after maternity. I start by looking at the entire sample. Given that the policy was mainly targeted at shaping the behaviour of low-income mothers, I also show the results of the effect of the policy for mothers living in low-income households. *Table 3* is therefore relevant to provide us with information on how well the policy reached its target, which will then motivate the introduction of family values.

The baseline regression (*col. 1*) regresses the probability of preferring a fast return to work on a time dummy variable and a set of individual characteristics, which include marital status, education as a continuous variable, income and a proxy of childcare availability. The results show that the policy has had a positive effect on shaping preferences towards a fast return to work, although strictly speaking the effect is small (of almost 2%) and not statistically significant. Instead, the four controls appear to be statistically significant. One year increase in education increases the probability of preferring a fast return to work by almost 3%, significant at 1% level. Being married decreases the probability of preferring fast return to work by a bit more than 10%, significant at 10% level. One possible interpretation is that married mothers are likely to have other sources of income (e.g. from the husband) which allow them to delay the return to work. An increase of one percent in childcare availability leads to an impact on the preferences of a fast return to work of 32%, significant at 10% level. Having a low household income also decreases the probability of fast return to work by approximately 16%, significant at 1% level.

An interaction between the policy (time dummy) and income is added in a difference-indifference fashion (*col. 2*). This interaction is interesting because, as pointed out in section II, the policy design makes it more expensive for low income households - who were entitled to the parental leave means-tested benefits before the policy - to stay at home. These households would see after the policy a probable increase of the benefit in the first year of child birth followed by a total elimination of the benefit in the second year. It was therefore expected that it would generate an income effect in the second year which would incentivise low income mothers to return faster to work. The results depicted in *column 2*, however, do not quite support this expectation. The coefficient of the variable *income* suggest that before the policy a low income mother was 24% less likely to prefer a fast return to work than a high income mother, a result which motivates the introduction of the policy. Nonetheless, the interaction term tells us that this situation did not change significantly after the policy. Although after the policy a low income mother was 14% more likely to prefer a fast return to work than before the policy, its effect appears to be statistically insignificant at 10% significance level, implying that the preference of fast return to work for low income individuals did not change after the policy reform. This result is robust even when only the individuals with the lowest income⁵ in the scale are taken into account and its income is interacted with the policy. The result is shown in *column 3*, which shows that the interaction term remains statistically insignificant. Both in column 2 and 3 income, education and marital status are significant, with similar effects as in *column 1*, whereas the availability of childcare is only significant in column 2. This first analysis, on the basis of the results in Table *3*, suggests that the policy has not had a visible effect.

⁵I have taken the first quartile of income. That is, I have dichotomized the variable, with the lowest quartile coded as 1 and the rest coded as 0

-0.024 (0.685)	-0.017 (0.766)
0.029*** (0.002)	0.033*** (0.000)
-0.106* (0.056)	-0.096* (0.087)
0.299* (0.099)	0.247 (0.173)
-0.243*** (0.006)	
0.143 (0.196)	
	-0.171* (0.061)
	0.135 (0.238)
403	403
	403

Table 3: Average marginal effects: effect of the policy and effect of the policy interacted with low income mothers, entire sample.

Nonetheless, it is plausible that the effect of the policy is concealed by some kind of heterogeneity within the population. One plausible source of heterogeneity which goes in line with the hypothesis of the paper is family values. These ones are likely to play a significant role in shaping the outcome of a parental leave policy and thus, the latter may appear ineffective if family values are not taken into account. The results in *Table 4* suggest that this might be the case, although they are not very robust. Family values, when categorized as a binary variable (family values b, *col. 4*), seem to matter for the policy effectiveness at 10% significance level. After the policy, mothers with liberal family values are 21% more likely to prefer a fast return to work than before the policy. This is not the case for mothers with more traditional values, as the insignificance of the time dummy coefficient shows. Nonetheless, this result is not robust when family values are modelled as a

continuous variable (family values (c)), shown in *column5*. Here the interaction between the time dummy variable and family values is insignificant, as it is the time dummy and the family values variable. The only significant variables are marital status, income and education.

Table 4: Average marginal effects: impact of the policy interacted with family values, impact of the policy interacted with education; entire sample. Impact of income and values, highly-educated sample.

Variables	(4)	(5)	(6)	(7)	(8)	(9)
time dummy	-0.050 (0.431)	-0.072 (0.554)	-0.023 (0.786)	0.028 (0.719)	-0.007 (0.938)	-0.245 (0.201)
marital status	-0.128** (0.029)	-0.132** (0.024)	-0.090 (0.137)	-0.097 (0.238)	-0.130 (0.130)	-0.126 (0.141)
Childcare	0.379* (0.092)	0.258 (0.230)	0.281 (0.163)	0.080 (0.764)	-0.031 (0.926)	0.003 (0.992)
Education ¹	0.028*** (0.004)	0.029*** (0.003)	0.094 (0.296)			
time*educ			0.093 (0.400)			
Income	-0.171*** (0.007)	-0.167*** (0.009)	-0.158** (0.014)	-0.170 (0.234)	-0.120 (0.229)	-0.115 (0.249)
time*income				0.166 (0.367)		
family values (b)	-0.130 (0.166)				-0.065 (0.648)	
time*values(b)	0.211* (0.054)				0.267* (0.088)	
family values (c)		-0.003 (0.954)				-0.073 (0.507)
time*values (c)		0.065 (0.390)				0.227* (0.068)
Observations	364	364	340	206	191	191
		pval in parei	ntheses			

*** p<0.01, ** p<0.05, * p<0.1

Another source of heterogeneity might be education. The results on the previous tables suggest that education is a highly influential variable for the probability to return fast to work, both in statistic and economic terms⁶. Moreover, education is recognized by and large in the literature as one of the most decisive factors in influencing female labour market participation (see, for example, OECD 2004:4). I would then expect education to play a positive role in the effectiveness of policy, because highly-educated individuals are more likely to be aware of the benefits for their working career of returning faster to work. The effects of education, however, may be limited by two different factors. Firstly, it would be logical to think that only the highly-educated mothers with low income react to the policy (given that the policy is targeting low income individuals). Figure 3 shows that this hypothesis is worth testing given that although there is a positive correlation between income and education, the higher the education level, the more variance income experiences. Secondly, and following the main argument stated in this paper, the effect of education might fade when family values are taken into account. A highly-educated mother coming from a strong family tradition and a marked preference for home child rearing is likely to prefer to stay at home with the child for a longer period of time, regardless of any economic incentives.

⁶ Marital status is also very relevant, although less statistically significant than education. Unfortunately, the possibility of analysing the policy only for married or lone mothers is unfeasible due to the reduction of the sample size.



Figure 3: Correlation between household income and education, entire sample.

Column 6 of Table 4 starts by presenting the impact of the policy and its interaction with education on the probability of a fast return to work. The interaction term suggests that the effect of the policy is insignificant both for high and low-educated mothers, controlling for marital status, childcare availability and income. *Column 7* uses the restricted sample of highly-educated mothers⁷ and tests whether the low-income – highly-educated individuals react to the policy. Again, the interaction term between time dummy and level of income shows that this is not the case. In other words, it appears that highly-educated mothers with low income exhibit the same preferences to return fast to work before and after the policy. *Column 8 and 9* test the hypothesis in which only those highly-educated mothers with liberal values react to the policy. The results confirm the hypothesis, regardless of whether family values are treated as a binary (*column 8*) or continuous (*column 9*) variable. According to the interaction terms of the models, mothers with liberal family values are between 22% and 27% more likely to prefer a fast return to work after the policy. The result is significant at 10% significance level. This is not the case for mothers with more traditional values, as the

⁷ A three-way interaction between the three variables would be possible, although it would result in coefficients difficult to interpret.

insignificance of the time dummy coefficient in both models shows. Therefore, it appears that education is relevant to the effectiveness of the policy, but it is not sufficient to change mother's behaviour. The relevance of family values reveals that it is only those highlyeducated mothers coming from a liberal family tradition who are more likely to be influenced by the policy reform and adjust their decision on re-entering the labour market at a faster pace.

The predicted probabilities of preferring a fast return to work for highly-educated mothers holding different family values are shown in *Tables 5* and *6*. When classifying family values dichotomously, (*Table 5*), the probability of preferring a fast return to work is around 50% for mothers holding traditional family values, both before and after the policy (as suggested above with the time coefficients from *Table 4* small change in probability before and after the policy is insignificant for mothers with traditional family values). With regard to mothers with liberal family values, the probability of preferring a fast return to work amount to 46% before the policy, whereas it increases up to 71% after the policy.

Table 5: Predicted probabilities of preferring a fast return to work, dichotomous family values and high-educated mothers' sample

	Before the policy	After the policy
Family values = 0	0,53	0,52
Family values = 1	0,46	0,71

Table 6: Predicted probabilities of preferring a fast return to work, dichotomousfamily values and high-educated mothers' sample

	Before the policy	After the policy
Family values = 0,5	0,57	0,44
Family values = 1	0,54	0,52
Family values = 1,5	0,50	0,60
Family values = 2,0	0,46	0,67
Family values = 2,5	0,43	0,74

Note: the table only depicts five values of family values, but the values range from 5 to 25.

Before turning to the discussion, and given the strong impact of education on the analysed policy and the significant interaction of education and family values, there is the need to confirm that it is education that matters, and not other correlated omitted variables. Two main candidates are to be considered: income and occupation.

With regard to the first one – income – it is reasonable to think that it is correlated with education, and that therefore only low income mothers with liberal family values (as opposed to those highly-educated with liberal family values) react to the policy. *Column 10* from Table 7 restricts the sample to the low-income mothers and interacts the time dummy with family values. The results reject the hypothesis and show that low income mothers with liberal family values do not significantly react to the policy.

Occupation is the other variable which is likely to be correlated with education. I expect mothers in occupations which do not involve much physical effort to be willing to return faster to work. The correlation between occupation and our dependent variable amounts to 24%⁸. I have then included occupation in the model and interact it with the policy, as shown in *column 11*. The results suggest that occupation is significant at 10% level before the policy, and that white-collar workers are three times more likely to experience a fast return to work than blue-collar peers. This outcome does not change after the policy in a significant way. This result, however, is not robust to the inclusion of marital status and education controls, as shown in *column 12*. In other words, once education is included in the model, the effect of occupation disappears. This suggests, therefore, that education stands as a significant variable.

⁸ I have coded occupation as a binary variable that takes value 0 if it is 'blue-collar' and 1 if it is 'white-collar'. I have dropped the 'self-employed', 'apprentices' and 'civil servant' categories, since it was harder to classify them according to the physical effort required.

Variables	(10)	(11)	(12)
time dummy	0 099	0.025	0.101
j	(0.370)	(0.899)	(0.616)
family values (b)	0.121		
	(0.424)		
time*values(b)	0.093		
	(0.596)		
marital status	-0.140		0.064
	(0.118)		(0.414)
education (c)	0.043***		0.027*
	(0.005)		(0.077)
childcare	0.085		0.659**
	(0.795)		(0.009)
occupation		0.266*	0.200
		(0.086)	(0.218)
time*occupation		-0.070	-0.119
•		(0.745)	(0.581)
	125	105	19/

Table 7: A	Average	marginal	effects:	impact	of the	policy	on	low-income	sample,	effect of	f
the policy	with oc	cupation.									

V. Discussion

This paper has attempted to test whether family values act as a filter to the success of a family policy. The results have shown that the policy has been effective for highly-educated mothers with liberal family values. On this basis, this section gives an overview of the results and turns to a discussion of a number of methodological and data issues arising from the analysis as well as policy implications.

Results and robustness checks

The policy analysed in this paper was designed to accelerate the return to work mainly of mothers with low income. Nonetheless, the results from the previous section suggest that the policy did not significantly change the preferences of this group to return fast to work. Instead, they show that two other variables – education and family values – are relevant to explain *who* reacted to the policy.

Previous literature has always pointed out at education as a key variable to understand different labour-market outcomes. Indeed it is reasonable to think that highly-educated mothers are more aware of the benefits of returning faster to work for their professional careers. The results of this analysis, however, add to the literature showing that education alone is not a significant factor for the success of the policy. It appears that among highly-educated mothers, upholding liberal values increases the probability of preferring a fast return to work by around 23% to 27%. This is not the case among mothers from more traditional values backgrounds, for which no evidence is found of a change in preferences to return to work. This result is robust to the specification of family values as a continuous variable, and it is significant at 10% level. This finding is in line with the hypothesis of the paper and suggests that highly-educated mothers with traditional family values may still prefer to child rearing at home for a longer period and delay their return to work; i.e. that financial incentives are less relevant. Instead, highly-educated mothers with liberal family values may prefer to re-enter the job market as soon as possible.

Some robustness checks are carried out to validate the argument. One alternative explanation to the one offered which would rule family values out could be that it is actually highly-educated *and* low income mothers who react to the policy (as opposed to highly-educated with liberal family values background). This might be, I argue, because within the highly-educated there might be low and high income individuals, for whom the policy has income effects which work in opposite directions, as explained in section II. But even restricting the sample to the highly-educated and calculating the impact of the policy depending on income does not reveal any impact of education together with income on the probability of fast return to work.

Another alternative explanation could be that the power of education is overstated in detriment to other correlated variables with potentially equal power, such as income or occupation. With regard to income, one might think that it is not highly-educated mothers with liberal values the ones who react better to the policy but low-income mothers (at which the policy was targeted) with liberal family values. If this is the case, the implications would be that the policy would have partially succeed, although the significance of values would point to the need to take family values seriously if the patterns of return to work are to be changed. Results, however, do not support this argument; low income mothers with liberal family values have not significantly reacted to the policy. Turning to occupation, it would be logical to think that mothers with less physically demanding jobs return faster to work. Although results point out at the importance of occupation for the probability of fast return before the policy, this significance disappears once I control for education.

Policy implications

Several policy implications stem from these findings. In order to enhance policy effectiveness, a shift from economic incentives towards education is needed. However, as the findings reveal, not all highly-educated mothers react similarly to the policy. It is only highly-educated mothers with liberal values who are more likely to change their preferences and accelerate their return to work after the policy. This suggests that family values should be

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taken on board for policy design. In other words, what the results are implying is that similar social and labour-market policies are likely to have different effects depending on the family values of the society in which the policy is implemented. As noted in the introduction, this result is of great significance for the process of European integration and in the present European context. Although the design and implementation of labour-market and social policies fall within the state responsibility, the European Union is encouraging convergence of certain policies and outcomes related to childcare and, more broadly, to social care. This is even more relevant in current times, when the current economic crisis has led some countries to adopt labour-market policies might be needed, its implementation in countries where family ties and values are different may lead to unexpected outcomes. Notably, ineffectiveness of such policies in different countries may subsequently be seen as an issue of implementation failure or of lack of administrative capacity, whereas, as the results suggest, differences in effectiveness may in fact be driven by country heterogeneity in family values.

These results, however, provide an alternative picture to other findings. Bergemann and Riphahn (2011) analyse the 2007 policy reform and find that there has been an impact for low-income mothers at 10% significance level. They highlight a substantially higher propensity of East German women to return faster to work. Kluve and Tamm's paper (2009), which also analyses the same policy reform, take non-employed mothers within their sample as well, and conclude that the impact of the reform has only been positive for East Germany mothers and women who were not previously employed. The relevance of the East German mothers in both papers may reflect, as suggested in this paper, differences in family values. To fully understand the reasons why the results of these other papers differ from this one, the present paper could carry out different robustness checks which are spelled out in the next section.

Methodology and data issues

The choice of RDD has some advantages which have already been stated in section III. Nonetheless, RDD also suffers from some drawbacks which are worth discussing. One of them and probably the most important is the trade-off between the number of observations and the accuracy of the control and treatment group. In the RDD specification, the closer the observations are to the cut-off point, the lower the risk that the treatment effect suffers from omitted variable bias(Green et al., 2009). On the other hand, having a narrow timeframe leads to fewer number of observations, which increases the sampling variability. In this paper the timeframe has been two years before and three years after the policy in order to allow an acceptable number of observations. This choice, however, is made at the expense of increasing the bias. At least two alternatives exist to correct for the potential bias: one of them would be to increase the number of control variables. I could control for childcare facilities, tenure at the job, macroeconomic controls such as employment levels, number of children at home, and the Länder among others. However, adding controls has to be done with care, given the relatively small number of observations I have, especially in the highlyeducated sample. Another option is to carry out a DDD analysis and compare the outcome with that of the RDD analysis. Despite the above-mentioned setbacks of DDD, using it has several advantages. Firstly, it would allow me to enlarge the timeframe and as a consequence increase the number of observations. Secondly, and given that I would have a control group for the whole period, I could avoid many controls and win degrees of freedom. Finally, it would allow me to expand my analysis and test for potential 'delay' effects and long-term effects of the policy. With regard to the 'delay' effects, it might be the case that it takes some time for the individuals to adjust to the policy, something that the DDD analysis could account for by omitting the observations closer to and past the cut-off point. This is not possible with the RDD analysis, given that it takes precisely observations close to the cut-off point. DDD can also test for whether the long-term effects of the policy are different from the short-term ones. For example, this paper suggests that the policy does not work with individuals with low-education and traditional values. However, it might be that family

values are shaped by the policy and experiment a shift in the medium-long run. This is an effect that DDD is more likely to capture, whereas RDD does not allow for testing. Another related effect that RDD could potentially be missing – although the tests in the data section suggest that it is not – is an anticipation effect. DDD analysis would complement the mentioned tests by omitting the observations closer and previous to the cut-off point.

Some of the variables included in the analysis – especially the dependent variable and family values variable – deserve special attention. With regard to the dependent variable, one alternative is to take 'actual return to work' as opposed to 'willingness to go back to work'. This, however, has two main drawbacks. Firstly this measure is much more influenced by factors such as the hazards of finding a job or other personal factors than the question on 'willingness to return to work'. Secondly, although the panel characteristics of the dataset would have allowed me to follow individuals across time and therefore trace the time that it takes for them to go back to work, the fact that the individual data is yearly – as opposed to monthly – and that interviews take place in different months for every individual and every year, would have probably lead to measurement error problem in my dependent variable.

Family values are worth discussing, not only because of its salience in the paper but also because of the many potential ways of measuring it. In order to reinforce the results of the paper I could carry out alternative analysis where other ways of proxying family values are used. The approach used in this paper follows several papers which have examined 'culture' and 'family values', and which usually use questions from databases such as the World Value Survey (WVS), European Value Survey (EVS) or the International Social Survey Programme (ISSP). There are multiple questions and statements in these databases that refer to values, and this paper chose a statement from the World Value Survey – 'a working mother can establish a secure and warm relationship with her child as a mother who does not work' - which was strongly linked to childcare. Other questions or statements, however, could also be used as proxies and therefore test the robustness of my results. One that it is a very

relevant statement to childcare is the following: 'A pre-school child suffers if the mother works'. The only setback of this statement is the reduced number of countries which have been asked the question. Yet, it would still be an interesting robustness check. Another alternative - and one that fit the epidemiological approach used in the paper - would be to take the female labour force participation of the migrants country of ancestry in the past. It is assumed that this figure reflects the institutions and values of the country of ancestry. Therefore, if it correlates with the female labour force participation of the second generation migrants in the analysed country (Germany in this case) it is a good measure of the values and attitudes of migrants which influence their willingness to re-enter the job market as well as the time and circumstances. Another pertinent issue to discuss is the role of the partner's family values in shaping women's attitudes towards work. Addressing this issue could broaden the understanding of female labour-market decisions and provide robustness to the results. The idea is based on the assumption that working decisions are not made by individuals but by household units, and the partner is a key component, whose family values and attitudes towards women's work can have as much influence to working patterns of mothers as their own values. A similar issue arises when the parents of the observed individual come from different countries of ancestry, and therefore have potentially different family values. To know how these ones are transmitted to the individual is a difficult task and any decision involves some assumptions. So far, this paper has taken a conservative approach by including only the second generation individuals whose parents come from same country. Nonetheless, finding a way to include the individuals with parents from different countries of ancestry could reveal interesting results.

To sum up, exploring both different methodologies and avenues to quantify family values would be a good exercise to test the robustness of the results and to understand what factors are relevant for a childcare policy to be effective and accelerate return to work as well as boosting female employment levels.

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VI. Conclusion

In this paper I suggest that the impact of labour-market related policies is dependent on family values. The empirical results of the policy analysed partially confirm this argument, finding that the impact of a family policy which attempted to accelerate the return to work of mothers has only been significant for high-educated mothers with liberal family values. The main conclusions are therefore threefold: firstly, it is revealed that economic incentives are not sufficient to accelerate return of mothers to work. Secondly, the paper goes in line with the already existing evidence of the relevant role of education in shaping labour-market outcomes, and more specifically, in shaping the pace of return to work. At the same time, however, the paper suggests that education is not a sufficient factor to secure the success of this family policy, and that family values play a significant role.

Policy implications can be drawn from these findings. Firstly, policies directed towards accelerating the return to work of mothers should concentrate not only on the economic incentives, but they should consider other factors such as the level of education of the mother. Secondly, the inclusion of family values increases the understanding of individual behaviour when it comes to decisions about work and leisure and can thus improve policy effectiveness and ultimately labour-market outcomes. Thirdly, the findings contribute significantly to the debate on policy transferability debate in the European Union. The paper suggests that similar social and labour-market policies are likely to have a different effect depending on the family values of the society in which the policy is implemented.

Finally, the paper has provided a discussion on methodology and other data issues which can enhance the robustness of results. RDD has proven to be a good method although there are some shortcomings which could be overcome with a complementary analysis of the policy using DDD. Furthermore, an analysis of the key variable of the paper – family values – reveals that there are other ways of proxying family values which would be interesting to examine.

There is still a long way to go to fully understand how family values and policy interact, but hopefully this paper has provided some substantial evidence of the relevance of family values to labour-market related policies, which are currently at the centre stage of European politics.

Appendix

Appendix 1

GSOEP samples relation

Name/	Label	Start	House-	Persons	Description
Value		Year	\mathbf{holds}		
A/1	German West	1984	4,528	9,076	Head is either German or other nationality
					than those in Sample B
B/2	"Foreigner" West	1984	1,393	3,169	Head is either Turkish, Italian, Spanish,
					Greek or from the former Yugoslavia
C/3	Germans East	1990	2,179	4,453	Head was a citizen of the GDR (expansion
					of survey territory)
D/4	84-93 Immigrant	1994/1995	522	1,078	At least one household member has moved
· ·	(West)				to Germany after 1989 (expansion of sur-
					vey population)
E/5	Refreshment 1998	1998	1,056	1,910	Random sample covering all existing sub-
					samples (total population)
F/6	ISOEP 2000	2000	6,043	10,880	InnovationRandom sample covering all ex-
					isting subsamples (total population)
G/7	High Income	2002	1,224	2,671	Monthly net household income is more
					than 4.500 Euro (7.500 DM)
H/8	Refreshment 2006	2006	1,506	2,616	Random sample covering all existing sub-
					samples (total population)
I/9	"Incentive"	2009	1,531	2,509	Random sample covering all existing sub-
					samples (total population); since 2011 part
					of SOEP Innovation Sample
J/10	Refreshment 2011	2011	3,136	5,161	Random sample covering all existing sub-
					samples (total population)

Source: SOEP Samples Overview – 2011 / Wave 28

Appendix 2 – Coding of variables

Dependent variable

Two problems arise in the coding of the dependent variable. Firstly, given that the interviews were done in different months of the years, there exists the possibility that the question is asked before the women has had a child, in which case the answer would be 'no apply'. Given that I have information on whether they have had a child (see above), if this is the case I check at the answer of this question for the next year. Secondly, there might be a big gap between the birth date and the interview date, especially in the case where we get the answer to the dependent variable from the following year. This poses an inconvenient for the coding of the dependent variable if the answer is 'within a year'. This is because if, say, the gap between the birth and interview date is of 10 months, an answer 'within a year' should be coded as slow return (as opposed to fast return), given that the total amount of time the respondent would have been on parental leave would be two years. To account for this, I take information about the birth and interview month, substract them and for answers 'within a year' I look at the difference between birth and interview rate. If the difference is

eleven or twelve months, I code the answer as slow return. If the difference amounts to one to six months, I code it as fast return. If the difference amounts to seven to ten months, it is quite ambiguous, so I drop the observation.

Coding of country of origin subject to migration background

For those observations which have 'direct migration background', I look at the variable 'country of origin'. For the observations with 'indirect migration background' the process to trace back the country of origin is more complex. Firstly, I look at the variable 'mother and father country of origin'. If this one is existent, I check whether they come from the same country. When that is the case, I code the observation with the pertinent country of origin. When the country of origin for the father is different from the mother, I drop the observation (further analysis could be pursued to try to include these observations). If the mother and father country of origin is not available, I look at the mother and father personal number, I look for them in the dataset and I look at the variable 'country of origin' or 'nationality', if this one is not Germany. From 60 observations with 'indirect migration background', 43 have a known country of origin. From those, 32 have the same country of origin from mother and father.

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