



**Solvay Brussels School**  
Economics & Management

# BROWN BAG SEMINAR

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## **Sébastien Fontenay**

### **The Unintended Consequences of Maternity Leave Allowance on Fertility and Career Decisions**

I examine the impact of maternity leave allowance for first-time mothers on their subsequent fertility and career. Identification is based on a Regression Kink Design (RKD). I exploit a discontinuity in the benefit formula, which results in a lower replacement rate for women with pre-leave earnings above the maximum threshold. Using a rich set of administrative data on Belgian mothers from 2002 to 2016, I find that higher maternity leave benefits for the first child increase subsequent fertility, and consequently reduce labor force participation in the long run. I estimate that, for each additional euro in daily allowance, the probability to have a second child increases by 0.8 percentage point. Subsequently, the likelihood to remain employed declines in the same proportion. My results suggest that mothers make decisions about their total fertility based, at least in part, on the generosity of maternity leave allowance, with long-run implications on their probability to remain in the labor force. This research also highlights the unintended consequences of the caps on benefits for high-earning women who, as a result, face a disproportionately higher cost of maternity.

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