Sparse Bayesian modelling of treatment effects on panel outcomes: Analysis of Labor Market Effects of a Mother's Time spent at Home after Childbirth

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ABSTRACT

Child birth leads to a break in a woman's employment history and is considered one reason for the relatively poor labor market outcomes observed for women compared to men. However, the time spent at home varies significantly across women. The decision to return to work is likely driven by observed and more importantly unobserved factors that also affect labor market outcomes directly. We exploit the variation in time spent at home as a result of a recent change in the parental leave policy in Austria (Lalive, R., Schlosser, A., Steinhauer, A. and Zweimueller, J., 2010) in the context of a Bayesian treatment effects model for binary treatment and panel outcomes with variable selection to estimate the effect from the time till return to work on the mothers subsequent labor market performance. Our analysis will be based on data from the Austrian Social Security Register (ASSD).