

Chapter 6

CAREER PLANNING IN SPAIN: DO FIXED-TERM CONTRACTS DELAY MARRIAGE AND PARENTHOOD?

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1. INTRODUCTION

At the beginning of the sixties, north-western Europe started a drastic transformation in the pattern of household formation and reproduction, which was reflected in a pronounced increase in age at first marriage and a clear postponement of entry into maternity. Towards the end of the eighties, these features of behaviour had reached some of the Mediterranean countries, such as Portugal, Italy and Spain. Theoretical life-cycle models of fertility have analyzed the factors that may induce families to change their fertility pattern over their life-cycle (Cigno and Ermisch (1989), Cigno (1991), Walker (1995)). Children entail large costs in terms of time, maternal time costs of mothers which vary over their life cycle, and goods or direct expenditure on children. Therefore, changes in childbearing costs (direct expenditure and opportunity costs) and income over the family life-cycle may result in changes in the timing of maternity (see Hotz et al. (1997)). Women's educational attainment and their participation in the labour market affect childbearing costs (particularly through opportunity costs of childbearing) and household income over their life-cycle differently depending on their educational level. More highly educated women place a higher value on their time in the labour market at each age, given that if they decide to participate in the labour market, they will have higher earnings profiles than less educated women. Since childbearing imposes time, the higher the wages the higher the opportunity cost of childbearing for women (substitution effect). Furthermore, sometimes there is not only a loss in current income but also in their future earnings profile due to the depreciation of women's human capital at work during their temporary absence from the labour force for childrearing. The latter are the costs of children for the mother's career, which constitute the main point in the literature on the career planning motive for postponing maternity (see Joshi (1990,

1994, 1998), Dankmeyer (1996), Gustafsson (1996, 2001)). This effect is particularly important for highly educated women.

However, in Spain, postponement of maternity cannot be explained only by a transition from early parenthood by poorly educated women to late parenthood by highly educated ones. The reason is that, even though the distribution of more educated women of fertile age has increased, postponement of parenthood has been observed at all educational levels. Recent empirical research (Ahn and Mira (2001)) stresses the connection between unemployment and fluctuations in marriage and fertility in Spain. They find an empirical link between high and persistent rates of unemployment and a delay in marriage in Spain during the eighties. From an economic point of view, high and persistent unemployment must be viewed as a drop in current and future expected income, and given that children are normal goods, childbearing is expected to be delayed. This issue is particularly important in economics with imperfect capital markets, where households need savings so as to afford the fixed costs imposed by children (Kalwij (1999)).

The aim of this chapter is to find an empirical connection between another particular labour market phenomenon and the delay in marriage and maternity in Spain. The labour market phenomenon we focus on is the huge increase in the use of fixed-term contracts that young Spanish workers in particular have suffered since the mid eighties. This increase has been due to a labour market reform which took place in 1984 and whose main point was that employers were allowed to contract workers on a fixed-term basis even when the nature of the job was not temporary. Since this reform, the vast majority of new contracts in Spain has been and still is on a fixed-term nature. These fixed-term contracts are at least partially responsible for the findings of Gutierrez-Doménech (2002), who looks at Spanish women before and after childbirth, and shows that one third of women who were at work one year before childbearing were unemployed nine months after. Pre-childbirth fixed-term contracts seem to be the main determinant for this “career break job penalty” that Spanish mothers are exposed to.

Our hypothesis is that given that Spanish women with fixed-term contracts are aware of the career break job penalty they are exposed to when they become mothers, some of them, presumably those with higher career prospects, decide to postpone maternity until they get a more stable labour market situation, i.e., until they get an indefinite contract.

We estimate the impact of education and type of contract on the decisions whether to enter into marriage and into motherhood for the nineties, which is when fixed-term contracts were most widely extended. Using the eight waves of the European Household Panel for Spain, we use two empirical approaches: First, a “static” approach, where we estimate the probability of entry into marriage (or cohabitation) and the probability of entry into parenthood by maximum likelihood methods assuming a logistic functional form. The second approach consists of estimating a discrete time duration model for the probability of entering into marriage and into parenthood so as to take into account dynamic aspects of each decision.

Results reveal that for men, the decision whether to get married is strongly negatively affected by holding unstable contracts or not working, relative to when an