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The effects of formal and informal child care on the Mother's labor supply—Evidence from urban China

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ABSTRACT

The women's labor force participation rate in China has declined considerably during the last twenty years in urban China. Since the reforms started in the mid-1990s, publicly subsidized child care programs have decreased, and private care centers have increased. This might have increased the reliance of working mothers on informal child care and reduced their reliance on formal child care. Using post-reform data from the Project on Rural–Urban Migration in China (RUMiC) of 2008, I estimate the effects of formal and informal child care on the labor supply of mothers of young children. A recursive model with instrumental variables is employed to account for endogeneity. I find a positive and significant impact of informal child care in the form of grandchild care on the mother's labor force participation, while no significant effect of formal child care in the form of kindergartens or paid nannies. Considering recent tendencies in China to postpone retirement, one possible method to maintain mothers' presence in the labor market could be to reinforce the availability and affordability of formal child care.²³

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1. Introduction

Women's labor force participation (LFP) is related with importance issues such as gender equality and household income. Women's LFP rate has decreased in China since the middle of the 1990s. In particular, the LFP rate of women aged between 25 and 49 years old was approximately 91% in 1990, and it decreased to 87.6% in 2000 and to 83.2% in 2010 (Shen, Zhang, & Yan, 2012). Some researchers believe that economic reforms have been a cause of these declines (Yao & Tan, 2005). In view of the stylized inflexibility of balancing motherhood and work, it cannot be ignored that child care uses by the mother, both formal and informal, are important determinants of women's LFP.

In urban China, since the launch of a program of radical restructuring of state-owned enterprises in 1997, publicly subsidized

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³ Abbreviations: RUMiC: Project on Rural–Urban Migration in China. LFP: labor force participation. NBS: China National Bureau of Statistics. cmp: conditional mixed process.

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formal child care programs such as nurseries and kindergartens have significantly decreased, and private care centers offering child care services at higher prices have increased. Since the reforms, public child care programs have been usually available for children aged 3 years old and above, with priority to children whose parents hold local urban registrations (so-called urban Hukou) in current China.⁴ This might have increased the reliance of working mothers of young children on informal child care and reduced the mothers' reliance on formal child care. Currently, there is a tendency in urban China to delay retiring age. If mothers of young children who receive grandchild care are more likely to participate in the labor force, the delayed retiring age, which might reduce the likelihood of grandchild care, would consequently decrease mothers' LFP. Therefore, the main objective of this paper is to investigate whether grandchild care, referred to as informal child care in this paper, and kindergartens, referred to as formal child care, are important determinants of mothers' labor supply in current China.

Previous studies have investigated the relation between different forms of child care and the mother's labor supply. With regard to informal child care, the presence of adult women, especially grandmothers, in the household is generally found to increase the probability of the mother to participate in the labor market (Connelly, Degraff, & Levison, 1996; Del Boca & Vuri, 2005; Du & Dong, 2010, 2013; Kilburn & Datar, 2002; Ogawa & Ermisch, 1996; Sasaki, 2002). Ogawa and Ermisch (1996) and Sasaki (2002) suggest that sharing housework, such as child care, between the young and the elderly avails the young of more time to work at a paid job. However, these studies ignored the non-resident grandparents who may live close enough to provide help. Qu and Sun (2011) note that in urban China the proportion of the elderly who are aged 60 years old or above and live with their children has declined from 56.7% in 2000 to 47.8% in 2006. In addition, the data set used in this paper shows that approximately 23% of preschoolers live only with their parents but are taken care of mostly by their grandparents. If grandchild care helps the mother of young children to participate in the labor force, ignoring nonresident grandparents can lead to an underestimate of the effect of grandchild care on the mother labor supply, as mothers who receive grandchild care from the nonresident elderly will be seen in the analysis as individuals who do not obtain grandchild care. More importantly, if living with grandparents is a result of the mother's decision to work, looking at only resident grandparents will lead to a selection bias that the aforementioned studies have not addressed.

There are studies that examine the impact of the presence of both resident and non-resident grandparents on the mother's labor supply. Dimova and Wolff (2008, 2011) studied the case of Europe and found that the provision of grandchild care by grandmothers has a significant positive impact on mother labor supply, but they did not account for formal child care, which might simultaneously affect grandchild care and mother labor supply. Chen, Short, and Entwisle (2000) found that having any grandparent in the household or a paternal grandparent living nearby reduces the mother's involvement in child care in China. Du and Dong (2010) found that having elder women in the household or having grandmothers living nearby has positive impacts on the mother's LFP in China from 1997 to 2006. On the one hand, some of these studies did not consider the possibility of formal child care. On the other, living together or nearby is not a good measure for grandchild care, as this may be because the grandparents need help from their children, which usually has a negative effect on their children's labor supply (Ettner, 1995; Pavalko & Artis, 1997). If living arrangement is used to measure grandchild care, estimation results will confound the effect of downward (from grandparents to their children) time transfers with that of upward (from adult children to their parents) time transfers.

With regard to formal child care, previous studies suggest that the availability of formal child care programs near the household increases the probability of women's LFP (Del Boca & Vuri, 2005; Du & Dong, 2013; Kilburn & Datar, 2002), and formal child care costs usually negatively affect the LFP of mothers of young children (Blau & Robins, 1988; Del Boca & Vuri, 2005; Du & Dong, 2013; Wrohlich, 2004). However, these studies either focus only on formal child care or have aforementioned limitations in measuring informal child care.

In view of the limitations of previous studies, this paper contributes to the existing literature in the following aspects. First, the impacts of formal and informal child care on the mother's labor supply are estimated simultaneously. Second, to avoid underestimating the effect of grandchild care on mother labor supply and selection bias, both resident and non-resident grandparents are considered when defining grandchild care. Third, an explicit measure of grandchild care is adopted instead of grandparents' living arrangement to obtain an uncontaminated effect of grandchild care. Last, following Dimova and Wolff (2011), a recursive model with instrumental variables is used to account for potential endogeneity of different forms of child care uses to mother labor supply.

As noted by Dimova and Wolff (2011), when formal child care is not available at low costs and the labor market is not flexible, it is difficult for mothers of young children to pursue a career without the help from family members. In China, publicly subsidized child care programs have decreased after the reforms since the middle of the 1990s and become less flexible in accessibility. Private child care programs are more flexible in terms of accessibility and possibly time schedules; however, they are more expensive. Therefore, I expect that formal child care in the form of kindergartens has limited effect on mother labor supply, while informal child care in the form of grandchild care plays an important role.

The rest of the paper is organized as follows. Section 2 describes the data, briefly discusses child care policies in China, and gives descriptive statistics. Section 3 presents econometric model specifications and estimation results. Section 4 concludes.

2. Data and descriptive statistics

2.1. Data from the RUMiC surveys

I use the data from the Project on Rural–Urban Migration in China (RUMiC) carried out at the beginning of 2008 for the year

⁴ For a detailed description of child care program reforms in China, see Du and Dong (2013).

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