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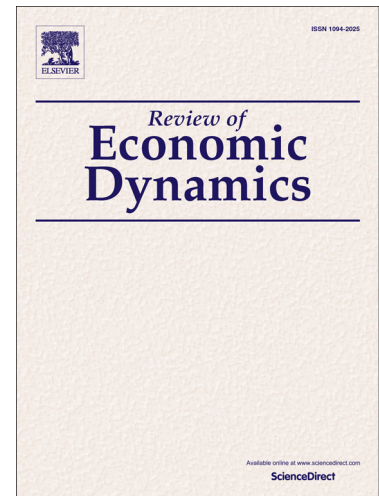
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With Strings Attached: Grandparent-Provided Child Care and Female Labor Market Outcomes*

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Abstract

Grandparents are regular providers of free child care. Similar to other forms of child care, availability of grandparent-provided child care has positive effects on fertility and mothers' employment. However, grandparent-provided child care requires residing close to parents or in-laws which may imply spatial restrictions for labor markets. We find that West German mothers who reside close to parents or in-laws have lower wages. We build a model of residence choice, fertility decisions, and female labor force participation that can account for the observed relationships. We simulate our model to analyze how women's decisions would change if the availability of grandparent-provided child care or family policies were altered. If out-of-pocket child care costs were lowered to the Swedish level, fertility, mothers' labor force participation, and geographical mobility would increase. If more households had access to free grandparent-provided child care, fertility and mothers' labor force participation would also increase, but geographical mobility would be reduced.

JEL classification: J13, J61, H42, R23

Keywords: grandparent-provided child care, fertility, employment, spatial restrictions, regional labor markets

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