



# Do higher child care subsidies improve parental well-being? Evidence from Quebec's family policies<sup>☆</sup>



Abel Brodeur<sup>a,1</sup>, Marie Connolly<sup>b,\*</sup>

<sup>a</sup> Paris School of Economics, CEP (LSE), IZA, France

<sup>b</sup> Université du Québec à Montréal, Cirpée, Cirano, Canada

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## ABSTRACT

In this paper, we investigate the effect of a change in child care subsidies on parental subjective well-being. Starting in 1997, the Canadian province of Quebec implemented a generous program providing \$5-a-day child care to children under the age of 5. By 2007, the percentage of children attending subsidized day care had tripled and mothers' labor force participation had increased substantially. Objectively, more labor force participation is seen as a positive change, bringing with it higher income, independence and bargaining power. Yet a decrease in women's subjective well-being over previous decades has been documented, perhaps due to a *Second Shift* effect where women work more but still bear the brunt of housework and childrearing (Hochschild and Machung, 1989). Using data from the Canadian General Social Survey, we estimate a triple-differences model using differences pre- and post-reform between Quebec and the rest of Canada and between parents with young children and those with older children. Our estimates suggest that Quebec's family policies led to a small decrease in parents' life satisfaction. Of note, though, we find large and positive effects for lower-educated mothers and fathers and negative effects for higher-educated parents. This is consistent with an income effect boosting subjective well-being for lower-educated parents and with negative effects on child outcomes overtaking income effects for more educated households.

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## 1. Introduction

The question of whether technological changes, higher real wages, rising educational attainment and lower fertility can cause an increase in women's well-being are basic concerns for economists. Over the past few decades, women's rights in areas such as child custody and labor force participation have improved considerably, leading to a social change that objectively should have made women better off. Yet puzzlingly, women in the United States were reporting lower levels of happiness in the 2000s than in the 1970s, both absolutely and relative to men (Blanchflower and Oswald, 2004; Stevenson and Wolfers, 2009). Using answers to subjective well-being questions from the American General Social Survey (AGSS),<sup>2</sup>

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\* Corresponding author at: Département des sciences économiques, Université du Québec à Montréal, C.P. 8888, Succ. Centre-ville, Montreal, QC H3C 3P8, Canada. Tel.: +1 514 987 3000x0277; fax: +1 514 987 8494.

E-mail addresses: [abel.brodeur@parisschoolofeconomics.eu](mailto:abel.brodeur@parisschoolofeconomics.eu) (A. Brodeur), [connolly.marie@uqam.ca](mailto:connolly.marie@uqam.ca) (M. Connolly).

<sup>1</sup> Paris School of Economics (PSE), 48 Boulevard Jourdan, 75014 Paris, France.

<sup>2</sup> Stevenson and Wolfers (2009) also used other data sets such as the Virginia Slim Survey of American Women's Opinion Polls to look into life satisfaction. Results were quite similar to those about happiness but the overall downward trend is larger for both sexes. On the other hand, Herbst (2011) showed

Stevenson and Wolfers (2009) showed that women are now reporting happiness levels that are similar to or even lower than those of men. They called this phenomenon “the paradox of declining female happiness.” The authors also claimed and showed empirical evidence that this trend holds across much of Europe. Unfortunately, while they offer some possible explanations for this paradox, they fall short of providing definitive answers. By their own admission, they “do not purport to offer an answer to what is driving the decline in subjective well-being among women” (Stevenson and Wolfers, 2009, p. 194). Many factors could have contributed to a decline in women’s well-being. For instance, women might have a new reference group when evaluating their life satisfaction and thus be comparing their situation to men or to an ideal state. Another explanation is simply that there are divergent social roles and expectations for women, as existentialist and early feminist Simone de Beauvoir noted over half a century ago: “One is not born, but rather becomes, woman. No biological, psychic, or economic destiny defines the figure that the human female takes on in society; it is civilisation as a whole that elaborates this intermediary product between the male and the eunuch that is called feminine” (de Beauvoir, 1949, p. 283).

One of the most remarkable social changes over the last decades is the rise in the labor force participation rate of women. In the 1970s in Canada, less than half of women aged 25–64 had a job compared to around 65 percent in the 1990s (Beaudry and Lemieux, 1999). This increase is larger when considering participation rates (from 50 percent in the mid-1970s to 70 percent in the 1990s), and even more so when looking at mothers of at least one child under six, whose employment rates rose from 31 percent in 1976 to 67 percent in 2004 (Baker et al., 2008). The Akerlof and Kranton (2000) identity model aids in understanding the impact of the women’s movement on the labor market. The declining association of gender with tasks has had opposing consequences for the identity of men and women. While women’s sense of purpose stemming from homemaking is decreasing, payoffs for traditional male occupations are rising. The decision to enter the labor market is then a function of women’s identity. The upward trend in female labor participation could be viewed as a switch to the payoffs of being employed. This lifestyle choice is obviously also driven by other factors like wages and fertility.

In this paper, we aim to contribute to the growing research on the determinants of well-being by investigating how subjective well-being was affected by a drastic change in the child care subsidy policy of the Canadian province of Quebec. In 1997, Quebec launched a major program of subsidized day care. At the time, barely 74,057 child care spaces were available at a reduced fee for Quebec’s more than 445,000 children under the age of five, for a coverage of less than 17 percent. By 2007, the number of subsidized spaces was nearly 200,000 for a total of 389,661 children under five in the population, equivalent to 51 percent coverage (see Lefebvre and Merrigan, 2008, Table 2). The implementation was gradual, starting with coverage for children aged four in September 1997 and adding those aged three and two in September 1998 and 1999, respectively. This policy was also combined in September 1998 with \$5-per-day before- and after-school day care for kindergarten and primary school children (\$7 since 2004). As a result of the policy, women’s labor force participation increased by 13 percent and their annual hours worked increased by 22 percent (Lefebvre and Merrigan, 2008).

Quebec’s child care policy is particularly interesting to study because it goes to the heart of one of the possible explanations of the declining female happiness paradox: that increased labor force participation has a negative net effect on well-being. When not coupled with a decrease in household tasks, more work time for women effectively results in working a *Second Shift*, as argued by sociologist Hochschild and co-author Machung (1989). They explained that: “[...] even when husbands happily shared the hours of work, their wives felt more responsible for home and children” (Hochschild and Machung, 1989, p. 8). This extra burden, whether counted in minutes or in responsibility, could reasonably be expected to decrease subjective well-being. As discussed by Stevenson and Wolfers, “women may simply find the complexity and increased pressure in their modern lives to have come at the cost of happiness” (Stevenson and Wolfers, 2009, p. 224). This could explain why women who seem to “have it all,” meaning both a family and a career, are actually reporting lower levels of subjective well-being than mothers without a career (see Bertrand, 2013 for evidence of this among college-educated women).

Investigating the causal impact of labor force participation on subjective well-being (SWB) is difficult because of the endogenous character of labor supply: factors that make one happier may be correlated with decisions regarding work, which would bias estimates of the causal impact of interest. To get rid of this bias, it would be tempting to use Quebec’s child care policy change as an instrument for labor force participation. Unfortunately, we cannot ascertain the exogeneity of such an instrumental variable: the change in policy itself might be correlated with factors influencing women’s well-being.

In this paper, we sidestep the issue of the effect of work on SWB and instead focus on the impact of child care subsidies on SWB. To achieve this, we use a triple differences approach and estimate the overall impact (through a reduced-form effect) of a generous child care policy change on the subjective well-being of Quebec’s parents of children under the age of five (the children targeted by the subsidies). We look at both an evaluative measure of SWB (life satisfaction) and an hedonic measure (happiness). The two measures do not precisely measure the same concept (Deaton and Stone, 2013). An evaluative measure requires a survey respondent to take a step back and reflect on his or her condition (“How satisfied are you with your life?”), while an hedonic one does not require the same cognitive effort from the respondent and is based more on instantaneous experience (“How happy are you presently?”). We study men as well as women to highlight potential gender differences. While we are not able to completely distinguish the precise mechanisms that influence parents’ well-being, we discuss possible transmission channels and rule out mechanisms inconsistent with our findings whenever possible. We believe that knowing the effect of such a policy on well-being is of interest to policymakers and economists alike. Our study could

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that men and women reported the same decreases in life satisfaction and other indicators of well-being since the mid-1980s (using the DDB Needham Life Style Survey).

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