



Family proximity, childcare, and women's labor force attachment



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ARTICLE INFO

Article history:

Available online 30 March 2013

JEL classification:

J13

J20

Keywords:

Family proximity

Women's labor supply

Childcare

ABSTRACT

We show that close geographical proximity to mothers or mothers-in-law has a substantial positive effect on the labor supply of married women with young children. We argue that the mechanism through which proximity increases labor supply is the availability of childcare. We interpret availability broadly enough to include not only regular scheduled childcare during work hours but also an insurance aspect of proximity (e.g., a mother or mother-in-law who can provide irregular or unanticipated childcare). Using two large datasets, the National Survey of Families and Households and the public use files of the U.S. Census, we find that the predicted probability of employment and labor force participation is 4–10 percentage points higher for married women with young children living in close proximity to their mothers or their mothers-in-law compared with those living further away.

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1. Introduction

In this paper we show that close geographical proximity to mothers or mothers-in-law has a substantial positive effect on the labor supply of married women with young children.¹ Using two large datasets, the National Survey of Families and Households (NSFH) and the public use files of the U.S. Census, we find that the predicted probability of employment and labor force participation is 4–10 percentage points higher for married women with young children living close to their mothers or their mothers-in-law compared with those living further away. We argue that the availability of childcare is the mechanism linking proximity and labor supply. We interpret availability broadly enough to include not only regular scheduled childcare during work hours but also an insurance aspect of proximity (e.g., a mother or mother-in-law who can provide irregular or unanticipated childcare).

Two endogeneity issues complicate estimation. The first complication arises because childcare decisions and labor supply decisions are often made simultaneously. We deal with this endogeneity issue by using proximity as an instrument for childcare transfers from mother or mother-in-law. This IV approach assumes that proximity is exogenous, an assumption often made in the literature.

The second complication arises because of the potential endogeneity of proximity. Economists have generally ignored the endogeneity of proximity and several recent papers use proximity to mothers as an instrument for family-provided childcare to estimate the causal effect of childcare on labor supply (e.g., Dimova and Wolff, 2008; Dimova and Wolff, 2011; Zamorro, 2009). If proximity is not exogenous but is related to variables that affect labor supply and childcare decisions (e.g., both proximity and labor supply may be influenced by human capital investment, fertility and the marriage market), then the IV results are misleading. To deal with the potential endogeneity of proximity, we use census data to analyze the relationship between labor force attachment and proximity using a sample of “military wives,” civilian women with husbands serving in the US military. Estimates based on census data support our conclusion that proximity has a substantial positive effect on the labor force attachment of married women with young children and that the mechanism is the availability of childcare.

Using proximity as an instrument for childcare transfers from mothers or mothers-in-law, we find that married women who receive childcare transfers from their mothers or mothers-in-law are 5.1 to 6.2 percentage points more likely to work in the paid labor force than those who do not receive childcare transfers. These estimates are based on predicted transfer of childcare in the previous month and may underestimate the full effect of geographic proximity. Proximity to a mother or mother-in-law who can respond to irregular or unanticipated childcare needs constitutes a kind of insurance the importance of which may be greater than the number of actual or predicted childcare hours would suggest. Market-based childcare may be a good substitute for care provided by a grandmother when the need for childcare is regular and antici-

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¹ We use “mothers” to refer to the older generation, “women” to refer to the middle generation (i.e., the adult daughters of the mothers) and “children” to refer to the youngest generation (i.e., grandchildren of the mothers). By “young children” we mean children 12 and under.

pated. But market-based childcare is less able to meet irregular or unanticipated childcare needs. Hence, the proximity of a grandmother who can pick up a sick child from school, take a child to after school sports practice, or care for a child whose parents are traveling on business may affect women's labor market choices, even if such childcare needs seldom arise.

To allay concerns that proximity affects labor force attachment through channels other than childcare, we show that proximity has no discernable effect on the labor force behavior of married women without childcare needs: those without young children. Although unmarried women with children are more likely than married women with children to benefit from work-related childcare by their mothers, we do not find a relationship between proximity and labor force attachment for unmarried women. This lack of effect is consistent with a more inelastic labor supply of unmarried women with children, making them less responsive to the availability of childcare.²

Using micro-data from the census, we find additional evidence that proximity to mothers or mothers-in-law increases the labor force attachment of married women with young children and that the likely mechanism is childcare. Because the census, unlike the NSFH, does not ask about proximity to mothers or mothers-in-law, we use living in one's birth state as a proxy for geographical proximity. Because the census does not ask about childcare, we estimate the relationship between labor force attachment and birth state residence. We report three separate analyses. First, we proceed as we did with the NSFH reduced form equations, assuming proximity is exogenous and investigating the effect on the labor force attachment of married women with young children of living in her birth state or her husband's birth state. Second, we consider a sample of military wives. The military wives provide an endogeneity control because their husbands' locations are determined by the military. For the military wives, we find that living in the birth state of both spouses increases the labor force attachment of married women with young children. Third, we consider a subsample of migrants – individuals who, 5 years prior to the census, were not living in either their birth state or their current state. We find that married women with young children who returned to their birth states or to their husbands' birth states have substantially higher labor force participation than women who moved to a non-birth state.

Geographical proximity of adult children and their parents has only recently garnered attention in the economic literature.³ Konrad et al. (2002) model the proximity of adult children to their parents as the outcome of a noncooperative game, but they do not consider childcare or labor supply.⁴ Rainer and Siedler (2009) devel-

op and estimate a similar model but, unlike Konrad et al., they discuss labor market effects; they find that adult children without siblings are more likely to remain in their parents' locations and have worse labor market outcomes. These findings are strongest when comparing only children and adults with siblings who grew up in economically depressed regions: the earnings of adults with siblings are ten percent higher on average, and adults with siblings are ten percent more likely to be working full time, compared with only children. They do not investigate the effect of the availability or receipt of childcare on women's labor supply.⁵

Three recent studies consider the effect of childcare by mothers (but not by mothers-in-law) on the labor force behavior of women in Europe, using proximity as an instrument for childcare transfers. Using SHARE data, Dimova and Wolff (2011) use a simultaneous recursive model to estimate the effect of both time and money transfers from mothers on the labor force participation of their daughters in 10 European countries.⁶ They include distance between mothers and daughters as well as mothers' demographic characteristics in their childcare equation. They find that regular (weekly or daily) transfers of childcare have a small positive effect on daughter's labor force participation, but do not affect whether their labor force participation is full-time or part-time. Using the same data and a recursive simultaneous equations model, Zamarro (2009) considers the country-specific impact of regular childcare transfers on the labor supply of both mothers and daughters. She finds that regular childcare transfers affect the daughters' labor supply for Greece and the Netherlands, but are insignificant for the other 8 countries. Finally, using French data Dimova and Wolff (2008) find that daughters of first-generation immigrant women at or near retirement age are more likely to participate in the labor force if they receive regular (i.e., weekly) childcare from their mothers. Arpino et al. (2010) do not consider proximity, but estimate the effect of grandparent-provided childcare on the labor force attachment of women in Italy using the number of living grandparents as an instrument for childcare transfers. They find a very large (30 percentage point) positive effect of grandparent care on the probability that a woman is working. Finally, Compton (2013) estimates the direct effect of proximity to mother on the labor force attachment of women in Canada. Compton finds a substantial positive effect of proximity on the probability of work (11 percentage points), only for married women with children under the age of 15.

We argue that the empirical strategy used in the majority of these studies underestimates the effect of childcare availability for two reasons. First, with the exception of Compton (2013), they focus on regular childcare, ignoring the insurance aspect of childcare to meet irregular or unanticipated needs. Second, with the exception of Arpino et al. (2010), they consider only childcare transfers from mothers to daughters because the data sets they use do not include information on mothers-in-law.

We find that the effect of proximity on labor force attachment is strongest for those women living near both mothers and mothers-in-law (in the NSFH data) or living in the birth state of both spouses (in the census data). "Living near neither mother" has a strong negative effect on labor force attachment. The effect of close proximity to only her mother or only his mother is positive, but not robust across samples. In the NSFH, the effect of close proximity to only his mother is positive and significant, while the effect of close proximity to only her mother is insignificant. In the census data,

² Kimmel (1998) finds that the labor supply of unmarried mothers is less responsive to childcare prices than the labor supply of married mothers. Bishop et al. (2009) estimate labor supply elasticities for single women and show that participation wage elasticities for single mothers have declined dramatically between 1980 and 2004, and are much lower than those of married mothers. They estimate a participation wage elasticity for single mothers of 0.68 in 1979, dropping to 0.25 by 2004. In contrast, Blau and Kahn (2007) estimate wage elasticities of married mothers at 0.98–1.04 in 1979–1981 and 0.48–0.54 in 1999–2001.

³ Klerman and Leibowitz (1990) find a non-significant effect of the availability of relative care on the probability of returning to work within 3 months (and also within 24 months) following the birth of a child. Their analyses, however, focus on coresident mothers rather than mothers in close proximity. Declining rates of coresidence (Costa, 1999; Ruggles, 2007) and the likelihood that coresident mothers may themselves need care (Compton and Pollak, 2009) suggest that the focus on coresidence rather than proximity fails to capture the roles of mothers and mothers-in-law. Several recent theoretical papers consider the effect of intergenerational transfers of time on the labor force behavior of women. Pezzin and Schone (1999) develop a model in which the labor force participation of women and the provision of long-term care to mothers are jointly determined; they focus on the care of frail elderly mothers and do not consider childcare.

⁴ In their model, the eldest sibling has the first mover advantage and moves away from the parents to shift the burden of providing long-term care for elderly parents to younger siblings.

⁵ Cardia and Ng (2003) calibrate an overlapping generations model that allows intergenerational transfers of both time and money; they show that time transfers involving childcare have substantial positive effects on the labor supply of the middle generation. Belan et al. (2010) develop and analyze an overlapping generations model with intergenerational transfers of care and show that changes in the mandatory retirement age affect the employment rates of both generations.

⁶ SHARE, the Survey of Health, Ageing and Retirement in Europe, is a large multi-country panel covering more than 45,000 individuals over the age of 50.

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