



After-school care and parents' labor supply[☆]



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HIGHLIGHTS

- Exploit variation in cantonal (state) regulations of after-school care provision in Switzerland.
- Restrict our analysis to confined regions along cantonal borders
- No impact of the after-school care provision on parental employment
- Positive impact on the full-time employment of mothers

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ABSTRACT

Does the provision of after-school care promote maternal employment and thus help to foster gender equality in labor supply? We address this question by exploiting variation in cantonal (state) regulations of after-school care provision in Switzerland. To establish exogeneity of cantonal regulations with respect to employment opportunities and preferences of the population, we restrict our analysis to confined regions along cantonal borders. While no impact of the after-school care provision on parental employment exists overall, we find a positive impact on the full-time employment of mothers.

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1. Introduction

Although the participation of mothers in the labor market increased strongly during the 21st century, a substantial gender gap

in work hours of mothers and fathers remains. In 2009, the average employment rate among women with children under the age of 15 amounted to 66% in OECD countries (OECD Family Database, 2012). Only a fraction of these women, however, worked full-time (45%); 26% of these women worked 50–90% (3–4 days per week), and 29% worked <50%. In contrast, a large majority of men with children under the age of 15 worked full-time (78%). These gender differences partly arise from differential childcare responsibilities within families (OECD, 2001).

This paper provides empirical evidence on the effects of after-school care provision as a policy to promote mothers' employment and to foster gender equality in labor supply. Many developed countries currently expand the public³ supply of all-day schools and after-school care, given

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³ We use the term "public" childcare interchangeably with "publicly regulated" childcare. In other words, public childcare slots do not necessarily need to be publicly financed. For details on the regulation and financing scheme of public childcare in Switzerland, the country under study, see Section 2.

the existing evidence on the negative consequences of reducing hours of work for female career opportunities (Waldfoegel, 1997; Bratti et al., 2004; Felfe, 2012). In addition to gender equality arguments, these policies follow at least two other justifications. First, individuals do not account for the possible public returns of their labor supply. They might thus undersupply labor from a social perspective, especially when childcare costs are high. Second, after-school care facilities face, in general, high set-up costs, which hamper market entry for private providers. By contrast, public providers may enter more easily and can save costs by using existing public infrastructure, like schools, for setting up childcare facilities.⁴ Yet, there is little evidence on the impact of after-school care on parental labor supply.

Identifying a causal effect of the after-school care provision on parents' labor supply is challenging since availability of after-school care is likely related to parental preferences to work and municipalities' efforts to attract additional long-term taxpayers (i.e. highly educated young workers). To establish a causal effect, we exploit legal differences in after-school care enforcement at the cantonal (state) level in Switzerland. Importantly, our analysis concentrates on narrowly defined areas along cantonal borders, which are homogenous in employment opportunities and preferences for after-school care provision. This regional restriction allows us to argue that cantonal regulations of childcare supply shift the childcare availability in a municipality, but are unrelated to parents' labor supply for reasons other than childcare availability. In other words, cantonal regulations serve as an instrumental variable for the after-school care provision.

We combine individual-level data from the 2010 Swiss Census with municipality-level data on the after-school care provision to implement this instrumental variable strategy. We find that an expansion of after-school care slots does not change the share of working parents (extensive margin). Nevertheless, an expansion of after-school care slots does stimulate increases in maternal work hours (intensive margin): Each additional after-school care slot encourages one more mother to boost her work hours to full-time. We do not find a comparable effect for fathers. Our results are robust to a series of robustness checks, including a difference-in-differences specification, which accounts for potentially unobserved differences between cantons prior to the enforcement of the after-school care provision. In addition, we estimate a series of specifications that allow the effects of the after-school care provision on parental labor supply to differ across local labor markets.

This paper relates to a broad literature that analyzes the consequences of the childcare provision for mothers' labor supply. Most studies focus on the impact of childcare for preschool-aged kids on the mothers of these children. A first set of studies identifies positive effects of the childcare provision on maternal employment. These studies either rely on regional and time variation in supply (Berlinski and Galiani, 2007; Geyer et al., 2015; Nollenberger and Rodriguez-Planas, 2015; Schlosser, 2011), or on the introduction of a price subsidy for public care (Baker et al., 2008; Lefebvre and Merrigan, 2008). In contrast to these studies, however, a second body of research finds that maternal labor supply on average does not react to increases in childcare availability. Only subgroups of mothers, such as single mothers or mothers living in disadvantaged areas, react positively to an increase in public childcare (Cascio, 2009; Fitzpatrick, 2010; Goux and Maurin, 2010; Havnes and Mogstad, 2011). Reasons for the lack of consensus in this literature may relate to different methodological approaches as well as to differences in the institutional setting – the initial level of childcare supply and/or maternal employment, for example.

⁴ In addition, Blau and Currie (2006) mention information asymmetries about the quality of childcare as a rationale for public intervention. This argument relates directly to a further motivation for public intervention: high-quality childcare may have direct consequences for the development of the children taken care of. For a recent overview of the consequences of childcare on child development, see Felfe (2015).

To the best of our knowledge, evidence on the impact of providing care for older schoolchildren on maternal employment is scarce.⁵ In fact, we are aware of only one study that focuses on the effects of childcare for schoolchildren (Lundin et al., 2008). The authors evaluate the impact of a price reduction of care for children between the age of zero and nine in Sweden at a time when overall childcare coverage was already high (80%). Their results reveal positive effects on overall maternal employment of subsidized care for preschool children. Yet, the effects are negligible for mothers of older children.

Our study contributes to this literature in at least three ways. First, we evaluate the impact of an expansion of the public care provision for schoolchildren in a context of low initial levels; in Switzerland in 2010, the coverage rate (available slots per children in the age of 4–12) was on average about 9%. Thus, if levels have an impact on the magnitude of the effects, our results might differ from those of Lundin et al. (2008). This may particularly be the case if there is excess demand for public care. Second, we also consider the intensive margin, a margin that is relevant for female career opportunities. Finally, we also focus on paternal employment. Thus, the analysis sheds light on whether after-school care improves gender equality in labor supply.

The paper proceeds as follows. The next section provides an overview of the after-school care system in Switzerland and the respective cantonal regulations. Section 3 discusses the empirical framework and underlying identification assumptions. Section 4 describes the data, and Section 5 shows the results and a series of robustness checks. Section 6 concludes.

2. Institutional background: After-school care in Switzerland

In Switzerland, the labor market attachment of parents with schoolchildren (ages 4 to 12) strongly differs by gender. In only 11% of families with schoolchildren do both parents work full-time; in 47% of families with schoolchildren, the mother works part-time and the father works full-time; and in 28% of families with schoolchildren, the mother does not work while the father works full-time.⁶ Hence, in most families the mother takes care of the children after the school day ends. In families where both parents work full-time, the common care arrangement is public or private after-school care.

What does a typical after-school care institution look like? After-school care services usually operate until 6 p.m. and serve lunch as well as an afternoon snack. Children are cared for in groups of up to 22 children with at least two teachers, one of whom must be certified by the cantonal school authority. The care arrangement is thus professional and geared towards school-aged children. At least two rooms must be available per group so that the children have sufficient space to do their homework, rest, play, and move. Furthermore, an appropriate outdoor space must be nearby. In this way, after-school care offers supervision and support with homework as well as opportunities for children to play and participate in physical activities.

The fee for an unsubsidized slot amounts to CHF 40 (USD 40) per day on average, but most institutions offer subsidized slots. Yet, the total number of subsidized slots is severely rationed. Subsidies are income-dependent and only available in the municipality of residence.⁷ In principle, families can apply for an unsubsidized slot in an after-

⁵ A special section of a recent issue of *Labour Economics* (Volume 36, October 2015), devoted to the impact of childcare on maternal employment, highlights this fact: While six articles discuss the effectiveness of childcare available to preschool children, no article sheds light on the relevance of augmenting the hours of care provided by mandatory schooling by increasing the supply of after-school care.

⁶ These numbers are based on the Swiss Structural Survey 2010. The remaining families (14%) exhibit any other pattern, i.e. no parent is working or the family consists of only one parent and children.

⁷ So far, no reliable data on the availability or the amount of public subsidies exists. Therefore, our study can only provide estimates for the impact of the availability of childcare slots without estimates on the respective price elasticity.

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