

# The Effect of Childcare Access on Women's Careers and Firm Performance

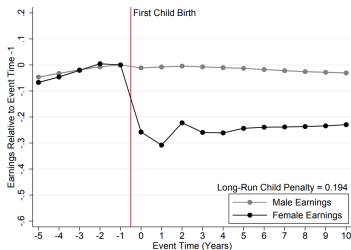
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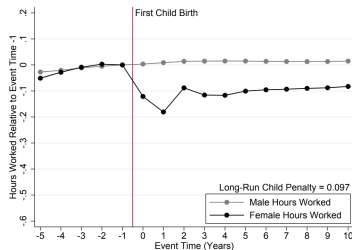
Labor and Finance Group Conference  
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# Child Penalty (Kleven, Landais & Søgaaard, 2019)

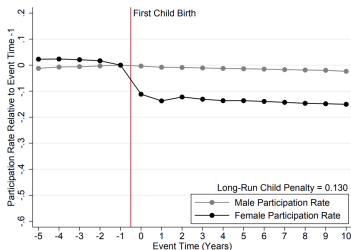
## Earnings



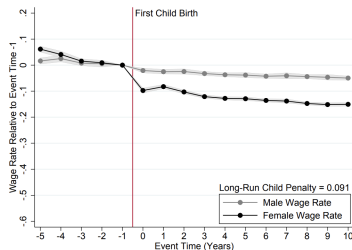
## Hours Worked



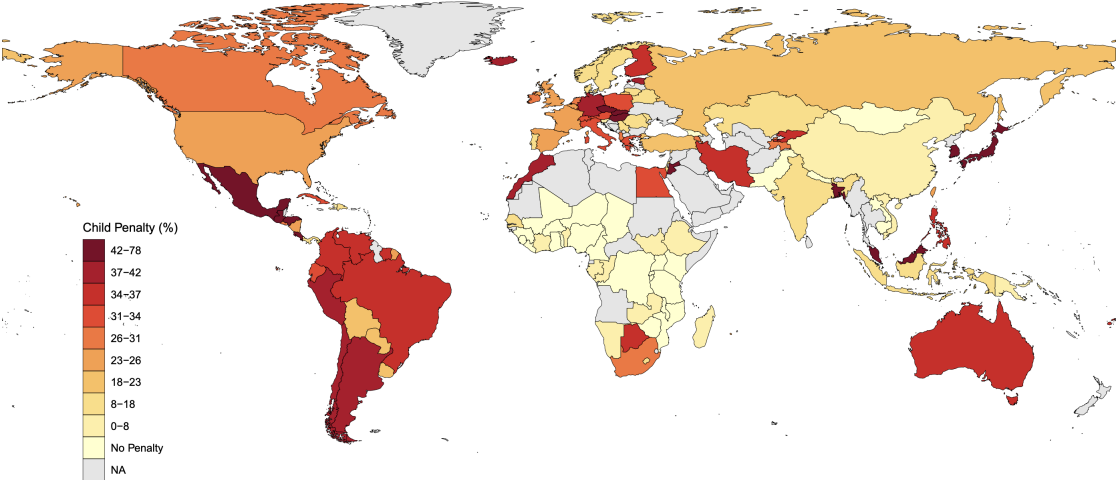
## Employment



## Wage Rates



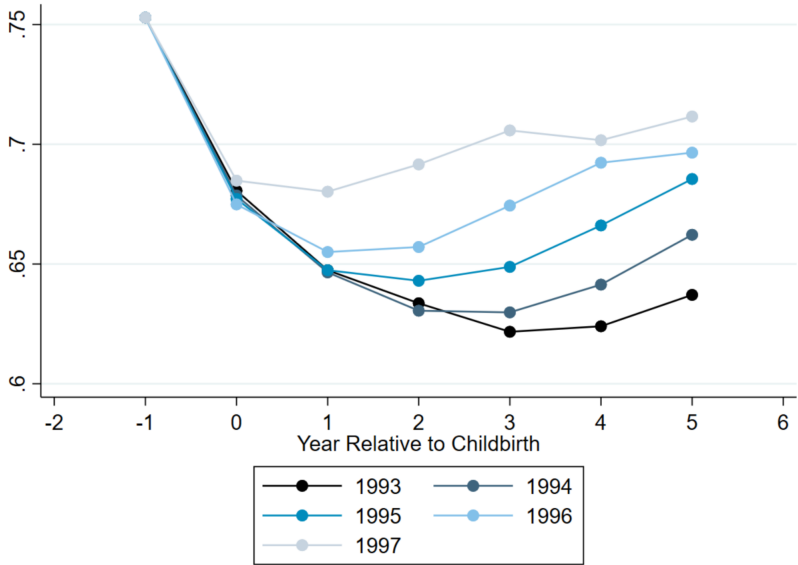
# Huge Geographic Variation in Child Penalty



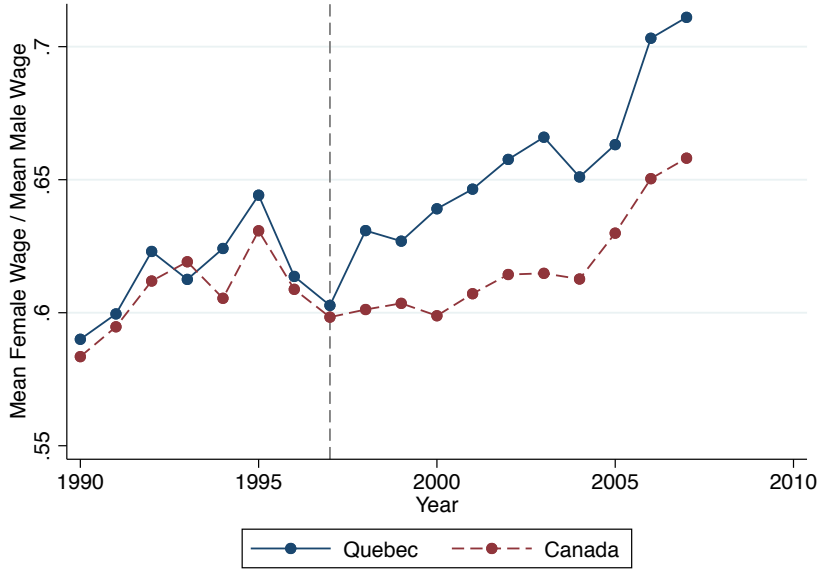
## Explanations of Child Penalties

- Biology (e.g., birth-related)
- Employer discrimination
- Gender norms and culture
- Public policy
  - Parental leave
  - **Child care (focus of this paper)**
  - Welfare programs (e.g., EITC)

# Childcare Reduces Child Penalty



# Childcare Reduces Gender Wage Gap



## Discussion

- Reconcile with estimates from other studies
- Effects on fertility
- General equilibrium effects and welfare

## Reconcile with Estimates from Previous Studies

- Previous studies on childcare and female labor market outcomes find mixed evidence
  - **Positive effects:** Baker, Gruber and Milligan, 2008; Berlinski and Galiani, 2007; Cascio, 2009; Eckhoff Andresen and Havnes, 2018
  - **No significant effects or zero effects:** Fitzpatrick, 2010 (U.S.); Havnes and Mogstad, 2011 (Norway); Kleven, Landais, Posch, Steinhauer, and Zweimüller, 2021 (Austria)
- Why the difference?
  1. Subsidized childcare crowds out informal care (e.g., care by relatives). Are the effects smaller for people who have relatives living close by?
  2. Norms and culture. Are there geographic (or ethnic) differences related to gender norms?
  3. Other policies implemented at the same time? Also as a part of the 1997 Quebec Family Policy are generous parental leave and yearly cash benefits for families with children

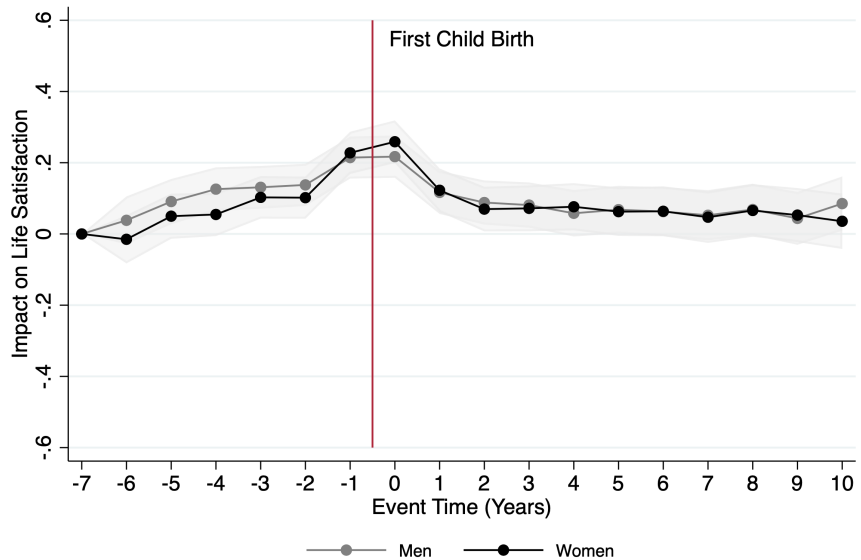
## Effects on Fertility

- What is the impact on fertility? Do women have children earlier in their career?
- One main motivation for the program is to increase birth rate among birth rate in Quebec to preserve political power of French-speaking population inside Canada
- If the policy increases fertility, the positive effects of the policy at a given level of fertility could be offset by negative effects due to fertility responses. Using pre-1997 cohorts should yield larger effects
- However, the effects are half smaller when using pre-1997 cohorts (Table A3)

## General Equilibrium Effects

- Partial equilibrium: keeping labor demand and job composition fixed, new mothers choose to work more, accumulate more human capital, and sort into more demanding jobs
- However, there may be a shift in the **composition** of jobs and job flexibility
  - Less female-friendly firms and industries expand, making it harder for new mothers to find female-friendly jobs
  - Jobs become less flexible and family-friendly because of access to childcare
- Providing universal childcare may also change the **signaling** role of non-employment
  - Tô (2018): workers forgo paid parental leave to signal their future values
  - Access to childcare makes signaling easier: before the reform, high-value workers are pooled with low-value workers because they are unable to work
- These could also lead to a shift in **norms**

# Missing Child Penalty in Life Satisfaction



## Life Satisfaction and Welfare

- Even with childcare, new mothers may prefer to look after their children
  - In a survey in Austria, 70-80% of new mothers report that they do not work because they have a preference for taking care of their children, and only a small fraction say that they feel constrained by the supply of institutional care (Kleven et al., 2021)
  - The effects are much larger for single mothers than married mothers (Table 6)
- What is preventing new mothers from paying for childcare before the reform?
  - Access to subsidized childcare for 5 years increases earnings by 21%, which exceeds the subsidy itself (\$6 per day  $\approx$  \$1500 per year)
  - Could be financial constraints, or positive utility from taking care of children
  - Illustrative example:
    - A mother gets \$10k higher earnings if using childcare with a cost of \$3k, get utility equivalent to \$8k of taking care of children
    - Before the reform: choose to take care of children on her own, utility = 8k
    - With 1.5k childcare subsidy, choose childcare, utility = 8.5k
    - The utility gain is 0.5k and not 8.5k!

## Life Satisfaction and Welfare

- Would be useful to measure mothers' welfare beyond their labor market outcomes
  - Children outcomes (Baker et al. 2008 find negative effects using the same reform)
  - Health
  - Divorce
  - Spousal income
  - ...

## Conclusion

- Providing childcare benefits new mothers' careers and reduces the gender wage gap in Quebec
- Will this work elsewhere?
  - Reconciling the findings with previous studies would inform external validity
- Does this benefit women in general?
  - Explore general equilibrium effects on job composition and job amenities
  - Dig deeper into fertility and non-monetary measures of welfare