THE QUANTITATIVE ROLE OF CHILD CARE FOR FEMALE LABOR FORCE PARTICIPATION AND FERTILITY

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Abstract
I document that the labor force participation rate of West German mothers with children aged zero to two exceeds the corresponding child care enrollment rate, while the opposite is true for mothers whose children are older than two but below the mandatory schooling age. These facts also hold for a cross-section of EU countries. I develop a life-cycle model that explicitly accounts for this age-dependent relationship by including various types of non-paid and paid child care. I calibrate this model to data for West Germany and use the calibrated model for policy analysis. Increasing the supply of subsidized child care for children aged zero to two generates an increase in the maternal labor force participation rate consistent with empirical evidence from other settings; however, this increase is too small to conclude that the lack of subsidized child care accounts for the low labor force participation rate of mothers with children aged zero to two. The response along the intensive margin does suggest that a large fraction of part-time working mothers would work full-time if they had greater access to subsidized child care. Finally, making subsidized child care available to more women does not achieve one of the commonly stated goals of such reforms, namely to increase the fertility rate. (JEL: D10, J13, J22)

Keywords: Child Care, Fertility, Life-cycle Female Labor Supply.

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