

Child care provisions positively impact women's careers ^[1]

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In spite of significant improvements in women's career prospects, the gender pay gap still persists, and one crucial component as to why women on average earn lower wages than men is parenthood. Different regions of the world have tried to combat this issue with family friendly policies offering mothers support when returning to work after giving birth. My fellow researchers and I have found evidence of the positive impact of family friendly policies on women's careers in firms through government-provided childcare.

In order to study the impact of government provided childcare on women's careers, we use a unique employer-employee matched data set from Germany, where childcare provision is sponsored by the government and there are no direct costs of providing child care for firms.

We found that government-provided childcare has a significant positive impact on wages of women and thus decreases the gender pay gap. We found that an increase of 10 percent in childcare provision reduces the gender pay gap by 26 to 28 percent. The effect on mothers is 2 to 3 times larger than the baseline effect on women. Additionally, mothers in counties with more childcare provision experience larger wage changes that are likely associated with promotions.

We also found that women with small children or many children, women in the highest wage bracket, and women who are more educated are more likely to experience these benefits. Lastly, women in areas with more childcare provision are less likely to drop out of the workforce after giving birth.

Taken together, our results suggest that childcare provision significantly impacts the career of women and particularly mothers, in terms of higher wages and also the upward trajectory of their careers. The positive impact of childcare provision on women's careers results in a larger pool of qualified women firms can draw from. Our research shows that the assumed negative stock market reaction to mandated gender quotas is mitigated for firms located in regions with high government provided child care.

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