


How childcare and parental leave affect children's development

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Excerpts

Paid parental leave and subsidised childcare policies are intended to support children during early childhood. But which of these two approaches produces the best outcomes for children? Drawing on new research, Nabanita Datta Gupta and Jonas Jessen examine the impact of parental leave and childcare on children's long-term development.

Paid parental leave and subsidised childcare are key family policies across developed countries aimed at increasing female labour force participation and facilitating a better work-life balance for young parents.

In light of ageing societies, restrictive migration policies, and pronounced labour shortages, it is vital to support parents, both mothers and fathers, in the labour market through such policies. But an arguably equally important consequence for societies is the effects of paid parental leave and childcare subsidies on children's development. Are they equivalent or does one produce better outcomes for children? Are children affected differently depending on their socio-economic background? We analyse these questions in a new report.

Childcare and development

Investments in early childhood, particularly before the age of three, can be especially valuable, as this is when the brain is in its most critical phase of development. Additionally, skill acquisition is a dynamic and self-productive process. Put simply, early skills facilitate the learning of additional skills. Through this, the early years of a child have long-run consequences on school performance, health outcomes and beyond that on the labour market in later years.

In high-income countries, more children than ever before are attending formal institutional childcare. Scandinavian countries were the forerunner of this development by providing formal care for infants and toddlers from the 1960s and 1970s, but other countries have followed suit over recent decades. This has been accompanied by a change in social norms, reflected by a large drop in the number of European Value Survey respondents agreeing with the notion that pre-school children suffer when their mother is working. In fact, childcare provision can be an essential tool for enabling parental employment, particularly when other forms of care are not available.

Over the past two decades, fuelled by the increasing availability of large-scale data and the usage of sophisticated statistical tools, the evidence base on the effects of paid parental leave and formal childcare on child development has broadened substantially, allowing us to draw some general conclusions and provide recommendations for policymakers.

The alternative to parental care matters

Perhaps unsurprisingly, it has been found that the alternative mode of care matters greatly. When care arrangements for children are informal and unregulated, parental leave expansions tend to have positive effects on child development, as evidenced in studies from Austria and Norway. Long-run outcomes that are considered are test scores in school, health measures, and even labour market outcomes, which are measured many years after the parental leave expansions took place.

No such positive effects are found in contexts where children would have had access to high-quality childcare instead, such as in Denmark or Sweden. The effects of parental leave on child development generally depend on the age of the child and the length of the leave period. But overall, the evidence points toward positive effects mostly materialising in the first six months when alternative care arrangements are informal. If parental leave is expanded under other circumstances, other justifications are demanded beyond positive effects on children's development.

The benefits of formal childcare

With regard to formal childcare, a concern that is often raised is that it may be detrimental for children as they experience fewer one-to-one interactions in childcare institutions in contrast to parental (mostly maternal) care at home. However, children may learn a different set of (social) skills when attending childcare and this type of care can be complementary to parental care.

Evidence from settings with high-quality childcare, e.g. with a high staff-to-child ratio and qualified childminders, provides little support for the idea that childcare is generally detrimental for children. In fact, children coming from more disadvantaged backgrounds (measured by parental education, household income or migrant backgrounds) tend to benefit disproportionately from attending childcare at younger ages.

Universal childcare can help to promote greater equality of opportunity and be a public investment with high returns for children and society as a whole. At the same time, children from affluent backgrounds are commonly affected much less in their development, but tend to also not be hurt by it. Childcare holds the promise to promote maternal employment and at the same time also reduce inequalities in child development by socio-economic background.

However, childcare does not always produce positive or neutral effects, and in some settings, negative effects of childcare on child development have been identified. These studies commonly stem from contexts where quality indicators of institutional childcare perform poorly in international comparisons. Expanding childcare rapidly at the expense of providing high-quality service is likely to be a bad deal for children and may have negative effects on children at a crucial point in their development.

Policy recommendations

A tentative policy recommendation drawn from recent evidence is to provide paid parental leave for at least six months. This enables parents to take time off work when their child is very young, benefiting both parents and children.

The provision of high-quality universal childcare enables both parents to subsequently return to employment if desired, reducing socio-economic inequalities in child development. However, if there are insufficient qualified childminders available, it may be sensible to extend paid parental leave as low-quality childcare or other informal care arrangements can negatively affect children's long-term outcomes.

Mothers still take a large share of parental leave, even in systems that are de jure gender-neutral, allowing parents to divide the total leave available to them freely. Parental leave designated for fathers is increasingly being implemented in several countries. In August 2022, the EU directive granting fathers some parental leave directly after childbirth and beyond came into effect. Assessing the effects of leave taken by fathers on children's development will be fascinating to observe in the upcoming years.

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