

Child care reveals great potential ^[1]

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Excerpts from press release:

Child care is one of the most important instruments of family policy, and the spotlight in the political and public debate has fallen on subsidised child care for under three year-olds in recent years.

As part of an overall evaluation of central marriage and family-related policies conducted on behalf of the Federal Ministry for Family, Senior Citizens, Women and Youths and the Ministry for Finance, the Ifo Institute investigated how the availability of publicly-subsidised child care affects families. The result: state-funded child care has a positive effect on the labour force participation of mothers and on birth rates. Moreover, the costs of state-subsidised child care largely pay for themselves.

Recent research by the family economist Prof. Helmut Rainer, Head of Ifo's Social Policy and Labour Markets Department, and his colleagues have focused on the effect of state-subsidised child care on the labour force participation of mothers, families' financial stability and the social participation, as well as on birth rates. Using data from the socio-economic panel (SOEP) from 2000-2009 and from the special survey, "Families in Germany" of 2010 (Familien in Deutschland - FiD), the researchers investigated the implications for families with under 3 year-olds, with 3-6 year-olds and with over 6 year-old children.

Publicly subsidised child care has a positive effect on the labour force participation of mothers and on the financial situation of families. Mothers with children under the age of three who use public childcare are around 35percent more likely to work than mothers who do not use public child care. As a result, they earn a gross total of around 570 euros more per month than mothers that do not (or cannot) use child care facilities. The higher participation among mothers is primarily due to the fact that mothers switch from non-participation to part-time employment. The positive employment effects give families greater economic stability.

Researchers also come to similar conclusions for mothers of 3 to 6 year old children, as well as for mothers who use all-day care facilities for their school children. All-day schools and after-school care facilities also deepen the labour market integration of mothers with children who go to school. Mothers who are already in employment and can take ad-vantage of this kind of child care offering tend to expand their working week by around 3.8 hours on average, while their labour status does not change significantly. It is generally true that publicly-subsidised child care places facilitate the return of mothers to the labour mar-ket or enables them to work longer hours. "Without sufficient child care opportunities, how-ever, many mothers have major problems returning to the labour market - many wish to, but are not in a position to do so", explains Prof. Stefan Bauernschuster, one of the authors of the research report.

As far as the effect of publicly-subsidised child care on the social participation of parents is concerned, there are no indications of robust effects in any of the three age groups. In terms of birth rates, on the other hand, Ifo researchers find that publicly-subsidised child care for under three year-olds has significant positive effects. According to their calcula-tions, a 10 percentage point increase in public child care coverage increases the number of births per 1,000 women by roughly 2.4 percentage points in the following year and 3.5 per-cent two years later. "Child care facilities and the opportunity that they create to combine a family and a career play a non-negligible role in decisions by young people to fulfil their desire to have children," comments Bauernschuster.

Moreover, publicly-subsidised child care largely finances itself. The state receives more money in the form of taxes and social security contributions if mothers work, and can there-fore cover the direct costs of child care subsidies to a substantial degree. "The self-financing rates range between 40 and 50 percent in the creche and kindergarten area and between 65 percent and 100 percent in all-day schools - the expansion of child care there-fore entails cost-reducing, self-financing effects" adds Helmut Rainer. He concludes, how-ever, that "Any overall evaluation of child care must involve further aspects, especially its effect on the welfare of children."

Region: Europe ^[3]

Tags: economics ^[4]

mother's labour force participation ^[5]

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