

Lecture 3:

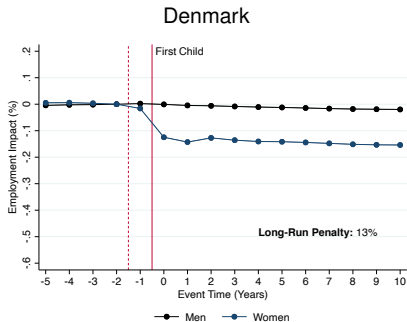
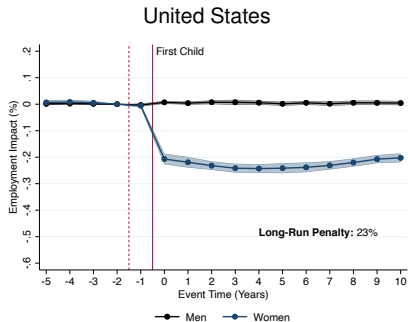
Public Policy and Child Penalties

Henrik Kleven
Princeton University, NBER, and CEPR

Zeuthen Lectures
Copenhagen, September 2021

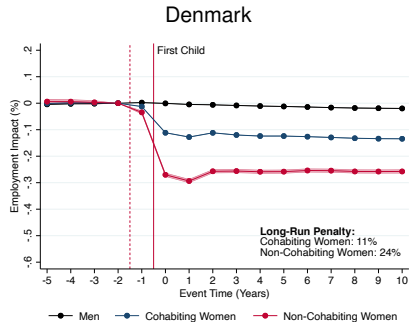
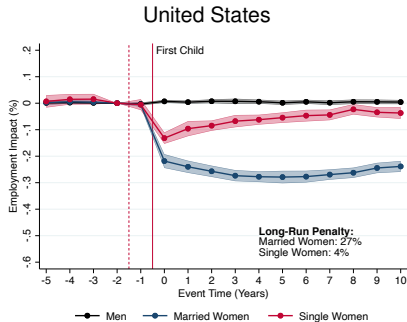
Child Penalties in the US and Denmark

Employment Penalties Are Much Larger in the US



Child Penalties in the US and Denmark

Employment Penalties on Single Women Are Much Smaller in the US



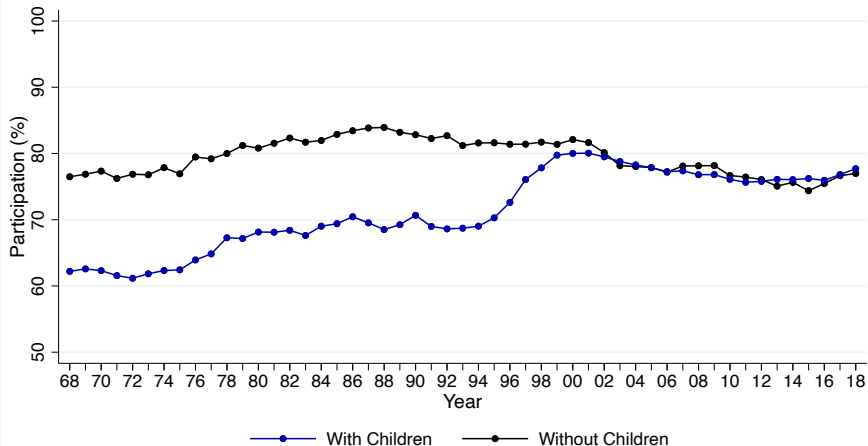
US-Denmark Child Penalty Asymmetry

- ▶ Why are child penalties on married vs single women strongly asymmetric between the US and Denmark?
- ▶ Interpretation: effect of welfare benefit generosity
 - ▶ Married mothers can specialize
 - ▶ Single mothers can't specialize $\Rightarrow$ they have to work unless the welfare system pays for their children
 - ▶ An income effect of welfare benefits
- ▶ This relates to the literature on welfare policy and labor supply
 - ▶ Kleven (2021) provides evidence for the US

Labor Force Participation of Single Women: The Long View

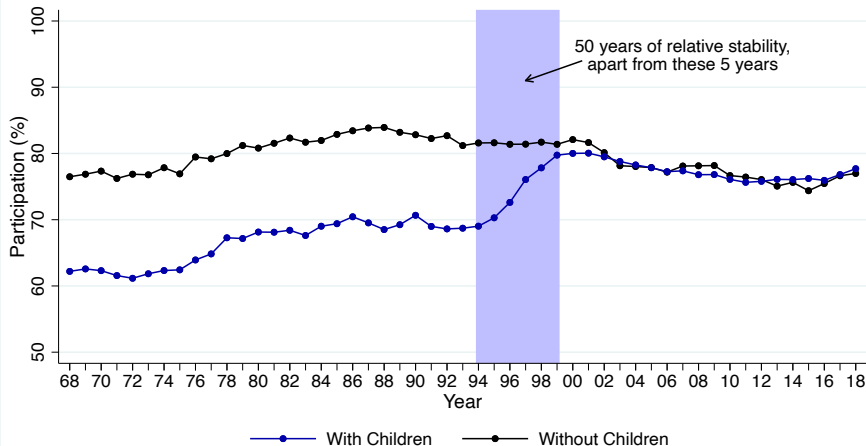
Labor Force Participation of Single Women

With and Without Children



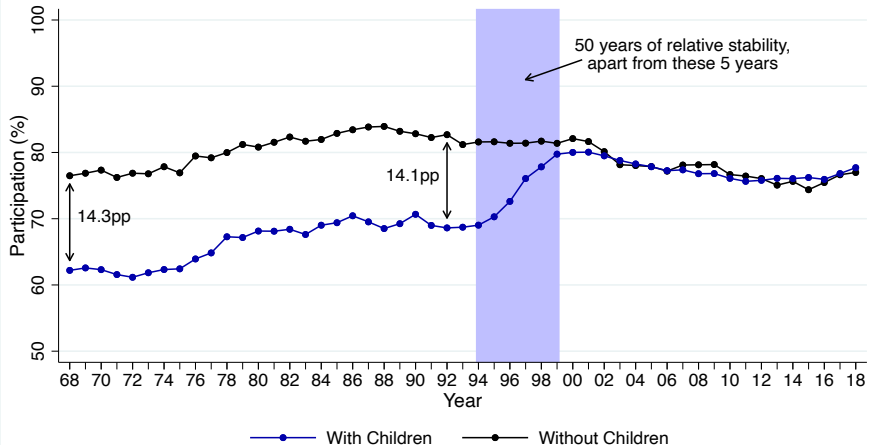
Labor Force Participation of Single Women

With and Without Children



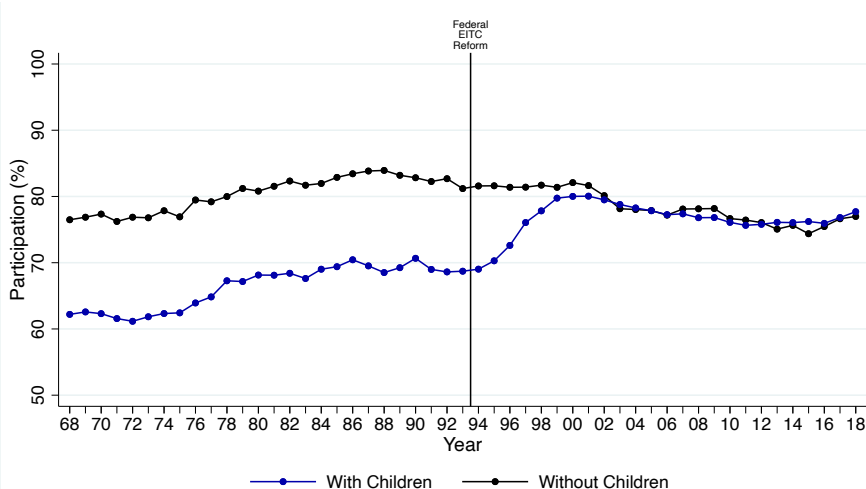
Labor Force Participation of Single Women

With and Without Children



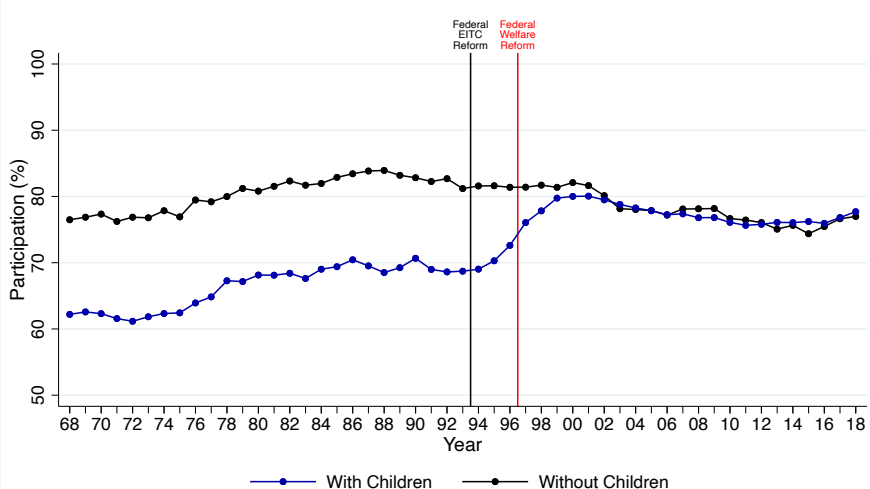
Labor Force Participation of Single Women

With and Without Children



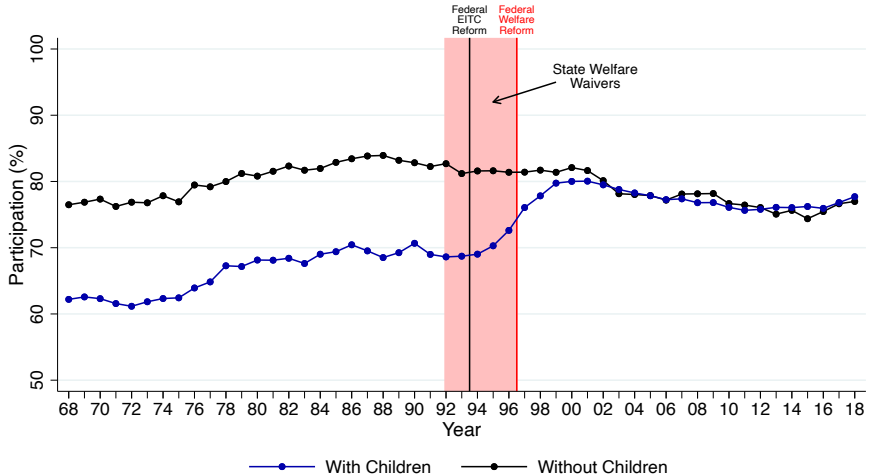
Labor Force Participation of Single Women

With and Without Children



Labor Force Participation of Single Women

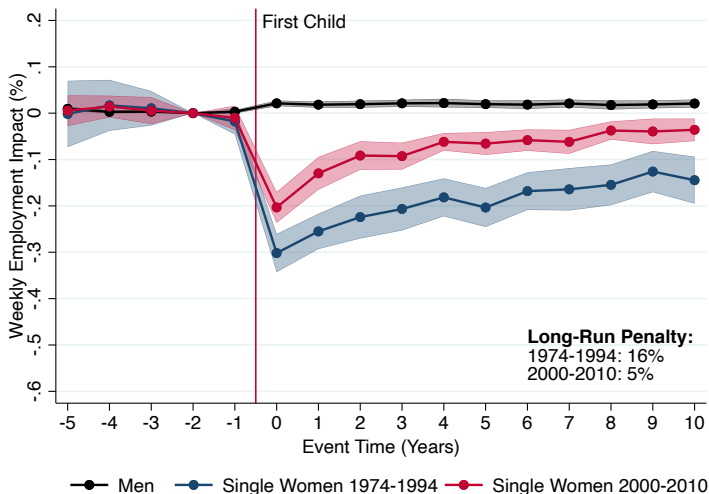
With and Without Children



Participation Effects on Single Mothers Translate to Child Penalty Effects

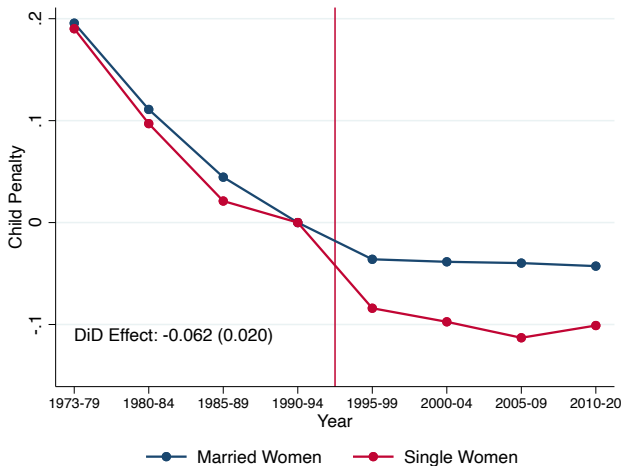
Child Penalties Before and After EITC/Welfare Reform

Employment Penalties on Single Women



Impact of EITC/Welfare Reform on Child Penalties

Differences-in-Differences Comparing Single and Married Women



US Welfare Reform Reduced Child Penalties

- ▶ Consistent with a welfare interpretation of the US-Denmark asymmetry in child penalties on single and married women
- ▶ Not an argument for reducing welfare benefits on single moms
 - ▶ They are made worse off despite smaller child penalties (envelope theorem logic or revealed preference logic)
- ▶ EITC vs welfare reform
 - ▶ Kleven (2021): employment effects in the 1990s were driven by welfare reform, not EITC reform

Family Policy

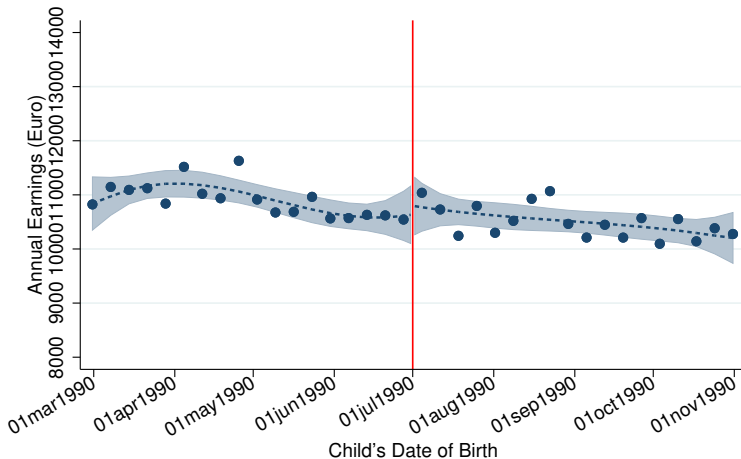
Family Policy: Parental Leave Schemes

Parental Leave Reforms in Austria

Kleven, Landais, Posch, Steinhauer & Zweimüller (2021)

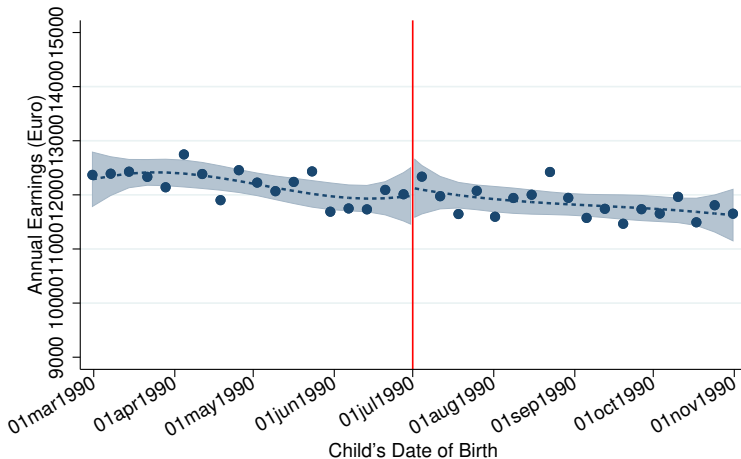
- ▶ 12 months of paid parental leave was introduced in 1961
- ▶ Three reforms changed the duration of parental leave
 - ▶ **1990:** duration increased from 12 to 24 months
 - ▶ Affects event times 1 and 2
 - ▶ **1996:** duration decreased from 24 to 18 months
 - ▶ Affects event time 2
 - ▶ **2000:** duration increased from 18 to 30 months
 - ▶ Affects event time 2
- ▶ Eligibility was based on a cutoff date for the birth of the child → Regression Discontinuity Design

1990 Reform: 3 Years Before Child Birth



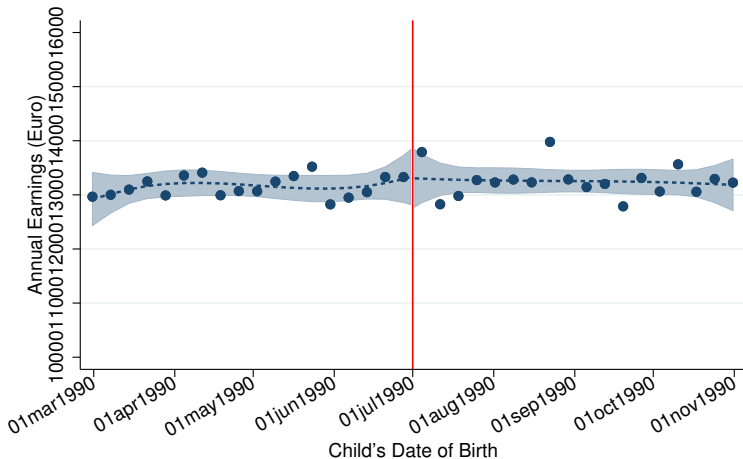
RD Estimate: 151.3 (393.7)
Div. by Counterfactual: 0.0131 (0.0340)

1990 Reform: 2 Years Before Child Birth



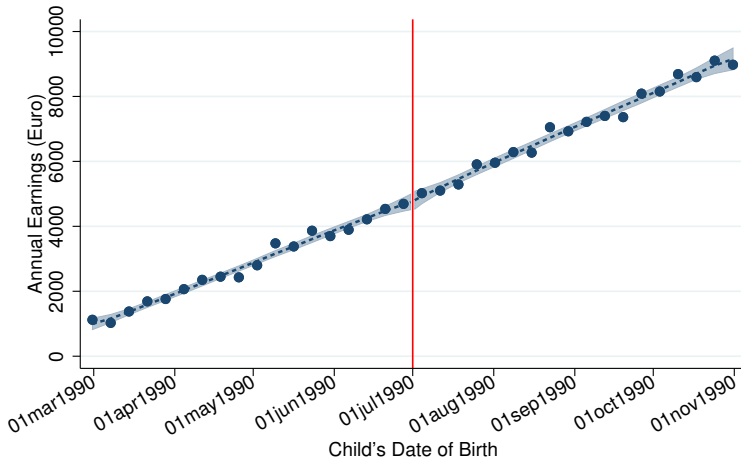
RD Estimate: 133.3 (392.5)
Div. by Counterfactual: 0.0107 (0.0314)

1990 Reform: 1 Year Before Child Birth



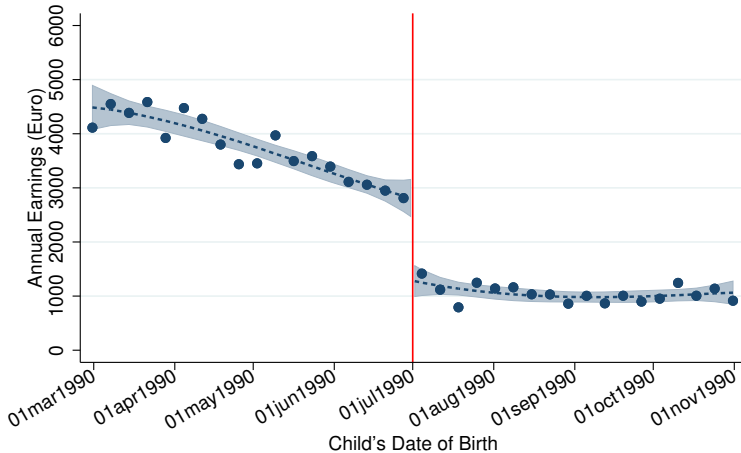
RD Estimate: -38.3 (386.0)
Div. by Counterfactual: -0.0029 (0.0290)

1990 Reform: Year of Child Birth



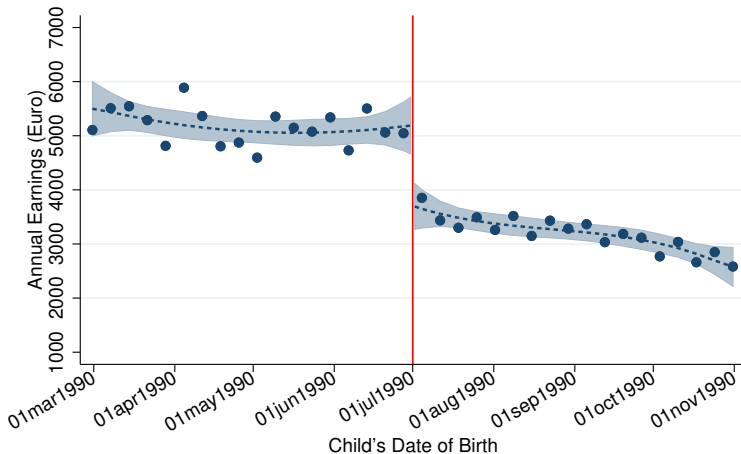
RD Estimate: 27.6 (191.3)
Div. by Counterfactual: 0.0020 (0.0137)

1990 Reform: 1 Year After Child Birth



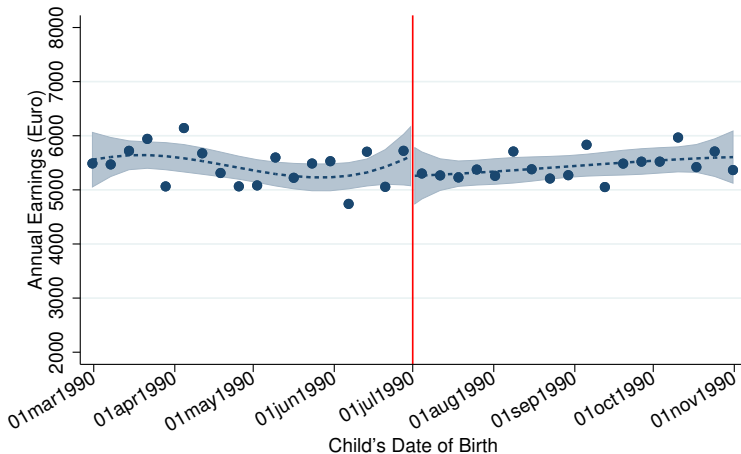
RD Estimate: -1522.5 (236.1)
Div. by Counterfactual: -0.1059 (0.0164)

1990 Reform: 2 Years After Child Birth



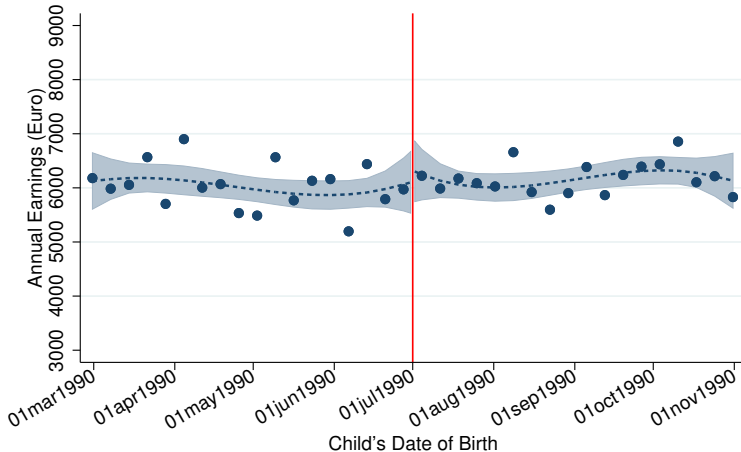
RD Estimate: -1501.6 (356.4)
Div. by Counterfactual: -0.1021 (0.0242)

1990 Reform: 3 Years After Child Birth



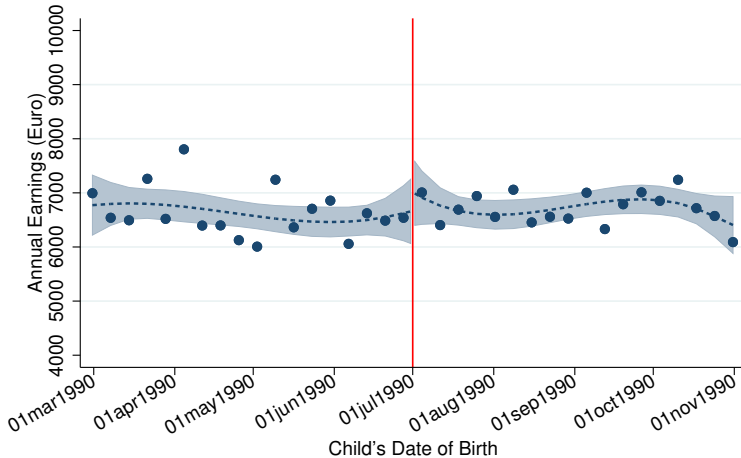
RD Estimate: -387.2 (396.9)
Div. by Counterfactual: -0.0259 (0.0265)

1990 Reform: 4 Years After Child Birth



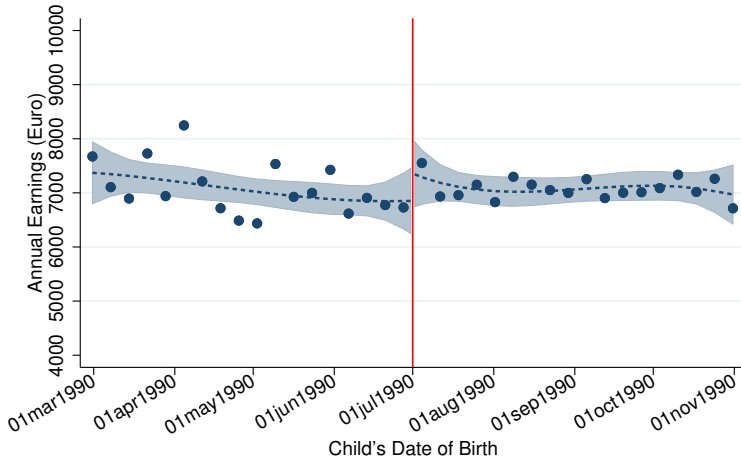
RD Estimate: 184.5 (419.9)
Div. by Counterfactual: 0.0122 (0.0277)

1990 Reform: 5 Years After Child Birth



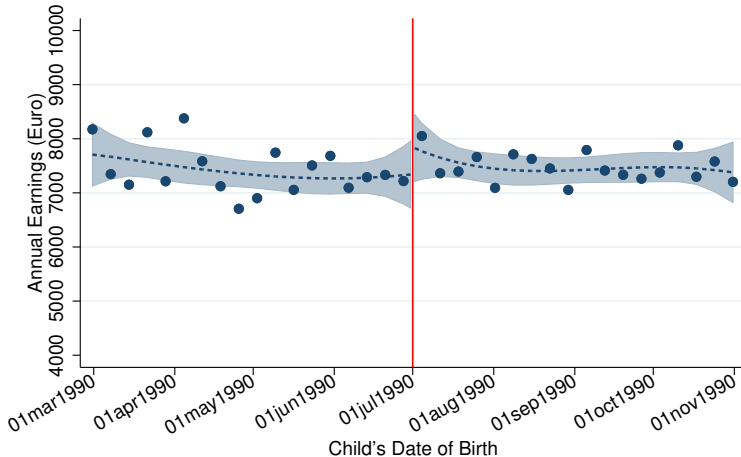
RD Estimate: 316.7 (440.6)
Div. by Counterfactual: 0.0206 (0.0286)

1990 Reform: 6 Years After Child Birth



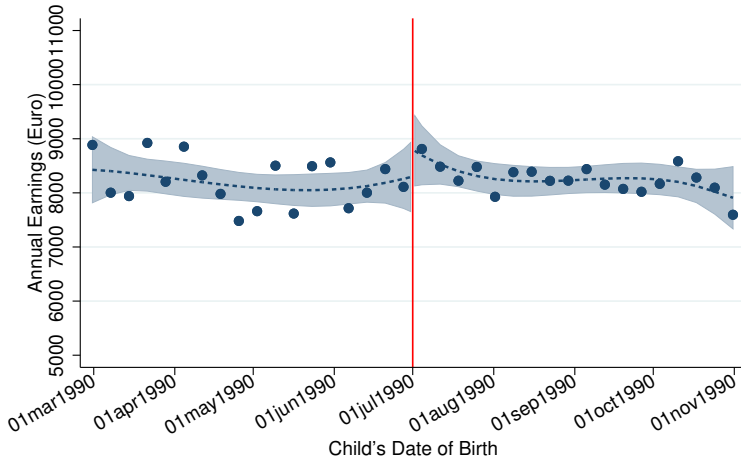
RD Estimate: 488.7 (447.3)
Div. by Counterfactual: 0.0311 (0.0284)

1990 Reform: 7 Years After Child Birth



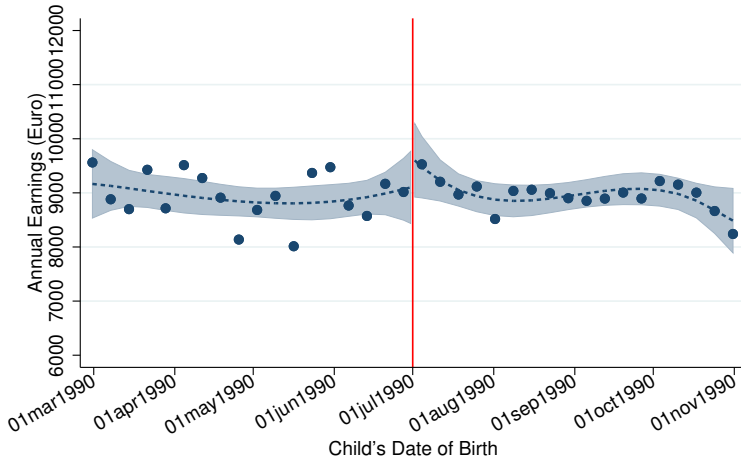
RD Estimate: 483.5 (460.7)
Div. by Counterfactual: 0.0302 (0.0288)

1990 Reform: 8 Years After Child Birth



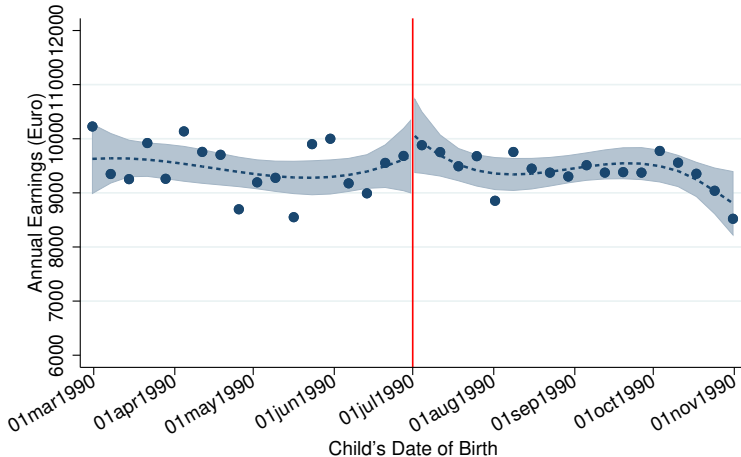
RD Estimate: 471.5 (478.9)
Div. by Counterfactual: 0.0288 (0.0292)

1990 Reform: 9 Years After Child Birth



RD Estimate: 485.4 (500.2)
Div. by Counterfactual: 0.0288 (0.0297)

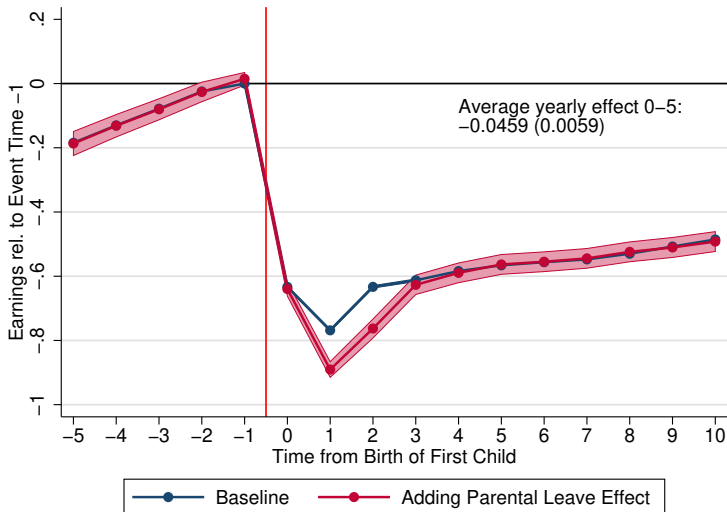
1990 Reform: 10 Years After Child Birth



RD Estimate: 360.1 (502.1)
Div. by Counterfactual: 0.0208 (0.0290)

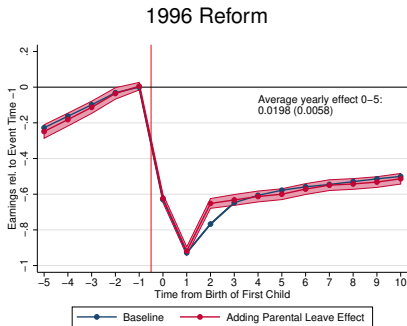
1990 Reform: Impact on Child Penalties

Using RD Estimates for Each Event Time



1996 and 2000 Reforms: Impacts on Child Penalties

Using RD Estimates for Each Event Time



Family Policy: Child Care Provision

Child Care Expansions in Austria

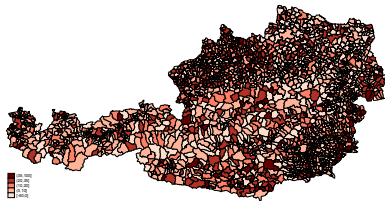
Kleven, Landais, Posch, Steinhauer & Zweimüller (2021)

- ▶ Use granular information on nursery care (ages 1-2) and preschool care (ages 3-5) institutions in Austria
 - ▶ Supply Index: fraction of children with access to full-time daycare in each municipality and year
- ▶ Use local expansions in child care supply to identify the effect on child penalties
 - ▶ Difference-in-differences: Compare municipalities with large and sudden expansions of (heavily subsidized) child care to municipalities without any expansion

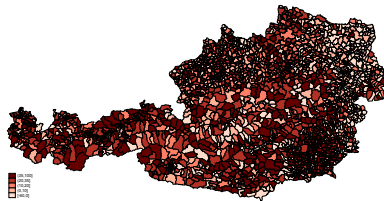
Child Care Expansions in Austria

Rollout of Nursery and Preschool Care

Change Between 1990-2000



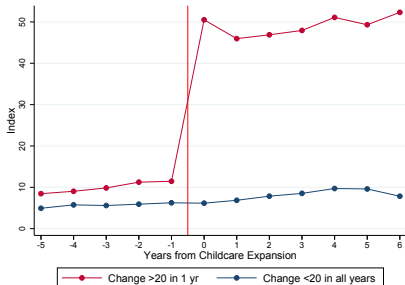
Change Between 2000-2010



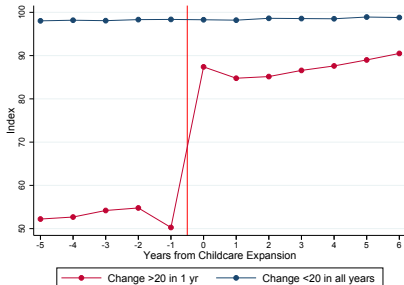
Child Care Expansions in Austria

Treatment and Control Groups (First Stage)

Nursery Care (Ages 1-2)



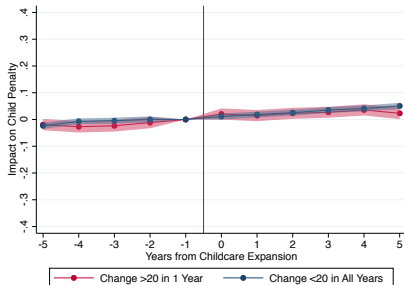
Preschool Care (Ages 3-5)



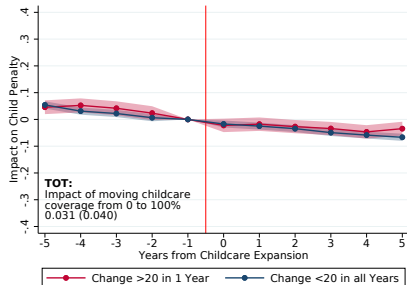
Impact of Nursery Care Expansions

Difference-in-Differences

Earnings 1 Year Before Birth



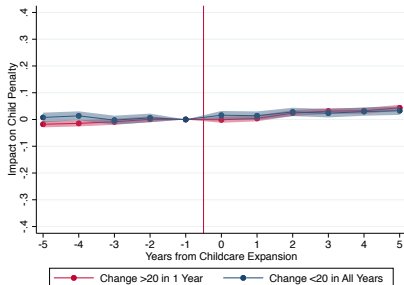
Earnings 1-2 Years After Birth



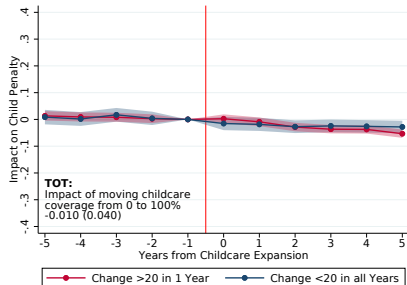
Impact of Preschool Care Expansions

Difference-in-Differences

Earnings 1 Year Before Birth



Earnings 3-5 Years After Birth



Null Effect of Child Care Provision

- ▶ Large child care expansions in Austria had a (precisely estimated) zero effect on child penalties
- ▶ Null effect of child care provision is *a priori* surprising
 - ▶ The jury is still out: prior literature has produced mixed results
 - ▶ Crucial to understand mechanisms
- ▶ Does public child care simply crowd-out private child care?
 - ▶ Child care by relatives (we provide evidence on this channel)
 - ▶ Market-provided child care

Conclusion

Conclusion

- ▶ The role of public policy for child penalties seems limited
 - ▶ Limited effects of paid parental leave and child care provision
 - ▶ Welfare benefits do have an effect, but it's the wrong tool
 - ▶ Welfare benefits $\approx$ *permanent* paid parental leave
 $\Rightarrow$ long-run effects
- ▶ Gender convergence is less about government intervention, more about general equilibrium aspects
 - ▶ This includes labor market equilibrium and norms/culture
 - ▶ Public policy could have general equilibrium effects that our quasi-experimental approaches miss
 - ▶ Earmarked paternity leave and gender norms?