

# Children, Labour Supply and Childcare: What do we know?

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# Introduction

- Focus on children, but acknowledge the issue of balancing family – work is broader.
- Focus on availability/affordability of childcare and its effect on female labour supply
  - Review of research
- Alternative policies to facilitate female labour supply and maintain human capital
  - sharing of the caring and breadwinner role (interesting initiatives in Scandinavian countries)

# Labour supply and childcare

- Relationship labour supply and childcare is clear

**Table 1 Reasons for using childcare (ABS' Child Care Survey (CCS))**

	CCS 2002		CCS 1996	
	Formal	Informal	Formal	Informal
<i>Reason given as main reason for at least one child in household</i>				
Work	44.5	46.1	42.0	46.6
Job search/study	5.4	3.8	2.5	2.1
Personal/other	10.8	38.7	15.9	49.2
Beneficial for child	42.1	10.2	42.7	4.3

# Labour Supply and Childcare

## Percentage using care by labour force status of parents<sup>a</sup>

<b>Labour force status:</b>	<b>2 workers</b>	<b>1 worker</b>	<b>No workers</b>	<b>Total</b>
<i>All couple families<sup>b</sup></i>				
wave 2 HILDA (2002)	70.9	40.7	27.8	57.1
Sample size (unweighted)	791	492	81	1516
CCS 2002	64.0	45.4	36.5	54.8
Sample size (unweighted)	2803	1980	375	5158
CCS 1996	69.4	46.2	34.6	57.2
Sample size (unweighted)	2761	2084	460	5305
<i>All sole parents<sup>b</sup></i>				
wave 2 HILDA (2002)		81.2	35.0	57.6
Sample size (unweighted)		192	181	380
CCS 2002		76.8	50.7	62.1
Sample size (unweighted)		640	803	1443
CCS 1996		81.4	50.2	62.4
Sample size (unweighted)		437	679	1116

Notes: a) The numbers in the table are weighted to represent the Australian population.

b) This group includes those families with unknown labour force status.

# Labour Supply and Childcare

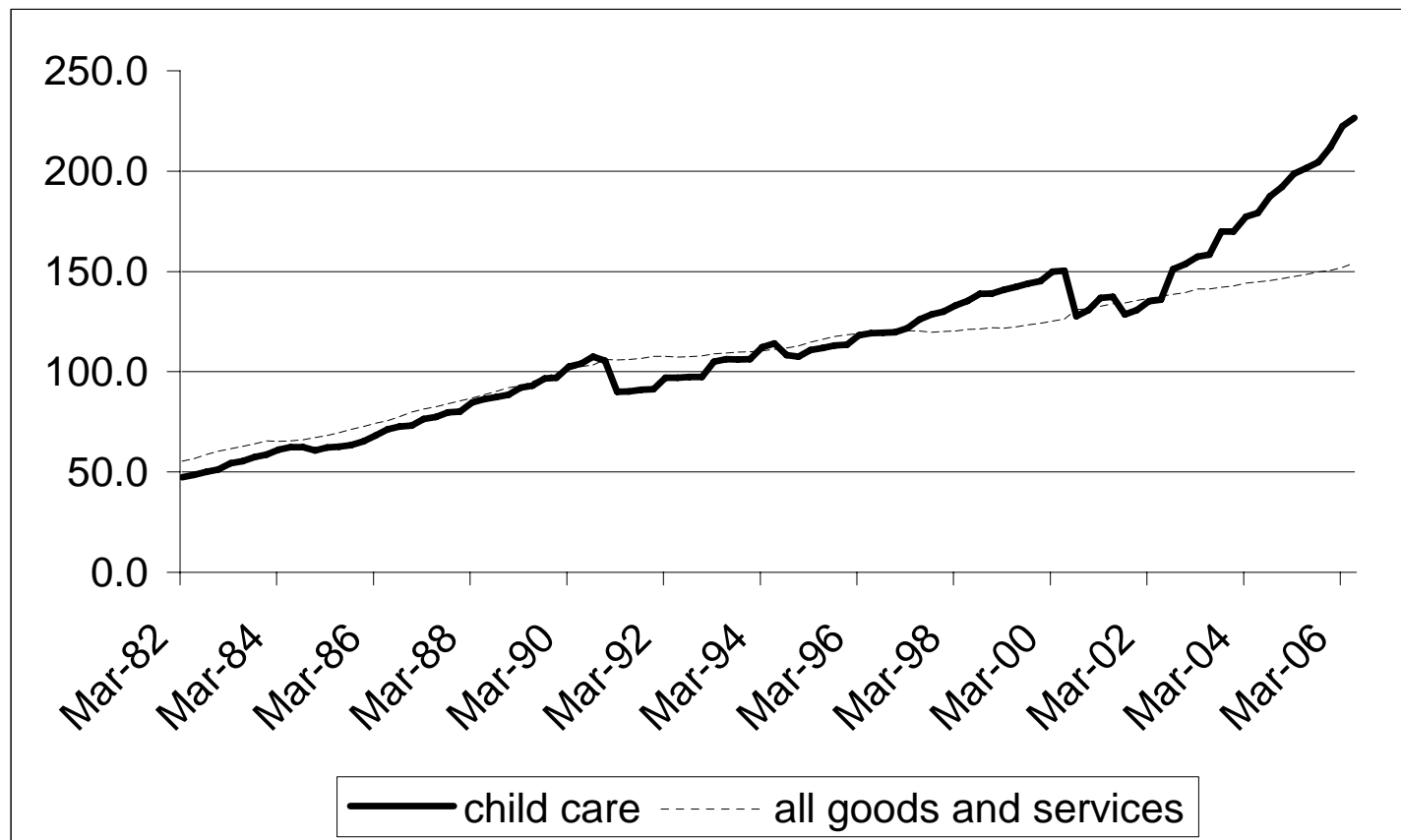
- Employment rate of primary carers is increasing

From 1996 to 2002 (Survey of Income and Housing Cost, ABS):

- married mothers 56.4 to 60.8%
- single parents 41.3 to 51.2%

# Cost of Childcare

**Figure 1: Childcare price index compared to overall price index, 1982 to 2006**



Source: ABS 2006, *Consumer Price Index*, Catalogue 6401.0, Tables 7a to 7l.

Note: the childcare price is net of the Child Care Benefit, which was introduced in July 2000.

# Childcare Cost and Labour Supply

Summary of the effects of childcare prices/costs on labour supply			
Country (years)	Population	Estimated elasticity	
		Participation	Average hours
U.S. (1980-1994)	All		-0.024 to -0.78
	Married women	-0.92 – 0.00	
	Single women	-0.50 – 0.00	
Canada (1988)	Married women	-0.16 to -0.38	-0.32
	Single women	-0.26	
U.K. (1994-1996)	Mar. wom. unempl. partner	-0.075	-0.084
	Mar. wom. empl. partner	-0.066	-0.048
	Single women	-0.021	-0.020
Europe (1984-2003)		-0.01 to -0.12	-0.01 to -0.15
	Allowing for rationing	-1.88	
<b>Australia</b> (1996/97, 2002)	<b>Married women (total)</b>	<b>-0.020 to -0.28</b>	<b>-0.021</b>
	-low wages	-0.023	-0.027
	-preschool child	-0.050	-0.048
	-p.s. child & low wages	-0.031	-0.053
	<b>Lone parents (total)</b>	<b>-0.050</b>	<b>-0.053</b>
	-low wages	-0.038	-0.062
	-preschool child	-0.136	-0.175
	-p.s. child & low wages	-0.126	-0.216

# Childcare Cost and Labour Supply

- Compared to international results, the average response of labour supply to childcare costs in Australia seems quite low.
- More similar to UK and western Europe than to US.
- However averages hide variation
  - costs can be quite relevant as shown in a simulation (it is important for some families).
- Our research needs to account for a number of additional issues and look at sensitivity of results to these issues



# Important issues

- Rationing of childcare
  - Additional childcare places may be more crucial than lower fees
  - Could bias estimated effect of price to zero
- Quality of childcare
  - Mixed messages on importance to parents
  - Minimum requirements before parents consider using childcare
  - Regulations may give confidence in childcare
- Child development
  - Can childcare be beneficial to children? Perhaps from a certain age?
- Type of childcare (formal/informal, centre-based)

# Conclusion

- Australian results on effect of price of childcare on labour supply are as expected but moderate
  - Highest effect for sole parents, those on low wages and with preschool children
  - No effect for married men
  - Simulation shows childcare costs are an important factor in labour supply decisions for some
- International literature indicate a range of issues that need further investigation:
  - Rationing of childcare
  - Quality of childcare/ child development
  - Choice between different types of childcare