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# Parental Leave vs. Early Childcare

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SNS Research Brief 95, May 2023

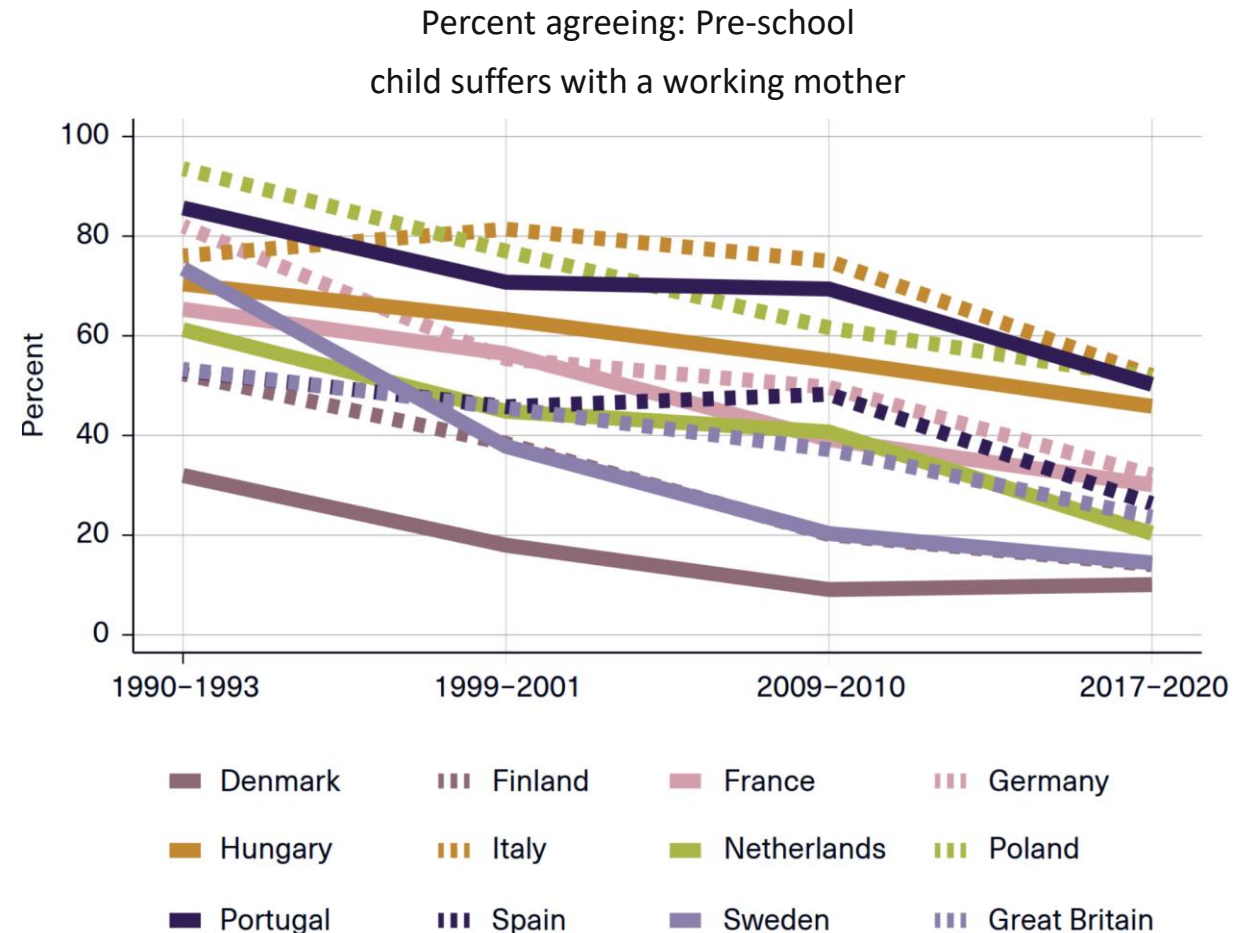
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Stockholm – May 11, 2023

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# Parental leave and early childcare

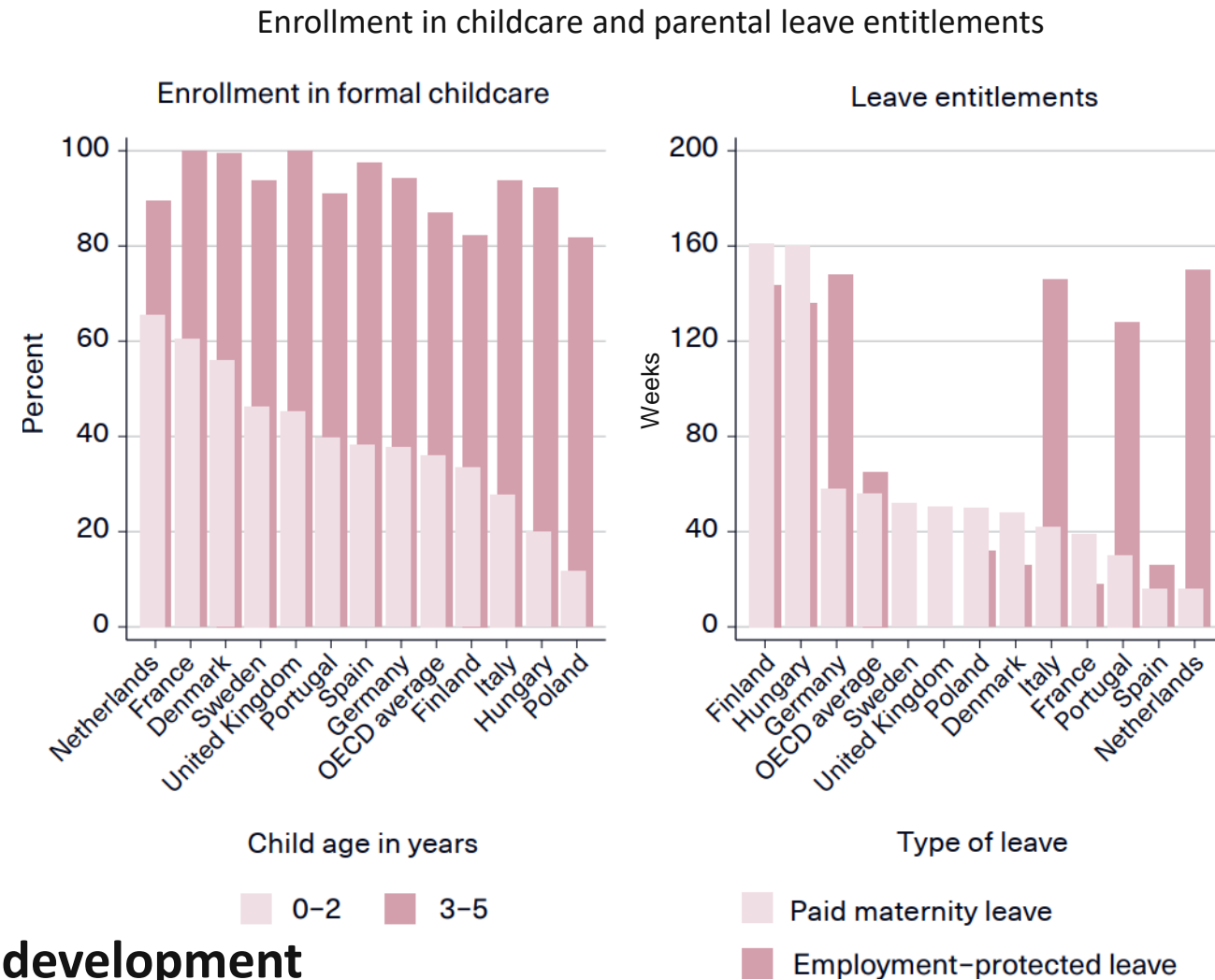
- **Family policies** such as parental leave and childcare provision aim to help **reconcile work and family life**
- In early years children are commonly cared for either by parents or by formal childcare
- Across countries, **declining share** agrees that **maternal employment is harmful** for children (see figure)



- This report: What are the **long-term effects** of parental leave and early childcare on **child development**?

# Parental leave and early childcare

- **Increasingly common** that children are enrolled in formal childcare
  - 36% on average of children aged 0-2, more than 80% of older children in all countries
- **Paid maternity leave** around 1 year in most countries
- Initial motivation for childcare: **facilitate female employment**
- But increasingly key objective: **foster child development**



# Causal evidence of effects on child development

- In this SNS Research Brief, we **review the evidence** on child development effects of childcare enrolment and parental leave
- On both policies, a lot of **early evidence** stemmed from **Scandinavian countries**:
  - Forerunners to expand childcare and provide parental leave
  - Excellent (administrative) data, linking individuals over time
- Other countries have followed suit and the **evidence base has widened** to many different institutional contexts
- **Wide range of outcomes** at different ages can be considered:
  - *Cognitive* skills: school entrance examinations, school grades
  - *Non-cognitive* skills & socio-emotional behaviour: emotional stability, empathy, grit
  - Labour market outcomes: employment, wages

# Causal evidence of effects on child development

- We focus on ***causal* studies**
- These studies manage to statistically take confounding factors into account:
  - E.g., children from higher educated parents more likely to be enrolled in childcare and also tend to be ahead in their development
- Causal studies aim to **abstract from all other factors**, such that the effect of longer parental leave / childcare enrolment can be identified
- Common *sources of variation* used:
  - Parental leave reforms
  - Childcare expansions
  - Lotteries for childcare spots

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# Effects of parental leave

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# Effects of longer parental leave I

- Clear finding that the **alternative form of care matters**
  - Would children have been supervised by **parents or other (informal) arrangements?**
- Two studies look at a parental leave expansion in Austria (12 to 24 months) and a parental leave introduction (12 weeks) in Norway
- Affected **children benefit** in their development if **alternative form of care informal**
  - Better education and labour market outcomes
  - No effect in Austria if formal childcare available

## Effects of longer parental leave II

- Effects may be **specific to time period** when parental leave is expanded
- **Subsequent expansions of parental leave** in Norway from 18 to 35 weeks had no additional effect on children
- Several expansions in Germany from two to 36 months similarly did not improve educational or labour market outcomes
  - Same holds for a 2007 reform which extended leave for higher income mothers, but had no effect on children's school-readiness across socio-economic groups
- In settings with **high-quality childcare available** (Denmark and Sweden), longer parental leave on average had **no impact on children**
  - But some evidence from Sweden that children of higher-educated mothers benefit



## Effects of longer parental leave III

- It has become widely accepted in social sciences, that not only cognitive skills as measured by test scores matter, but also **socio-emotional skills**
- A study from Denmark found that longer parental leave at the end of the first year **had no effect on school grades**, but **improved socio-emotional skills**
  - These may have positive effects in the long-run
- Children may also be **indirectly affected**: research from Sweden shows that *older* children benefit if mothers stay at home longer with their younger sibling
  - **Increased exposure to maternal time** for older child
- **Negative consequences** of longer parental leave **relatively rare**

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# Effects of early childcare

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# Effects of childcare I

- Evidence from many countries finds that **children from disadvantaged backgrounds benefit (more) from attending childcare**
  - Children from lower-educated, lower-income parents or with a migrant background
- Childcare can help to *level the playing field* as it reduces early ingrained inequalities: “**Skills beget skills**”
- **Boys similarly have better outcomes** when attending childcare earlier
- While disadvantaged children often benefit, effects tend to be **smaller or zero for more privileged children**

## Effects of childcare II

- More positive effects for disadvantaged children often explained through less enriching environment faced at home
  - But **home environment unlikely to remain constant** when children attend childcare
- A study from Japan analyses a childcare expansion and **considers child outcomes, and measures of parenting quality**
  - Children from lower-educated households have **fewer behavioural problems** and their parents show an **improved parenting quality**
- Evidence from Germany reveals that **engaging parenting activities stay almost constant** when children are in childcare, as evenings become more activity-rich
  - Parents make **compensatory investments**

## Effects of childcare III

- In some settings **childcare expansions have negative effects** on children
  - In Québec children had lower cognitive and non-cognitive outcomes, and even worse health and higher crime rates in the long-run
  - In Bologna, children from advantaged background had substantially lower IQ scores and also worse non-cognitive skills
- Contexts with negative effects have in common that they **score low on common quality indicators** compared to previously discussed studies
  - Lower adult-to-child ratio
- **Decrease in one-to-one interactions** may be especially harmful for children from advantaged backgrounds

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# Some open questions

# Some open questions I

- Formal childcare can play an important role in **reducing socio-economic inequalities**
  - But in almost all OECD countries, children with higher educated mothers are *more* likely to be enrolled
- What are the reasons that in **universal childcare systems** children who would benefit the most are **underrepresented**?
- Highly **context-specific**, but some general conclusions:
  - Information provision on cost and benefits can increase demand
  - Impartial application system and transparent selection criteria reduce possibility of discrimination
  - A (more) progressive fee structure can help lower-income households

## Some open questions II

- Negative effects of childcare on children found when quality is low
- But **which quality measures** are particularly important?
  - **Structural quality** or **process quality**?
  - What is an adequate minimum quality?
- What role can **parental support services** play (in parallel to parental leave and childcare)?
  - In Sweden, these are operated by childcare centres for parents on parental leave
  - But may also exist for parents whose children are enrolled in childcare
  - Existing evidence largely from experimental settings targeting disadvantaged families



## Some open questions III

- Most evidence stems from **maternity leave**, as even in *de jure* gender-neutral systems **mothers take bulk of parental leave**
- In recent years, many countries have expanded **earmarked parental leave for fathers**. What will be the **effects on children**?
  - EU directive 2019/1158 came into effect in August 2022, granting 10 days of paternity leave following childbirth and 2 months nontransferable leave for fathers
- Effects of family policies on **gender inequality**?
  - Large share of gender inequality linked to children (“**child penalty**”)
  - Expansion of childcare facilitates **employment by both parents**, whereas longer parental leave mostly prolongs absence by mothers
  - **Paternal leave** can **reduce gender inequalities** (also in unpaid work)

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# Concluding remarks

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## Concluding remarks

- Parental leave mostly has positive effects in first 6 months
  - Expansions beyond this would demand **other justifications**, e.g. insufficient availability of qualified childminders
- **Negative effects** of childcare only **when quality is low**
  - Expanding childcare at the expense of quality a **bad deal for children**
- Effects of family policies on children should **constantly be monitored** and entail a **diverse set of outcomes**
  - Acknowledge that effects can be **context-specific**
- Possibility of conflict of objective with **other policy goals** such as gender (in)equality

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# Thanks for your attention!

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