

The Cost and Local Availability of Child Care and Maternal Labor Supply: Evidence from Australian Longitudinal Data

Chikako, Yamauchi
Economics, RSSS
Australian National University
chikako.yamauchi@anu.edu.au

Abstract:

In order to assist parents with young children to balance family and work, many governments attempt to ensure accessible and affordable childcare. This study investigates how changes in the price and local availability of center-based childcare are correlated with changes in the pattern of maternal labor force participation and childcare utilization. It combines the new data on the number of subsidized childcare centers in Australia with the 2002-2005 HILDA Survey (longitudinal household survey) based on each household's residential area. The household-level fixed-effects estimates show that the price elasticity is -0.20 for maternal labor force participation and -0.16 for the use of center-based care. Holding the price levels constant, the elasticity with respect to the number of center childcare places per 100 children in the area is 0.00 for labor force participation and 0.15 for the use of center-based care. Further, heterogeneity analysis reveals that responses differ by the educational attainment of the mother. These suggestive associations imply that, while the availability of center-based care does not increase maternal labor supply, the price subsidy is likely to play an important role in encouraging maternal economic participation.