

The Effect of Childcare Policy on Fertility in Japan

Evidence from Regional Variation in Childcare Availability

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Abstract

In this paper, we analyzed the effect of childcare availability on fertility using Japanese municipality level *Census* and *Vital Statistics* data from 2000 to 2010. To date, there is no consensus on the causal relationship between childcare availability and fertility because regional heterogeneity in childcare availability brings biases to the estimated impact. We carefully handled several potential sources of bias, regional unobservable fixed effects were treated by using first difference (FD) method and time-variant unobservable factors were handled with instrumental variable (IV). The analysis demonstrates that an increase in childcare availability in Japan from 2000 to 2010 raised the fertility of women 25-29 about 1 percentage point, suggesting that government policy may be having an important effect in helping Japanese women to better balance the early-career demands of work and family. A simulation of the total fertility rate (TFR) with and without government policy intervention shows that TFR in 2010 would be 1.34 if it were not for childcare policy, while it was 1.39, and this 0.05 points difference corresponds to an almost 40% upturn in TFR from 2005 to 2010 (from 1.26 to 1.39).

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