

How Do Parents Decide Their Child's Quality and Quantity?

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Abstract

This paper tried to verify the policy impacts from the expansion of Child Benefit Policy (CB) on parental demand for each residential environment related to their children by comparing each demand between pre and post treatment. In addition to the standard estimation method using Random Effect Model (REM) for the impact evaluation, this paper uses Simultaneous Equation Model (SEM) to control the Omitted Exogenous Shocks (OES) which are concerned to break a vital requirement for causal inference, i.e. Common Shock Assumption (CTA).

From the main analysis by SEM, it found that the expansion of CB lead that about 6% of treated parents in the Full Sample (with children aged 1-15), and moreover, about 18% of parents in the Sub Sample (with only pre-school student, Age 1-6) *increased* the demand for Childcare Environment with significance. On the other hand, about 16% of recipients with only primary school students (Age 7-12) *raised* the priority on Educational Environment. In contrast, *no impact* on Childcare Environment was confirmed in this treatment group. Moreover, we couldn't find any significant impacts on the treated parents with only junior high school student.

After all, these results suggest that different parents in terms of child's age react to demands for different environment against the expansion of CB. Therefore, this study has an important implication that the target households should be carefully chosen in terms of their child's age against the main purpose of each policy when the official financial supports without any conditions for the reception such as Child Benefit Policy are newly introduced.

Key Words : Child Benefit Policy, Child's Quantity and Quality, Living Environment,
Random Effect Model, Simultaneous Dependence, Simultaneous Equation Model

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