

## **DIW Applied Micro Seminar**

### **Careers and Fertility: Policies and their Evaluation**

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#### *Abstract:*

Evaluating fertility policies for battling negative effects of population aging is difficult because fertility and labor-supply models have unobservable factors such as child-quality production functions. We implement a vignette method in the US and in Germany, in which respondents state their desired number of children and desired labor supply hours, conditional on their wage, partner income, partner working hours, and on a childcare-policy environment. Vignette responses corresponding to actual policy conditions shows great consistency from actual choices of labor hours and fertility. By randomly changing childcare-policies in the vignette survey we obtain vignette estimates of policy responses of fertility and labor supply. By matching a lifecycle model to American and German micro-survey data (PSID/ SOEP) we evaluate model-based policy changes. The goodness of fit of our fertility/labor-supply model to actual lifecycle data and to vignette policy responses serves as a criterion of model specification. In both countries subsidizing external childcare (nannies, public kindergartens, etc.) is more effective for fertility responses than child allowances in cash.