Is the Equal Sharing of Market Work and Family Duties Hampered by Financial Means or Constraints?
Evidence from a Structural Labor Supply Model with Involuntary Unemployment and Hours Constraints

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This paper analyzes the question why desired and actual sharing of market work and family duties among parents with young children in Germany fall apart. Potential explanations include financial incentives favoring the single-earner model, as well as constraints in choosing working hours due to lack of childcare or labor demand restrictions. In order to analyze these explanations, we extend the standard model of labor supply by different types of constraints. We estimate preferences based on desired instead of actual working hours and specify restrictions as a double hurdle model with the first stage representing the risk of involuntary unemployment. The second step pertains the probability of being constrained in specific hours categories. We apply this model to simulate a recent reform proposal that subsidizes parents who both work around 30 hours per week. We find that taking into account constraints in working hours is crucial: The pure incentive effect is almost cut by half. Our approach also allows to simulate the removal of hours constraints which almost triples the labor supply reaction. Hours constraints are thus even more important than adverse incentives in explaining the asymmetric division of work and care within families.