

# **The Impact of Private and Public Childcare Provision on the Distribution of Children's Incomes in Germany**

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## **Abstract**

This paper is the very first to assess the impact of extending children's disposable cash income to encompass the monetary value of parental and non-parental childcare time on economic inequality in Germany. Combining panel data from the German Socio-Economic Panel (SOEP) with administrative data from the German Federal Statistical Office covering the years 2008 to 2012, it can be shown that extended income inequality is always significantly lower than cash income inequality. Furthermore, while cash income inequality of children has slightly increased between 2008 and 2012, there has been no significant change in extended income inequality as defined in this paper; it even tends to be lower in 2012 than in 2008. This is very likely due to the expansion of public childcare, because transfers from non-parental childcare add most to the cash income of children in absolute and relative terms. In particular, children living with single parents profit most from in-kind benefits in relative terms. This paper also shows that differences in family structures are not the most pressing issue: whether a child profits from non-parental childcare - but also from parental childcare - depends on its position in the initial cash income distribution. Children from the lowest quintile profit, by far, more than children from the fourth or fifth quintile. Nevertheless, even children from high quintiles gain from extending the income definition. These findings provide further evidence for the legitimization of the hypothesis that the provision of public childcare is an appropriate measure for social policy makers to reduce inequalities among children in Germany. At least it shows that the provision of public goods lowers the importance of cash income regarding the welfare of children.

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