

Does the Expansion of Early Public Child Care Raise Germany's Fertility?

Eric Schuss*
University of Duisburg-Essen

Mohammed Azaouagh†
University of Duisburg-Essen

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Abstract

Theoretical considerations and empirical evidence on the effect of child care on fertility come to contradictory results. We use quasi-experimental expansion of child care slots for children from Germany and exploit regional variations in this large-scale expansion to account for endogenous and selective fertility decisions. To be concrete, we evaluate whether the short term expansion of child care slots for children under the age of three since the mid-2000s and the introduction of a (conditional) legal claim to a slot for children aged one and above since 2010 decrease childlessness and increase the number of children per family.

To account for right censoring and left truncation, we implement this quasi-experimental framework into the setting of the Cox hazard model. Its semi-parametric form enables a parity-specific analysis on the individual level and allows the modeling of non-proportional impacts of socio-economic characteristics on fertility decisions. Difference-in-differences (DiD) estimations and estimations using child care coverage as continuous information do not show significant impacts of child care expansion on first and second birth probabilities. DiD analyses demonstrate, however, that this insignificance is due to the fact that growth in child care slots is higher in municipalities where fertility is generally low, female employment is high and the family-work-conflict is sharp. By exploiting this fact, we find significant fertility effects for employed women and couples, where both parents are in labor force. This is demonstrated for the intensive and the extensive margin.

Robustness checks take potential biases due to selective migration, shifts in the institutional background and endogenous residency choices into account. Knowledge on different reactions between natives and migrants on interventions of family policy is sparse. This research gap is tackled by examining different fertility responses between natives and migrants and other heterogeneous effects due to socio-economic status, which provides further important implications.

Keywords: Early public child care · Fertility · Cox hazard model

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*All correspondence to Eric.Schuss@uni-due.de, University of Duisburg-Essen, Berliner Platz 6-8, WST-C.10.11, 45127 Essen

†University of Duisburg-Essen, Berliner Platz 6-8, WST-C.10.10, 45127 Essen

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