

The effects of a conditional home care subsidy on child care choices and maternal employment

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Abstract

In 2013, Germany introduced a lump-sum home care subsidy for families not using subsidized child care. Exploiting an eligibility cut-off by date of birth, we examine the subsidy's effect on child care choices and maternal labour market outcomes. We additionally investigate who obtained the windfall gains which the subsidy generated. Eligibility for the subsidy reduced the child care enrolment uniformly across socio-demographic groups, though effects on labour supply were smallest among mothers with medium wages. Our results imply that the expenditures on the subsidy accrued almost completely as windfall gains to families who would not have used child care anyway.