The effects of a conditional child care allowance on maternal employment

Michael Oberfichtner (FB C1)
Co-authors: Matthias Collischon, Daniel Kuehnle (both FAU)

How the pricing of formal child care for young children affects maternal employment is an important policy question. We study the employment effects of a German reform from 2013 which introduced a child care allowance (Betreuungsgeld) paid if the child does not use public child care. The allowance imposes a fixed cost of 100 Euros per month on using public child care, which should reduce maternal labour supply and thus employment. To identify the effect of the allowance on maternal employment, we leverage a cut-off in eligibility by children’s birth date and use a difference-in-differences approach. Our first, preliminary results show that the allowance only had small negative effects on maternal employment on average, but strongly reduced employment among mothers who earned a low wage before birth.