

"Mothers' Employment, Children's Age, and Childcare Costs"

Robert Kaestner, Darren Lubotsky, and Javaeria Qureshi

Abstract: We study the timing of mothers' decision to work following the birth of their children. We document a slow, steady increase in employment that begins after the birth of their children and continues at least until their youngest child is sixteen years old. We go on to assess the causes and implications of this pattern with a special emphasis on the role of child care costs. It is widely believed that child care costs are a substantial barrier to employment among mothers, particular low-income mothers and those with younger children. Careful attempts to isolate the causal effect of childcare costs on employment yields inconsistent evidence. We take a different approach and examine how employment changes when children become eligible for free public school, which coincides with a substantial decline in the demand for child care. Intuitively, the test of whether the availability of free public school affects mothers' labor supply is whether mothers' labor supply is "unusual" at age five or age six vis-à-vis other ages, for example, ages four and seven. In fact, we find that mothers' labor supply rates rise steadily year by year after the birth of a child, with little evidence of a noticeable, discrete change in the trajectory around ages five and six. Our evidence is consistent with a model in which women's reservation wages are falling over time after the birth of a child, as her productivity at home (or utility from staying at home) declines.