

HOME PRODUCTION OF CHILDCARE AND LABOUR SUPPLY DECISIONS IN A COLLECTIVE HOUSEHOLD MODEL

Work in progress

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Abstract

Childcare costs and the labour supply of mothers is a recurring topic of policy debate. The extent of female part-time work and the consequences of career breaks on future employment and earnings are part of that picture. The decision to leave (partially or not) the labour market is often taken within a couple but, in the event of divorce, the impact of this decision may not be borne by both parties equally, which may render the initial decision inefficient. This paper proposes a dynamic structural model of labour market and childcare choices for couples within a collective model of decision making. We formalise explicitly the need for childcare as a function of the age structure of the children population in the household then examine the determinants of the decision to supply labour. The fraction of home-produced childcare to household childcare needs is considered to be a public good in the household, for which preferences are heterogeneous across households. Spouses' bargaining weight in the decision making will also influence the decision. We include non-participants and model the labour supply decision as a discrete choice between non-participation, part-time work and full-time work. An important feature of our framework, which introduces one of the dynamic dimensions of the decision, is that we take into account the implications of today's labour supply decision on future wage growth and future bargaining power. We examine the efficiency of the childcare/work decision and link it with parameters of divorce regulations. Using data from the BHPS, we then present a structural estimation of our model to quantify these various components of the choice of childcare mode.

Keywords: Household, labour supply, collective model, childcare.

JEL Codes: J12, J13, J22, J31, J38.

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