

Subsidizing childcare versus grandmothers' time: which policy is more effective?

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Summary: This paper studies whether childcare subsidies or subsidies on grandmother's time is more effective at increasing mothers' employment and fertility rates. The author finds childcare subsidies to be more effective than subsidizing grandmothers' time in regards to the labor market, but notably that without after-school-hours subsidies as well, this will also result in fewer hours worked. Labor market effects are driven by lower educated women and fertility effects by higher educated women.

Overall, this study is nicely motivated, well-written and appropriately executed. It is an interesting topic that builds off of the existing literature with nuanced findings. My comments are primarily minor points related to changes in the motivation and discussion of results, rather than in the analysis. I believe that my recommended changes should be easily accomplished in a reasonable amount of time and therefore recommend a revise and resubmit, with minor changes.

Comments:

1. **Childcare costs:** The author motivates the paper's focus on Spain by describing various characteristics of the Spanish context. For example, the author mentions that Spain is characterized by high use of grandparents for informal childcare, long work hours, low labor market participation of women, and traditional gendered earnings in the labor market. All of these are important factors relevant to the study. However, the author also motivates studying Spain due to the high childcare costs. This discussion on costs needs to be handled more carefully. The author cites many studies that themselves claim the high costs of childcare in Spain, but many of these are either older studies or are using older data than used in this paper (year: 2016). I find the claim of high costs a bit overstated.

Looking at OECD data, one can see that at least in relatively recent years, Spain is well-below the OECD and EU average for net costs of childcare as a percent of either average female income or household income. While the percentage varies depending on what definition is used, this relative relationship compared to other EU countries remains. (For example, one can change the year used in the table here: <https://data.oecd.org/benwage/net-childcare-costs.htm>)

I provide a few reference with links for quick access:

1. OECD (2019). "Net childcare costs in EU countries."
https://www.oecd.org/els/soc/benefits-and-wages/Net%20childcare%20costs%20in%20EU%20countries_2019.pdf
2. OECD. Chart PF3.2
https://www.oecd.org/els/soc/PF3_2_Enrolment_childcare_preschool.pdf
3. OECD (2020). "Is childcare affordable?"
<https://www.oecd.org/els/family/OECD-Is-Childcare-Affordable.pdf>

In each of these reports, one can see that Spain has consistently had lower net costs of childcare and relatively high participation in early-years childcare than the EU or OECD average. Is there a reason that we should not believe this data? When the author mentions costs, is she referring to something different than this? If so, this needs to be made much clearer because, as currently written, this stands in contrast to easily accessible data.

Even taking this data as the relevant reference point, this obviously does not mean that the author should not discuss the *importance of costs* in motivating the paper. In the third reference I list (on affordability), we can also see that despite relatively low costs compared to income, Spain still has a relatively high percentage of households saying they need more childcare than they can afford.

The paper's discussion of costs should incorporate this nuance. It does not appear to be true that Spain has particularly high net costs relative to other EU countries (despite lower public support). Spain does, however, seem to have a shortage of affordable childcare, which may be driven by the long work hours typical in the Spanish labor market (something the author does note later on). This ties in with some of the literature that the author cites regarding the sensitivity of women's labor market reaction of childcare costs, as well the author's own findings that subsidizing the extra hours is crucial. It also helps explain the potential importance of grandparents in Spain despite relatively average costs of childcare - if to make things work one would need to purchase MORE childcare than in comparable countries (and that additional childcare is what is expensive).

2. Grandmother subsidies: I like the discussion of real-world consideration of granny subsidies on page 21 (last paragraph of section 4). The author could add to this discussion the potential for extrinsic motivations to crowd out intrinsic motivations in this case. The satisfaction a grandmother gets from being a "helper" to her family may

be crowded out by monetizing the action which changes the relationship to more transactional rather than a gift.

3. Interpretation of findings and generalizing results: an additional caveat worth mentioning is that in Spain many jobs have the possibility of opting to work a reduced schedule (without having to change careers or quit one's job). Given that a main finding is that employment increases, but at reduced hours, this is very relevant. In different country contexts, where working a reduced schedule is not an option, we could potentially see more unemployment instead of increased employed at reduced hours.

4. In the Introduction, the author has a glaringly bold statement that should be softened or eliminated: "Southern European countries, however, are characterized by expensive child care coupled with limited government subsidies and represent the primary cause of the trend in falling fertility." First, it is arguable whether childcare is particularly high in relative terms. Second, even if we take "expensive child care" as given (as I mentioned above, a high percentage do perceive it to be a hurdle), the author does not cite anything for this causal claim that childcare is the main reason for falling fertility. The footnote only shows evidence of the correspondence of maternal employment and fertility changes over time and shows nothing even correlational with childcare. A citation showing strong causal evidence of this for Spain is needed for this direct statement.

5. The model assumptions follow the Spanish childcare and educational system very well, but readers may not be as familiar with this system as ages entering different forms of care vary across countries. For example, 0-2 for a daycare center and 3-5 free childcare is a solid assumption in Spain due to the public school "Infantil" program. The author could mention a bit more of the Spanish system either right before or along-side the discussion of the model.

For example, on page 4 the author states "In period 2, it is assumed that all children aged 3 to 5 go to regular childcare at a nursery school." While this is totally valid for the case of Spain, some context is helpful. For example, in the US, this phase of education is like pre-K or Kindergarten at local public schools, which there typically starts at age 4 or 5. A few sentences mixed in throughout the text would be helpful, for example, to explain that this phase of education "Infantil" is provided through the

public school system and is widely used and free at the same elementary schools where older children attend.

Minor changes:

1. In the abstract: “grandmothers’s ” should be “grandmothers’ ”
2. “for the reasons I describe next.” should be “for the following reasons.” or “for various reasons.”
3. “take decisions” should be “make decisions”
4. The related literature heading is odd. Why is this not a section? At least an adjustment in spacing should be made.
5. p.3 “availability of grandmother” should be “availability of a grandmother”
6. “using an heterogeneous” should be “using a heterogeneous”
7. “economy model” should be “economic model”
8. “specially” should be “especially”