

# Research Idea:

## Policies that Affect Female Labour Supply

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### Abstract

Starting point: Familienbonus Plus discussion paper (see attached 2020-WuG-FamBonusPlus.pdf)

When discussing optimal policies of how to increase or influence female labour force participation, economists and politicians are often left at two angles: enforce policies that effect intensive and extensive supply, via mostly (i) tax benefits (in-work-benefits), (ii) cash benefits or (iii) in-kind benefits. Numerous papers evaluate the effects of this different parts in isolation, whenever there has been a policy change for example (i.e. “natural experiment”), or compare two of those (i.e. cash benefits vs. tax benefits). The topic is widely discussed, nevertheless, there is still ‘confusion’ about what the optimal policy (mix) looks like. Also papers, depending on different identification strategies, come to different conclusions. Despite the distinguished methods applied, this development is connected to two ‘problems’ of definition: (i) what is the aimed scope of the policy (i.e. increase intensive and/or extensive labour supply - by how much?) and (ii) can all channels (through which labour supply is affected by child care) be identified?

As it comes to the second problem, we want to shed more light in the dark: which of the above mentioned policies (tax benefits (i.e. “Absetzbeträge”), cash benefits (“Familienbeihilfe” or other reductions in childcare costs) or in-kind benefits (“availability of child care”, i.e. indicators covering density of childcare institutions and their opening hours per district)) have exactly what effect on mother’s labour supply?

### Research interest:

*”What drives female labour supply? Different effects from in-work-benefits, child care costs and availability of child care in rural areas?”*

In general, we expect that our results will strongly depend on a woman’s marital/relationship status and the age of the youngest child and that the impact of different policies will vary over the income distribution. Our expectations are that in-work-benefits overall most directly benefit women who are actively in the labour force and will not effect the intensive margin by much. Nevertheless, studies show that changes in the income taxation system also affect women through the extensive margin: especially women with young children and women older than 55 years. Cash-benefits might decrease female labour supply at the bottom when paid as a lump sum, and increases it, if already paid costs for child care can be deducted by a certain amount. The availability of child care facilities is a necessity to be able to work during office hours for a few days a week, i.e. a lack thereof might indicate a strong disadvantage on the extensive margin of female labour supply. Therefore, if child care facilities are not or only available at high cost, we assume the extensive and intensive labour supply to be lower than in the opposite case.

### Data and Method

We plan to conduct an ex-ante analysis of the three potential policy measures discussed before and to asses its effects on the public budget, the income distribution and the labour supply of the targeted women / families. Therefore, a microsimulation of the reform will be conducted, using the tax-benefit microsimulation model EUROMOD. The possibility of labour supply responses of the targeted women / families is analysed using a discrete choice model of labour supply. For this purpose preference parameters are estimated with the help of a multinomial logit model (using R). Additionally, the work-leisure preferences of couples will be analysed separately, as they are expected to determine their labour supply decisions together. In order to analyse changes regarding the extensive margin we additionally estimate a (standard Heckman-corrected) wage equation to predict wages for non-workers.

In a first step we plan to analyse the potential labour supply changes for women / families in Austria, but we plan to extend our analysis to some additional countries with different tax and welfare regimes to identify varying work preferences and childcare availability across countries and to analyse the role of different (“initial”) tax-benefit-systems more closely. One challenge of this project is to find suitable data regarding the availability and “market price” of childcare. One idea is to use average data from the EU-SILC dependent on the age and number of kids and the population density at the main residence as an approximation.