



NEW REPORT: Universal childcare could be more beneficial to children's educational and employment outcomes than long parental leave schemes

Most OECD countries spend substantially more on maternity leave schemes than on early childcare. A [new IZA World of Labor report](#) publishing tomorrow (16.5.) shows that extending maternity leave beyond the first months generate few positive long-term effects on child outcomes, especially when the alternative care quality is high.

OECD countries are currently spending on average US\$12,300 per child on parental leave schemes. The average duration of paid parental leave in the euro area is 43.8 weeks, and the average duration of total leave is 65.6 weeks. OECD countries are also currently spending an average of US\$4,300 per child below the age of five on formal center-based daycare services, formal family daycare, and pre-primary education services. Apart from the Nordics, most OECD countries make a trade-off of investing in parents (mainly mothers) as childminders versus investing in public childcare. But do the children themselves reap more benefits from one or the other in the long term?

The economist Nabanita Datta Gupta, of the University of Aarhus, Denmark, summarizes a number of studies from Germany, Denmark, and Canada pointing to weak or zero effects of increasing maternity leave beyond the first few months on children's educational or health outcomes in the medium to long term. One study looking at three major maternity leave policy changes that were enacted in Germany in 1979, 1986, and 1992, and increased the length of leave from 2 to 6 months, from 6 to 10 months and, later, from 18 to 36 months, found no significant positive effects of the longer maternity leave on children's long-term outcomes in terms of choice of school track, the probability of completing high school, wages, or years of employment.

On the other hand, research looking at the effect of the expansions of universal formal childcare finds positive long-term effects, in particular on children's cognitive outcomes. Children from low socio-economic backgrounds seem to benefit most, while those from high socio-economic backgrounds do not gain as much but are not hurt either. For example, a study from Norway focuses on a period of rapid childcare expansion in the mid-to-late 1970s. It finds significant and substantial improvements in education and earnings and reductions in welfare dependency after the expansion.

Furthermore, several studies have shown that universal childcare provision reduces social economic status (SES) differences and enhances intergenerational mobility and can better equip children for starting school. Gupta concludes: *"When the care is of high quality, a universal program may have significant long-term benefits for children from disadvantaged backgrounds, and may be at least equal to maternal care for children from advantaged backgrounds."*

The economist recommends: *"Governments should subsidize universal formal childcare, both to meet labor demands in aging societies, and to help develop important skills during the critical early years of a child's life. Such investments generate substantial long-term returns in educational and employment outcomes, but are most apparent for children from low and middle socio-economic backgrounds."*

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Notes for editors:

IZA World of Labor (<https://wol.iza.org>) is a global, freely available online resource that provides policy makers, academics, journalists, and researchers, with clear, concise and evidence-based knowledge on labor economics issues worldwide.

The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

Established in 1998, the Institute of Labor Economics (www.iza.org) is an independent economic research institute focused on the analysis of global labor markets. Based in Bonn, it operates an international network of about 1,500 economists and researchers spanning more than 45 countries.