

The Effect of Child Care Cost on Female Labour Supply in Israel

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Abstract

This study examines the effect of the cost of child care for children aged 0-4 on the labor supply of mothers. This paper analyzes the child care cost in Israel, compares it to OECD countries, and surveys the current policy of supporting working families with children. The findings emphasize the high cost of child care in Israel in comparison with other countries, given the low take-up rate of existing programs. The study estimates the elasticity of the probability of female labor force participation with respect to the cost of care for young children. The estimations are based on the structural probit model of labor force participation, with sample selection correction. The results show that the cost of child care has a significant negative effect on the employment of mothers with young children (the elasticity of female employment with respect to the child care cost is -0.14). In addition, it was found that the shortage of places in subsidized child care facilities (based on a special index developed in this study) significantly increases family child care expenditures.