

Universal Childcare Subsidy Expansion and Maternal Labor Supply: Evidence from South Korea*

Jaehee Choi[†]

April 2018

Abstract

South Korea is among a handful of countries that have implemented universal childcare, but to the best of my knowledge, no previous studies have examined the causal impact of the recent reform. This paper evaluates the effect of the universal childcare reform on parents' employment, hours of work, wages, and family life satisfaction. The government introduced a staged expansion of universal childcare subsidies across all income groups between 2009 and 2013. Using a nationally representative panel data set that provides rich information on household income and assets, I determine each household's annual eligibility and annual tuition coverage rate. Because the tuition coverage rates varied by child's birth cohort and "income/asset" thresholds, I use these two dimensions as the two sources of the identifying variation to implement non-temporal difference-in-difference regression models. My findings suggest that maternal employment increased by six percentage points during the reform period whereas the effect was statistically zero for fathers. In addition, the reform had small but positive effects on various measures of family life satisfaction. The debate continues to this day whether the funding scheme for childcare subsidies places a heavy burden on local governments. In this light, this study may inform current policy debate by considering the effectiveness of the subsidies that are no longer means-tested.

JEL Classification: J13, J21, H40

Keywords: universal childcare, female labor supply, family policy, Korea

*The author thanks Dr. Sun Huh at Soonchunhyang University for helpful guidance in understanding the income eligibility rules.

[†]LBJ School of Public Affairs and the Population Research Center (PRC), University of Texas at Austin.
Email: jaeheec@gmail.com