

FAMILY 500+ ALLOWANCE AND FEMALE LABOUR MARKET SUPPLY

IGA MAGDA



Background & research question



- Significant increase in child benefits after the introduction of the 500+ benefit
- Child benefits or other non-labour income can have a negative impact on female labour force participation (Killingsworth & Heckman 1986, Jaumotte 2006)
- Access to affordable childcare limited in PL, the benefit likely to create strong disincentives to work esp. for single mothers or second earners with children

Background & research question



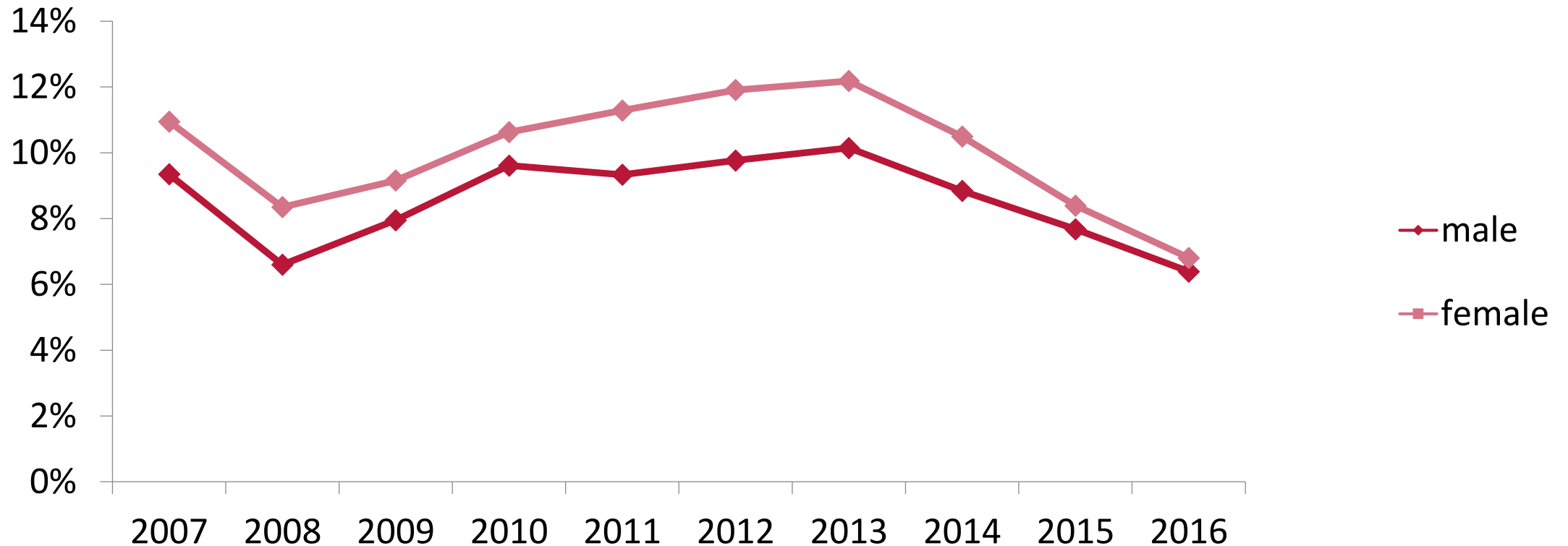
- Significant increase in child benefits after the introduction of the 500+ benefits
- Child benefits or other non-labour income can have a negative impact on female labour force participation (Killingsworth & Heckman 1986, Jaumotte 2006)
- Access to affordable childcare limited in PL, the benefit likely to create strong disincentives to work esp. for single mothers or second earners with children

- Did the introduction of the Family 500+ Programme have a negative impact on female labour supply ?
 - Labour supply = employed + unemployed

Decrease in unemployment rate (since 2013)



Unemployment rate, age 20-49, Poland

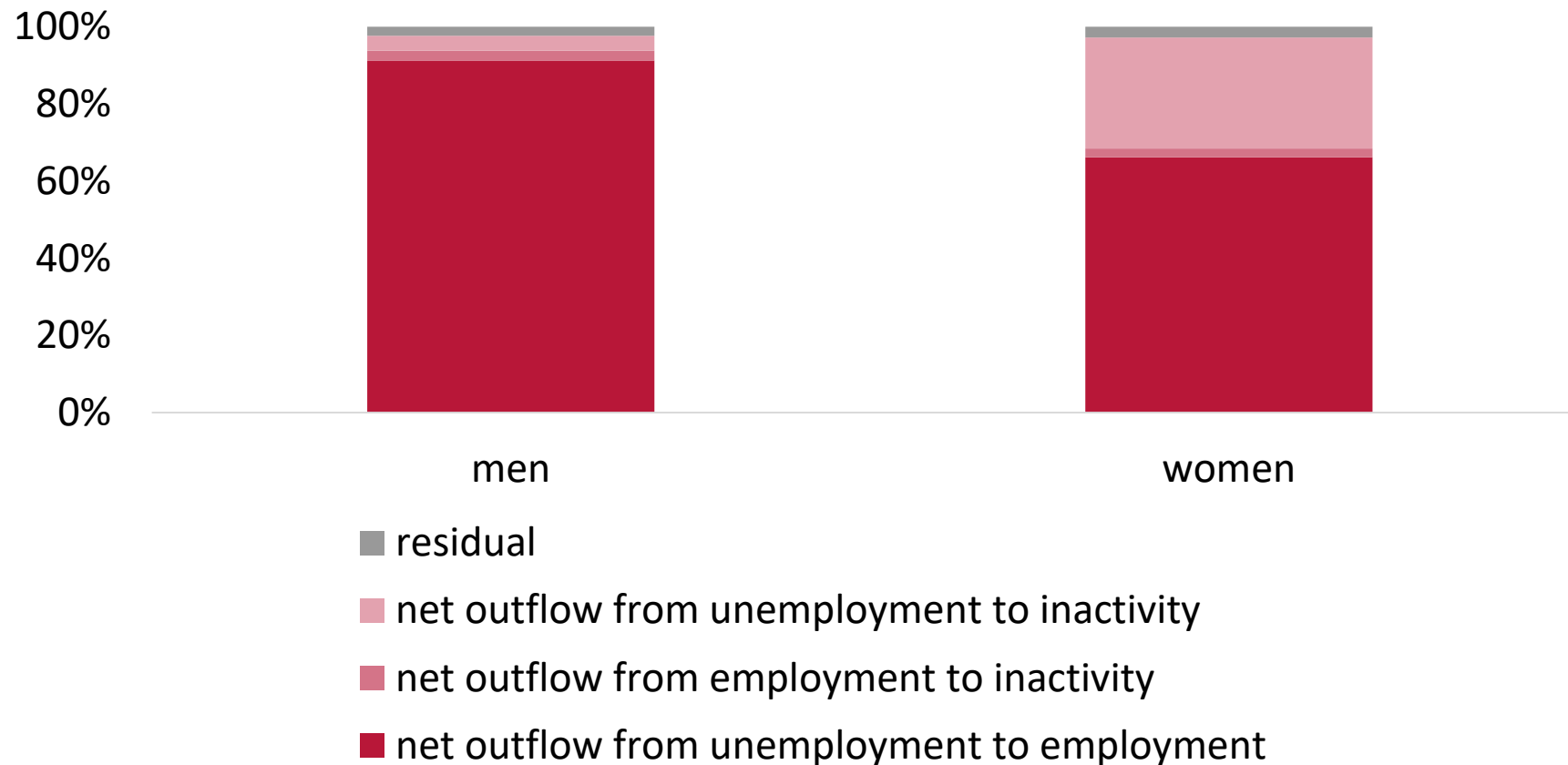


Źródło: Badanie Aktywności Ekonomicznej Ludności, GUS.

The decrease in unemployment of women was to a larger extent the result of labour market withdrawals



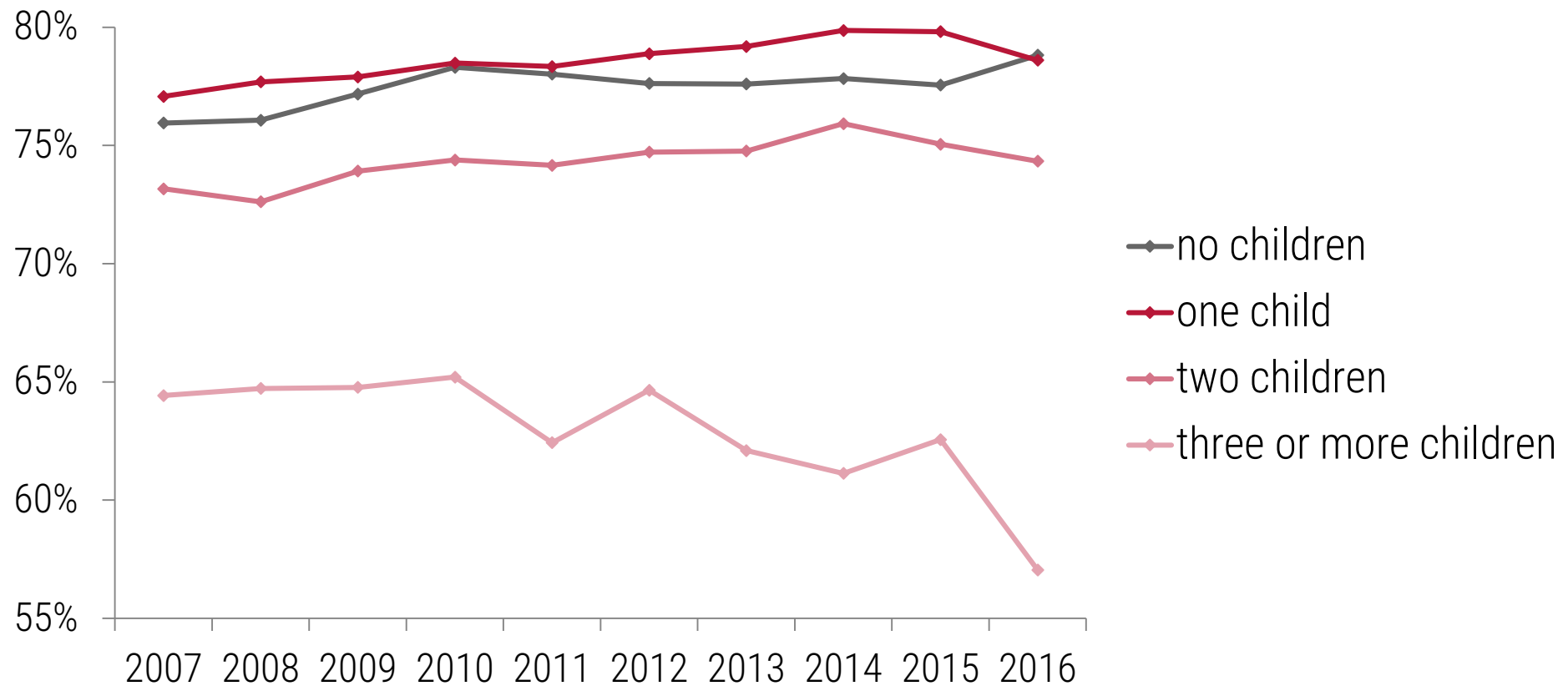
Decomposition of changes in the number of unemployed (age 20-49), 2015-2016



2016 decrease in LFPR among women with children



Labour force participation rates (LFPR) of women (age 20-49) by number of children



Disentangling the effect of Family 500+ Programme



- We study **changes** in labour market participation rates: were they different among women eligible and not eligible to the 500+ benefit?

Disentangling the effect of Family 500+ Programme



- We study **changes** in labour market participation rates: were they different among women eligible and not eligible to the 500+ benefit?
- Difference-in-differences approach
 - Treatment: eligibility to the 500+ allowance (as of mid 2016)
 - Treated group: women with one or two children
 - Control group: women without children

Disentangling the effect of Family 500+ Programme

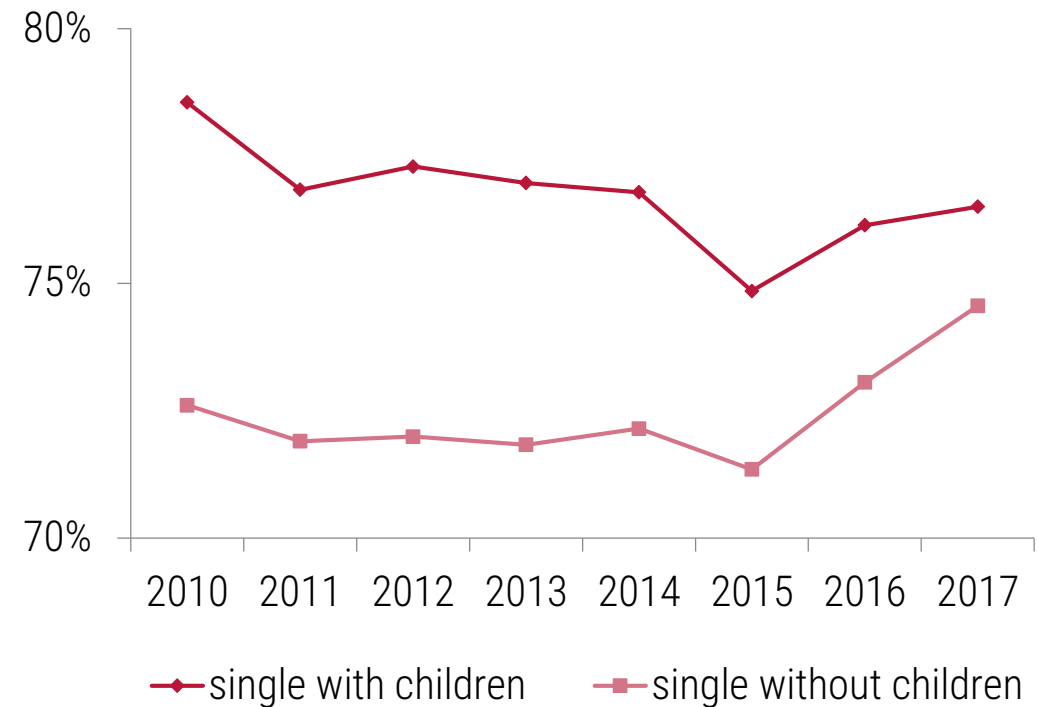
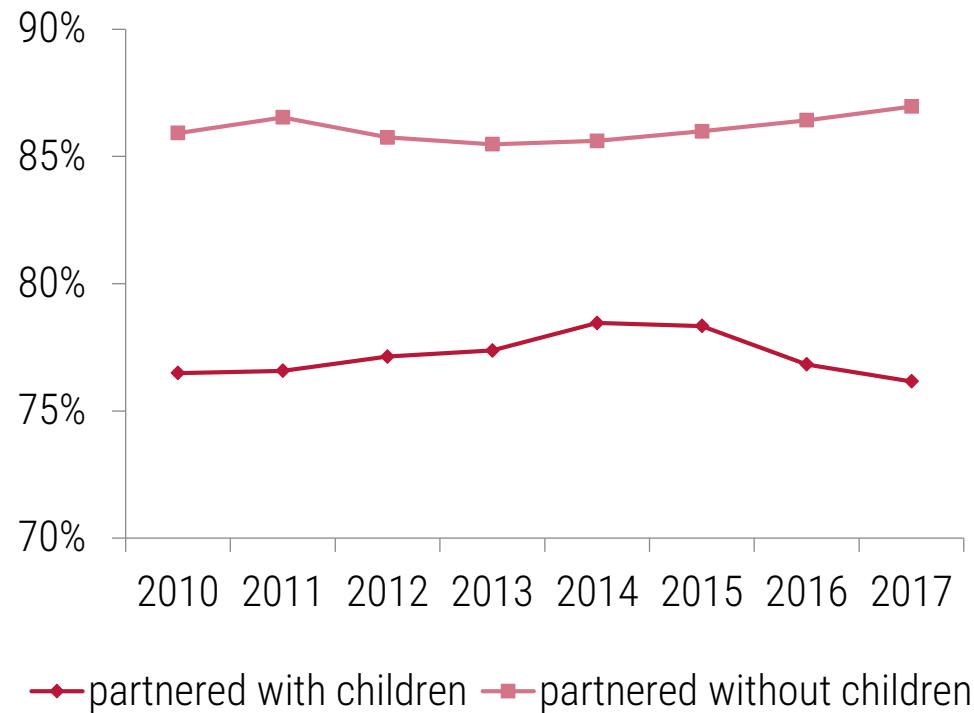


- We study **changes** in labour market participation rates: were they different among women eligible and not eligible to the 500+ benefit?
- Difference-in-differences approach
 - Treatment: eligibility to the 500+ allowance (as of mid 2016)
 - Treated group: women with one or two children
 - Control group: women without children
- We estimate the following equation:
$$A_{it} = \alpha + \beta X_{it} + \gamma T_i + \theta post * T_i + \varepsilon_{it}$$

Data & methodology



- Polish Labour Force Survey, 2007-2017 (q1, q2)
- Sample: women aged 20-49, separately single and partnered
- Common trend assumption (LFPR):



Estimated impact of the 500+ on women's LFPR



| | Partnered women [1] | Single [2] |
|--|---------------------|------------|
| Treatment effect in the 2nd half of 2016 (θ_{2016}) | -0.017** | -0.014 |
| Treatment effect in the 1st half of 2017 (θ_{2017}) | -0.027*** | -0.029** |
| Observations | 299 662 | 150 506 |
| R-squared | 0.116 | 0.277 |

- both single and partnered mothers labour force participation might have been on average 2.4 percentage points higher in the absence of the 500+
- almost 3 pp. in early 2017, around 103 thousand women

Conclusions



What we know:

- The Family 500+ had a negative impact on womens' labour market participation
- The effect was stronger in early 2017 than in 2016
- The effect was strongest for low educated mothers and those in small towns

Conclusions



What we know:

- The Family 500+ had a negative impact on womens' labour market participation
- The effect was stronger in early 2017 than in 2016
- The effect was strongest for low educated mothers and those in small towns

What we don't know:

- Impact on LFPR of women with 3 and more children
- Impact on mens' activity rates?
- Impact on working hours?
- Impact on unregistered employment / unregistered payments?

Research paper:

Magda, I., Kiełczewska, A., Brandt, N. (2018). The “Family 500” child allowance and female labour supply in Poland. *IBS Working Paper 01/2018*.

will be available at www.ibs.org.pl on March 20th.

iga.magda@ibs.org.pl