

## Macro Roundup Article

**Headline:** [Paying Moms to Stay Home: Short and Long Run Effects on Parents and Children](#)

**Article Link:** <https://www.nber.org/papers/w30931>

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**Tweet:** Evidence from Finland suggests that expansion of a home care allowance decreases maternal employment in both the short and long term and results in lower educational attainment and increased youth crime for impacted children. @nberpubs

**Summary:** We study the impacts of a policy designed to reward mothers who stay at home rather than join the labor force when their children are under age three. We use regional and over time variation to show that the Finnish Home Care Allowance (HCA) decreases maternal employment in both the short and long term. The effects are large enough for the existence of home care benefit system to explain the higher short-term child penalty in Finland than comparable nations. Home care benefits also negatively affect the early childhood cognitive test results of children, decrease the likelihood of choosing academic high school, and increase youth crimes. [Our analysis shows a] dynamic DiD for two key long term outcomes, enrolling to academic high school (instead of vocational high school or dropping out completely) at ages 15 to 17 years old, and committing a youth crime between ages 15 to 18 years old. The two outcomes occur at similar ages, although those who respond in the margin may be very different individuals. The pre-trend for high school enrollment is relatively flat, but there are some deviations from zero for youth crime, although not statistically significant. After an increase in supplement when one year old, enrolling to academic high school declines and committing a youth crime increases. There is some decline in the effect of enrolling to academic high school three years after the supplement change which we cannot fully explain but may be due to consequent change in supplement policies. For youth crime there is a clear upward shift at year 0; the noise in pre-trends likely reflects the much smaller incidence of this outcome, with a baseline youth crime rate of only 4%. We confirm that the mechanism of action is changing work/home care arrangements by studying a day care fee reform that had the opposite effect of raising incentives to work – with corresponding opposite effects on mothers and children compared to HCA. Our findings suggest that shifting childcare from the home to the market increases labor force participation and improves child outcomes.

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**Primary Topic:** Family/Marriage

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