

# Cash-for-Care and the Cost of Parenthood. Evidence from Adoptive Parents and Same-Sex Couples in Finland.

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# Motivation

- Negative earnings effects of motherhood (Budig, M. J., & England, P., 2001, Waldfogel, J., 1998, Harkness, S., & Waldfogel, J., 2003, Lundberg and Rose, 2000)
- Main determinant of the gender pay gap (Kleven et al., 2019a, 2019b; Angelov et al., 2016; Bergsvik et al., 2019; Chung et al., 2017; Kuziemko et al,2018)
- Same-sex couples share cost of parenthood more equally (Andresen & Nix, 2022; Evertsson, Moberg, & Van der Vleuten, 2023; Machado & Jaspers, 2022)
- Adoptive parents act like biological parents (Andresen & Nix, 2022; Kleven et al, 2021; Machado & Jaspers, 2022; Van der Vleuten & Moberg, 2022)
- Childcare policy – little effect? (e.g. Andresen & Nix, 2019; Kleven et al , 2020; Schönberg & Ludsteck, 2014).
  - E.g. Childcare and parental leave expansions.
- Cash-for-care – notable exception? (Gruber, J., Kosonen, T., & Huttunen, K., 2023)



# Motivation

- Cash-for-care/Home care allowance: Benefit paid to parents with children under 3 who don't use public subsidized childcare services in Finland.
- 92% of recipients are mothers (KELA, 2022)
- Has been shown to reduce mother's labor force participation (Giuliani & Duvander, 2017; Kornstad & Thoresen, 2007; Kosonen, 2014; Naz, 2004; Olivetti & Petrongolo, 2017; Rønsen & Sundström, 2002; Schøne, 2004)
- May explain large part of the overall child penalty for women in Finland (Gruber, J., Kosonen, T., & Huttunen, K., 2023)
- No previous research on same-sex couples' or adoptive parents' use of CFC (?)
- Underlying mechanisms still a puzzle
  - Why do (almost) only mothers use it?
  - Why the long-term impact?

# This paper

- What explains the use and division of cash-for-care benefits (home care allowance)?
- Gender norms?
  - Same-sex vs different-sex couples
- Impact of pregnancy/recovery?
  - (different-sex) adoptive vs biological parents
  - Compare partners in female same-sex couples where one partner gave birth (Evertsson & Boye, 2018; Malmquist, 2020; Moberg, 2016; Rudlende & Lima, 2018)
- Estimate association between use of cash-for-care and child penalty
  - By parents' use/share of cash-for-care
- Context: Finland
  - Fathers and same-sex couples have access to family benefits
  - More traditional gender roles compared to other Nordic countries (Salin, Ylikännö, & Hakovirta, 2018; Ylikännö, Hakovirta, & Salin, 2016).

# The Cash for Care system in Finland

- Since 1985: Cash-for-care (home care allowance) is a benefit paid to parents with children under 3 who don't use public subsidized childcare services in Finland.
- Basic flat rate allowance (€341.69 per month in 2020)
  - Top ups for additional child staying at home, means-tested and municipal supplements.
- The average cash-for-care allowance in 2020 was €406
- Job protected, one month minimum. Can be used from the end of parental leave (about 9 months) until a child turns 3 or has been in the parents care for 3 years if adopted
- Both partners in same-sex couples can use CFC
- 87% of families use it. 92% of recipients are mothers (KELA, 2022)



# Data & Method

## Population:

- Longitudinal register data from Finland, including female SSC ( $N = 595$ ), adoptive parental DSC ( $N = 1,441$ ), biological parental DSC ( $N = 270,057$ )
- First child together (2002-2018), censor when they have a second child
- 22 – 55 years old, adopted child under the age of 3
- Can identify same-sex couples from 2002 (register partnership law)

## Outcomes:

- **Total amount of cash-for-care benefits** per calendar year (individual level)
  - Dummy indicating use in each year
  - (Birth) mother's share of cash-for-care benefits (couple level)
- **Yearly labor market earnings** incl income from self-employment



**Table 1. Descriptive statistics**

	Mother in DSC	Father in DSC	Birth mother in SSC	Social mother in SSC	Adop. mothers in DSC	Adop. fathers in DSC
<b>Age at childbirth/adoption</b>	28.77 (4.64)	30.70 (5.15)	32.34 (4.63)	33.53 (6.16)	36.67 (4.58)	37.81 (4.63)
<b>Earnings in 1000' EUR<sup>a</sup></b>	26.90 (16.02)	35.17 (22.09)	33.68 (18.46)	33.31 (19.85)	36.43 (22.05)	49.15 (38.74)
<b>Household earnings<sup>a</sup></b>	62.07 (31.56)		66.99 (30.15)		85.58 (48.86)	
<b>(Birth) mother's share of household earnings<sup>a</sup></b>	0.44 (0.18)		0.51 (0.19)		0.43 (0.16)	
<b>Primary earner</b>	.31	.69	.53	.47	.30	.70
<b>Level of education: missing<sup>a</sup></b>	.07	.11	.03	.05	.03	.06
<b>Level of education: low<sup>a</sup></b>	.47	.56	.35	.40	.42	.49
<b>Level of education: high<sup>a</sup></b>	.47	.33	.62	.55	.55	.45
<b>Person ever used CFC</b>	.83	.09	.83	.35	.81	.11
<b>Couple ever used CFC</b>	.86		.92		.84	
<b>(birth)mother's share of CFC</b>	94.29 (20.02)		76.85 (35.45)		93.06 (21.88)	

<sup>a</sup> Measured in the year before birth/adoption

# Results – Part 1

Part 1: What determines the use of Cash-for-care?

- Gender norms or biological impact of pregnancy/recovery/breastfeeding?
  - Compare biological and adoptive parents in DSC, and female SSC
- Economic incentives?
  - Compare primary vs secondary earner
- Outcomes:
  - *Likelihood of using cash-for-care*
  - *(Birth) mother's share of cash-for-care benefits*
- Logistic and linear regression
  - Control for age, education, year, labor earnings in  $t=-1$ , child's age at adoption





Figure 1a. *The probability of using cash-for-care for each partner type (left) and the predicted value of (birth) mother's share of cash-for-care benefits (right).*



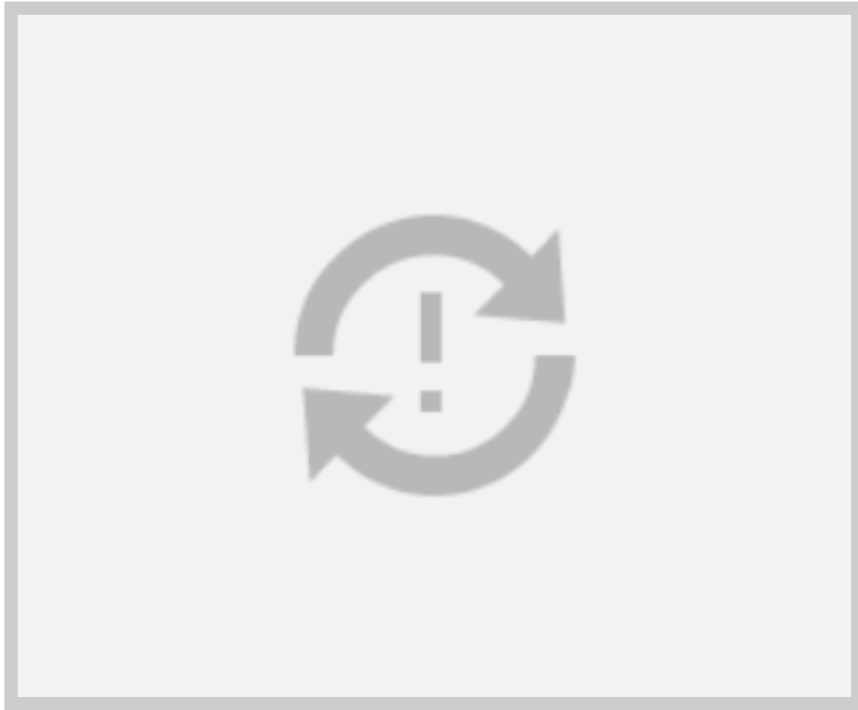
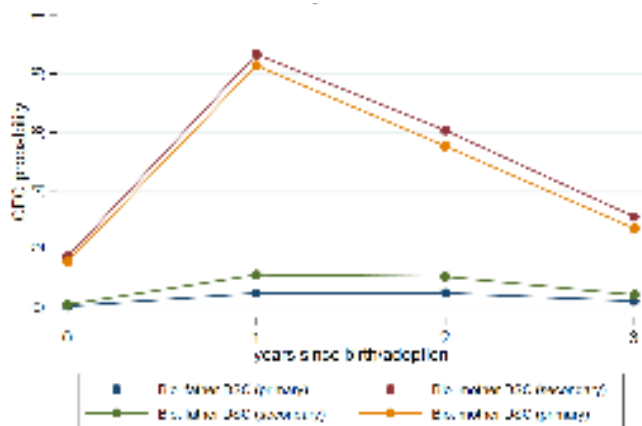


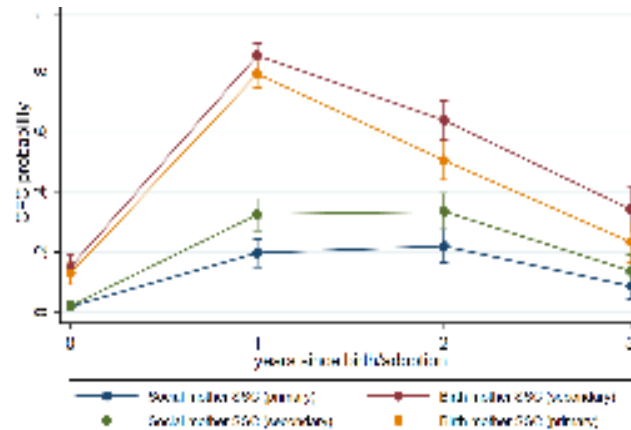
Figure 1b. *The probability of using cash-for-care for each partner type (left) and the predicted value of (birth) mother's share of cash-for-care benefits (right).*

*Results split for couples who adopted a 0-year-old child and couples who adopted a 1- to 3-year-old child.*

Biological parents in DSC



Female same-sex couples



Adoptive parents in DSC

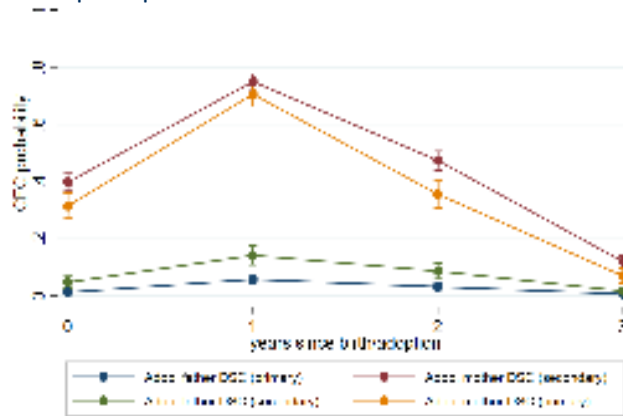


Figure 2. Predictive probabilities of using cash-for-care for primary & secondary earners in each couple type

## Results – Part 2

Part 2: Can use of Cash-for-care explain child penalties?

- Correlation between use/division of cash-for-care and size of child penalty?
- Outcome: *Yearly labor market earnings*
- Estimate child penalties using event study
  - Control for age, year, and education -- all interacted with gender.

## Overall child penalties

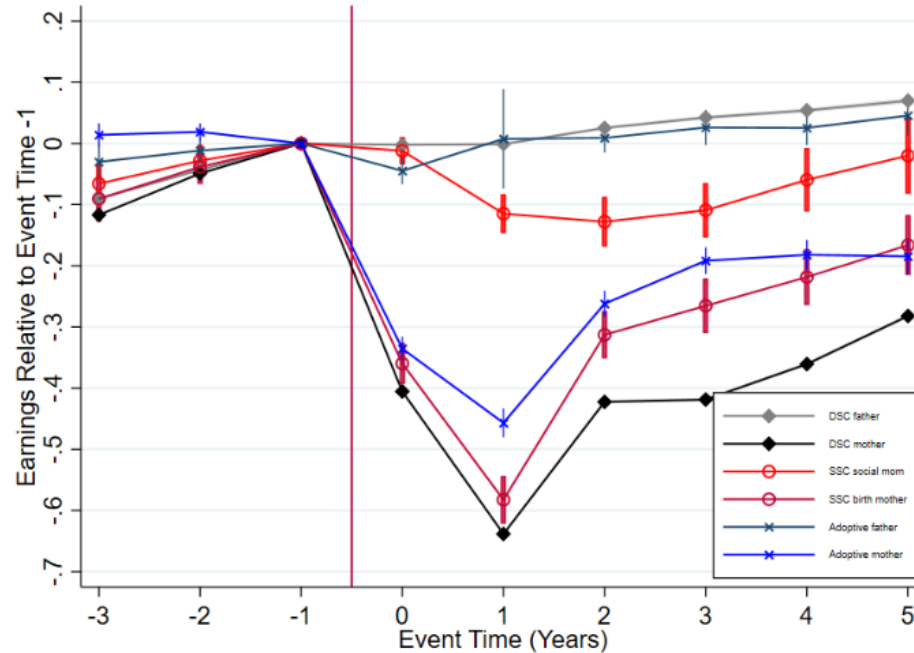
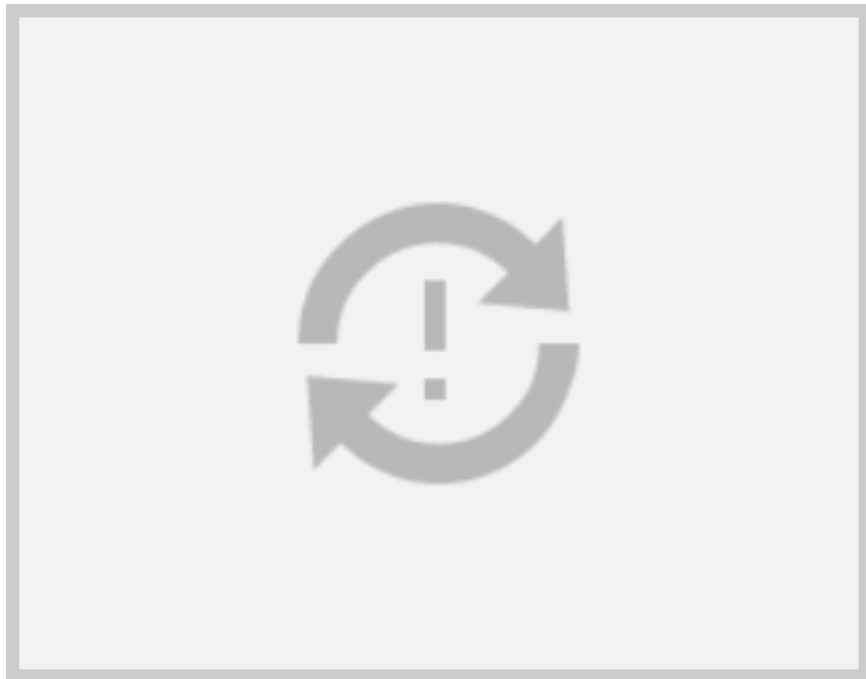


Figure 3. Estimated overall child penalties (i.e. percentage earnings losses) of parents in bio. And adoptive DSC and female SSC.

Birth mother in DSC



Fathers in biological parental DSC

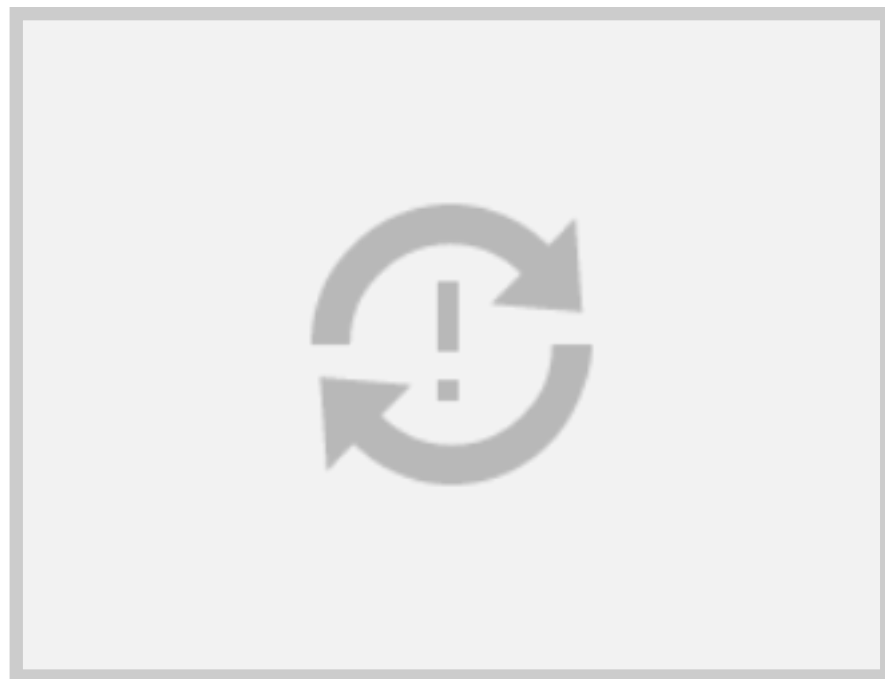


Figure 4a. Child penalties for mothers and fathers in biological parental DSC divided in their use of cash-for-care

Birth mother in SSC



Social mother in SSC



Figure 4b. Child penalties for birth and social mothers in female SSC divided in their use of cash-for-care

## Adoptive mother in DSC



## Adoptive father in DSC



Figure 4c. Child penalties for mothers and fathers in adoptive parental DSC divided in their use of cash-for-care



# Conclusion & Discussion

- Women use more cash-for-care regardless of being primary/secondary earner
- Birth mother in same-sex couples use more CFC, but social mother use more than fathers
- The social construction of gender and motherhood/fatherhood gain support
- No evidence of economic incentives/specialization as a factor – very similar results after matching on earnings
- Giving birth more important in absence of gender difference?
- Using cash-for-care is associated with larger child penalties for all types of parents
- Limitations:
  - Only observe total amount per year, not time spent at home
  - One partner could be recipient on paper even if the other stays at home





Figure A2. The probability of using cash-for-care for each partner type and the predicted value of the (birth) mother's share of cash-for-care for each couple type for the matched sample. Adoptive and biological parents in DSC, split by age of adoption for adoptive parents.

# Institutional setting

	<b>Biological parents in DSC</b>	<b>Female SSC</b>	<b>Adoptive DSC</b>
<b>Parental leave</b>	Parental leave: 158 days Paternity leave: 18 (till 2012) or 54 (from 2013) working days Maternity leave: 105 working days, of which 30–50 days before the birth.	From 2007, SSC can share parental leave. From 2010: 3 weeks paternity leave for social mothers.	Parental leave: 234 working days for a newborn or 180 working days if the child is older than 2 months when adopted.
<b>Cash-for-Care</b>	Cash-for-care can be taken from the end of parental leave until a child's third birthday.	Same as biological parents	Cash-for-care can be taken until two years after the PL period ended even if the child is older than three.

Same-sex couples: access to fertility clinics in 1997, registered partnership in 2002, marriage in 2017.

# Data & Method

## Coarsened Exact Matching (CEM)

- Both partners' average earnings during 3 years before child's birthyear/adoption
- Age of partners
- Child's birth year
- Match on couple level
  
- Biological parents in DSC matched to:
  1. Female SSC (545 to 60 272 DSC)
  2. Adoptive parents in DSC (1 220 to 65 296 bio. parents)

**Table 2. Descriptive statistics of the matched sample.**

	Matching for adoptive DSC			
	DSC bio. Mother	DSC bio. father	Adop. mothers DSC	Adop. fathers DSC
<b>Age at childbirth/adoption</b>	35.66 (4.15)	37.04 (4.54)	35.87 (4.11)	37.23 (4.40)
<b>Earnings in 1000' EUR<sup>a</sup></b>	34.54 (15.62)	44.77 (21.87)	33.93 (16.05)	44.77 (20.54)
<b>Household earnings</b>	79.31 (29.62)	79.31 (29.62)	78.70 (28.92)	78.70 (28.92)
<b>(Birth) mother's share of household earnings<sup>a</sup></b>	0.44 (0.41)	0.44 (0.41)	0.43 (0.40)	0.43 (0.40)
<b>Primary earner</b>	.30	.70	.29	.71
<b>Level of education: missing<sup>a</sup></b>	.03	.08	.03	.05
<b>Level of education: low<sup>a</sup></b>	.43	.50	.43	.51
<b>Level of education: high<sup>a</sup></b>	.54	.42	.54	.44
<b>Person ever used CFC</b>	.85	.11	.83	.11
<b>Couple ever used CFC</b>	.88	.88	.86	.86
<b>Person's share of CFC</b>	.93	.07	.93	.07
<b>Adopts child at 0 years old</b>			.51	.51
<b>Observations</b>		65296		1220

**Table 2. Descriptive statistics of the matched sample.**

	Matching for female SSC			
	DSC bio. Mother	DSC bio. father	Birth mother	Social mother
<b>Age at childbirth/adoption</b>	31.91 (4.59)	33.13 (5.47)	32.16 (4.49)	33.20 (5.66)
<b>Earnings in 1000' EUR<sup>a</sup></b>	31.92 (14.37)	33.35 (17.61)	32.19 (15.21)	32.69 (18.04)
<b>Household earnings</b>	65.27 (25.93)	65.27 (25.93)	64.88 (26.78)	64.88 (26.78)
<b>(Birth) mother's share of household earnings<sup>a</sup></b>	0.50 (0.44)	0.50 (0.44)	0.51 (0.41)	0.51 (0.41)
<b>Primary earner</b>	.48	.52	.52	.48
<b>Level of education: missing<sup>a</sup></b>	.04	.09	.03	.05
<b>Level of education: low<sup>a</sup></b>	.37	.54	.37	.41
<b>Level of education: high<sup>a</sup></b>	.59	.37	.61	.54
<b>Person ever used CFC</b>	.85	.13	.83	.35
<b>Couple ever used CFC</b>	.88	.88	.92	.92
<b>Person's share of CFC</b>	.92	.08	.77	.23
<b>Adopts child at 0 years old</b>				
<b>Observations</b>		60272		545