Family-Friendly Workplace Policies

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Motivation

- Persistent gender inequalities in the labor market in large part driven by the arrival of children[e.g., Kleven et al. '19, Bertrand '20]
- Public family policies — parental leave, public childcare — have had mixed success in improving mothers' long-run labor market outcomes [e.g. Olivetti and Petrongolo '17]
- Goldin (2014): further progress may require changes in workplace organisation within firms

  $\rightarrow$ **Do firms have incentives to provide family-friendly amenities — and can this help close remaining gaps?**

What About the Role of Firms?

- Women incur substantial labor market costs after childbirth — the child penalty [e.g., Kleven et al. '19]
- But firms may incur substantial costs too, particularly in frictional labor markets
  - workers may not return to the firm, or only after prolonged interruptions Adda et al. '17
  - workers are not easily replaceable Jäger et al. '25, Kline et al. '19, Becker '64
  - high replacement and vacancy costs Bilal et al. '22, Mortensen & Pissarides '99
- Therefore: firm-provided childcare as strategic HR tool — retain mothers, attract talent

  → **Do firms have sufficient incentives to provide childcare?**

This Paper: Firm-provided childcare

- Which firms offer childcare?

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- Why do they do so?

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- Which firms offer childcare?
- Why do they do so?
  - Does firm-provided childcare allow firms to retain mothers after childbirth?
  - Does its introduction allow firms to attract workers? If so, which workers?
  - Do wages adjust?

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- Which firms offer childcare?
- Why do they do so?
  - Does firm-provided childcare allow firms to retain mothers after childbirth?
  - Does its introduction allow firms to attract workers? If so, which workers?
  - Do wages adjust?
- To guide the empirical analysis and highlight firms' incentives:
  - model with **monopsonistic employers** who decide whether to provide childcare
  - childcare as a **productive amenity**
  - labour supply elasticity to the firm shapes incentives to provide the amenity

▸ Literature

Contributions to Literature

1. **Workplace Amenities** Sorkin '18, Hotz et al. '18, Lamadon et al. '22; Goldin et al. '20, Liu et al. '22, Adams et al. '23
   - amenity often inferred via moves; little known about determinants of provision

   → directly observe childcare amenity; analyse firms' incentives to provide and implications for retention, hiring and gender gaps

2. **Public Childcare and Gender Gaps** Olivetti & Petrongolo '17; Havnes & Mogstad '11; Kleven et al. '24; Bauernschuster et al. '15, '16; Lim & Duletzki '25
   - mixed evidence on effects of public childcare on maternal employment and fertility

   → firm-provided childcare reduces child penalties and raises fertility; public and firm-provided childcare are substitutes

3. **Mandated Benefits** Summers '89, Gruber '94, Ruhm '98, Fang et al. '25; Corradini et al. '25
   - mandated benefits can reduce hiring and wages of target groups

   → voluntary adoption of childcare increases employment of women and mothers without adverse wage effects

Data & Setting

- Linked employer-employee data (LIAB): survey + administrative records
- IAB Establishment Panel: childcare provision observed in 2002, 2004, 2008, 2012, 2016
  - $\sim$6,000 establishments with at least two waves of childcare data
  - 582 introducers; 616 will-be-introducers
  - Key advantage: childcare amenity directly observed across firms and over time
- Complete employment histories of all workers ever employed in survey establishments
- Context: public childcare for under-3s scarce $\rightarrow$ motivates firm provision

Institutional Background: Public Child care

Public child care for under-3s:

- expanded since mid 2000s: from 13.6% (2006) to 32.7% (2016)
  [3-6 year olds: 92% (2010)]
- But still largely oversubscribed, in particular for 1-2 year olds
- In particular in West, operating hours quite restricted

$\rightarrow$ 65% of firms restricted in their activities due to insufficient childcare (IHK (2014)) Back

Institutional Background

Public childcare:

- Under-3s: coverage scarce and falls short of demand — 32.3% in 2014 despite expansion
- In contrast, 3–6 year olds: near universal coverage (∼92%)
- Operating hours restricted, especially in West Germany
- 65% of firms constrained by insufficient childcare IHK 2014

Firm-provided childcare:

- Various options: reserved slots, family day care, on-site facility
- Higher quality than public alternative: longer hours, better staff ratios
- Substantial costs even after public subsidies: 400–1,500 EUR per month depending on type
- Workers charged at publicly subsidised rates

▸ Targeted Interview

More and More Firms Do Provide Childcare

▸ Interviews

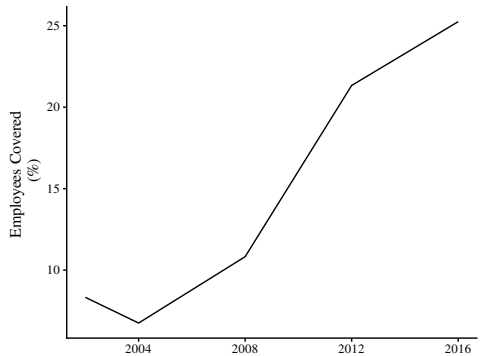
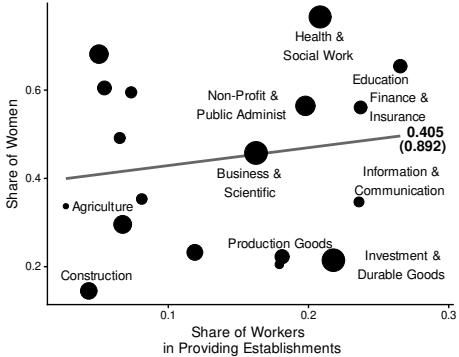


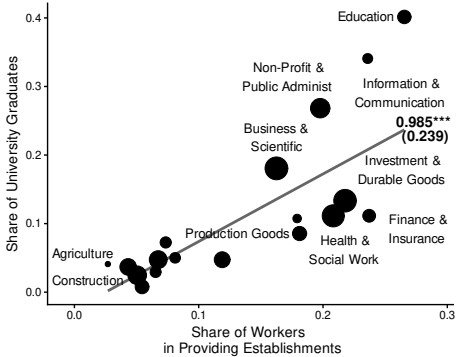
Figure: Evolution of Establishment Child Care Coverage

Notes: Percentage of workers in firm with childcare. Estimates constructed with the cross-sectional sample of establishments.

Industry Composition and Childcare Provision



(a)

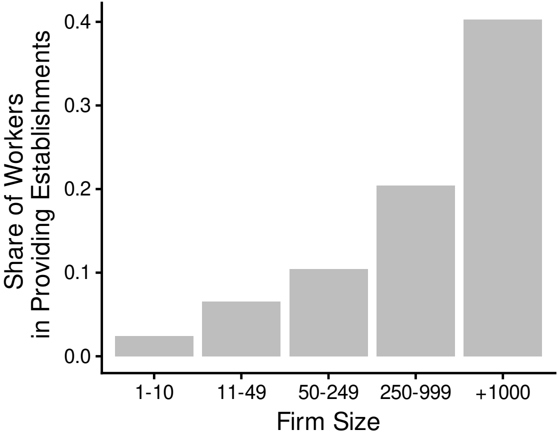


(b)

Providers:

- no clear relationship with female share in industry
- stronger provision in higher-educated industries

Firm Size and Childcare Provision



Figure

- provision increasing with firm size in line with Frodermann et al. '18

Which Firms Provide Child Care?

$$x_{jt}^{v} = \beta^{v} Provision_{jt} + \theta_{l(j)t}^{v} + \rho_{r(j)t}^{v} + Size_{jt} + \epsilon_{jt}^{v}$$

	(1)		(2)
Panel A. Establishment Characteristics (N = 21,842)			
Share 25-39	0.031***	Share Vocational Training	-0.017
	(0.008)		(0.012)
Share +39	-0.030***	Share Tertiary Educated	0.027**
	(0.011)		(0.012)
Share of Women	0.014	Average Tenure	0.078***
	(0.011)		(0.029)
Sh.Women in Top Executive Pos.	0.008	Productivity	0.137**
	(0.014)		(0.066)
Share of Mothers	0.010***	Average Wage	0.040**
	(0.003)		(0.018)
Share Maternity Leave Taken	0.002***		
	(0.001)		

Providers:

- Are larger ▸ Figure
- Have a higher share of mothers
- Are more educated (higher college share)
- Are more productive
- Pay higher wages
- Have a more stable workforce

$\Rightarrow$**"better" firms more likely to provide childcare** Dube et al. '22, Sockin '22, Ouimet and Tate '23, Goldin et al. '20

Who are mothers in Providing Firms?

	(1)		(2)
Panel B. Mothers' Characteristics (N = 12,691; Establishments = 1,861)			
Age 25-39	0.025*	Vocational Training	-0.091***
	(0.014)		(0.023)
Age +40	-0.004	Tertiary Educated	0.111***
	(0.006)		(0.024)
Wage	0.229***	High Pay Occupation	0.094***
	(0.030)		(0.013)
Tenure	0.091**		
	(0.036)		

- ”advantaged” mothers have better access to the amenity

Public childcare and firm introduction

- Parents' valuation of firm-provided care likely to depend on local public childcare availability.
- Explore how firms' decision to introduce childcare responds to changes in local childcare coverage within a firm's district between 2007-2012, *K*, exploit large increase for under-3s since 2005:

$$Introduction_j = \beta \Delta PublicChildcare_{d(j)} + Z_{j2008}\alpha^\top + \theta_{k(j)} + \rho_{s(j)} + \epsilon_j \quad (1)$$

- $Introduction_j$ denotes whether a firm *j* introduced childcare between 2008 and 2012.
- $\Delta PublicChildcare_{dt}$: change in local availability of public childcare slots for under-3-year-olds in district d between 2008 and 2012
- Z_{j2008}: establishment characteristics at baseline (e.g. size, mean wage, mean tenure, workforce composition)
- state (*Bundesland*) & industry fixed effects ($\theta_{k(j)}$ and $\rho_{s(j)}$

Firms substitute for lack of public provision

ΔPublic Childcare	-1.312**		-1.172**
	(0.563)		(0.535)
Sector × Year FE	✓		✓
Establishment Size FE	✓		✓
State FE	✓		✓
Establishment Characteristics			✓
Observations		4,081	
Average Childcare Change		0.085	

- 10 pp increase in under-3 coverage reduces likelihood to introduce by 11-13 pp
- complementary to US evidence on crowding-out of private providers by universal preschool programs (e.g. Bassok et al. 2014)

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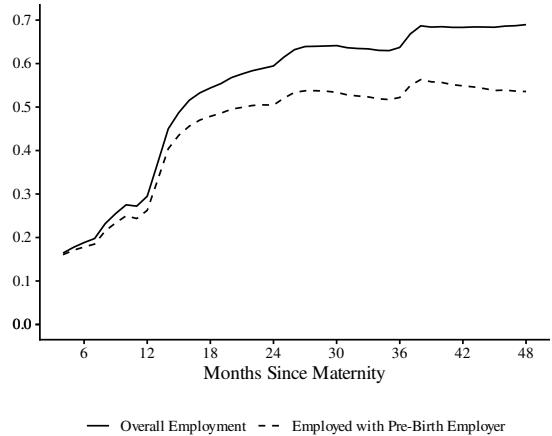
- Additional Finding (not shown): Firms that experience staff shortages more likely to introduce childcare ▸ Results

Does firm-provided childcare help firms retain mothers?

Background: Maternal Employment After Childbirth



Percentage of females working overall and for their incumbent employer after entering maternity leave. Longitudinal sample of first time mothers entering maternity leave from a survey establishment.

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Are Amenities Productive for Firms? Retention Effects of 1st Time Mothers

- Sample:
  - 1st time mothers in establishments that provide childcare at time of birth and continue to do so for the next four years ("treated")
  - 1st time mothers in establishments that do not provide childcare at time of birth and do not do so (yet) for the next four years ("control")

- We estimate the following regression separately for each month since childbirth:

$$y^m_{ijt} = \beta^m Childcare_{jt} + X^{m=0}_{it}\alpha^{m\top} + Z_{jt}\gamma^{m\top} + \theta^m_{s(j)t} + \rho^m_{l(j)t} + \epsilon^m_{ijt}$$

- Mother i, employed at firm j at birth, has retention status $y^m_{ijt} \in \{0,1\}$, $m \in [0,48]$ months after start of maternity
- $Childcare_{jt} = 0$ (control) for all m or $Childcare_{jt} = 1$ for all m (treated)

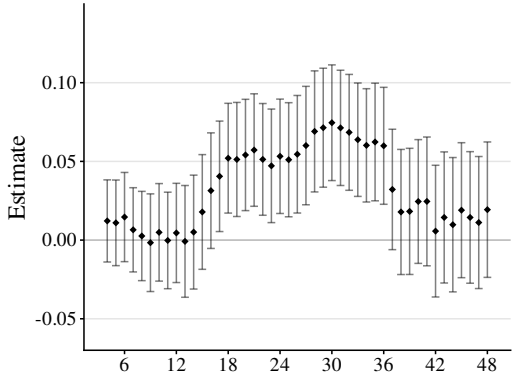
Are Amenities Productive for Firms? Retention Effects

- Difference in post-birth career outcomes for **1st time mothers** in providing firms vs. non (not-yet) providing firms

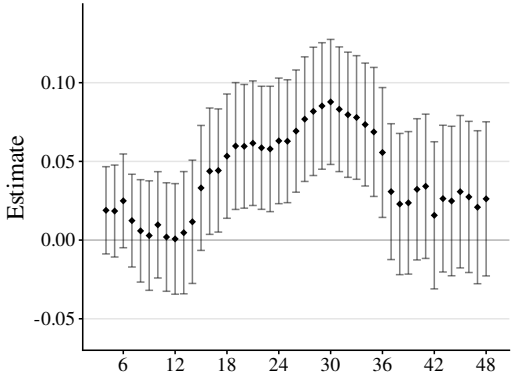
$$y_{ijt}^{m} = \beta^{m} Childcare_{jt} + X_{it}^{m=0} \alpha^{m\top} + Z_{jt} \gamma^{m\top} + \theta_{s(j)t}^{m} + \rho_{l(j)t}^{m} + \epsilon_{ijt}^{m}$$

- $X_{it}^{m=0}$: mothers pre-birth characteristics at birth
- Z_{jt} establishment characteristics at birth
- $\rho_{l(j)t}^{m}$ and $\theta_{s(j)t}^{m}$ year of childbirth-LLM fixed effects and year of childbirth-industry fixed effects,
- SE clustered at pre-birth firm

Differences in actively working at pre-birth firm



(a) Providers vs Non-Providers

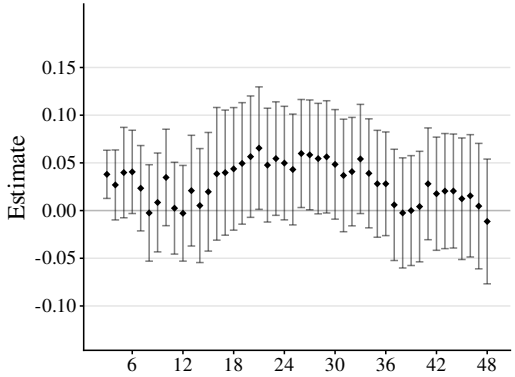


(b) Providers vs Will-be-Providers

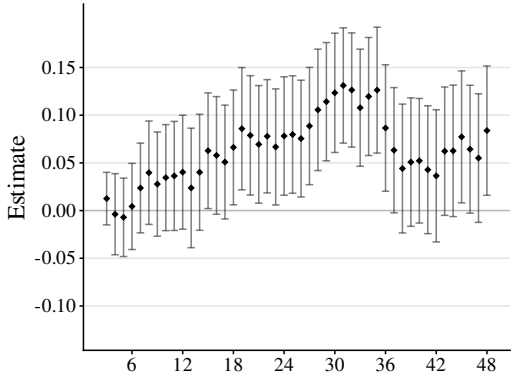
→ Around 5-9 pp higher retention probability (around 11-20 % compared to mean)

▸ Descriptives return-to-work ▸ Additional outcomes ▸ Placebo

Heterogeneity by Pre-Maternity Wage: Return to Same firm



(a) Low Wage



(b) High Wage

$\rightarrow$ large and prolonged retention effect (up to 23%) for high-wage mothers

Cumulative Effects over 4 years after childbirth

	Overall	Low Wage	High Wage
Panel A. Months Worked for Incumbent Establishment			
Childcare	1.898**	1.350	2.995**
	(0.822)	(1.165)	(1.296)
Average	20.537	19.360	21.805
Panel B. Months Worked			
Childcare	0.692	-0.391	2.495**
	(0.753)	(1.074)	(1.109)
Average	24.406	23.951	24.893
Panel C. Total Earnings			
Childcare	2859.723	-1847.500	7309.585*
	(2321.891)	(2532.024)	(4107.922)
Average	58595.807	42329.503	75086.276
Panel D. Child Penalty			
Childcare	0.016	-0.009	0.047**
	(0.018)	(0.030)	(0.022)
Average	-0.560	-0.525	-0.593
Observations	12,691	6,134	6,220

- strong retention effects for high-wage mothers
- experience aggregate career and earnings effect beyond incumbent firm

Does firm-provided childcare help firms attract and retain talent?

Does the provision of FFWP correlate with employment growth?

- Employment should grow in particular for demographic groups which value the amenity, e.g. Wworkers in childbearing age :

$$\underbrace{\frac{L^g_{jt} - L^g_{jt-\tau}}{\sum_g L^g_{jt-\tau}}}_{\text{Employment contribution from demographic } g} = \beta^g Introduction_{jt} + Z_{jt-\tau}\alpha^{g\top} + \theta^g_{l(j)t} + \rho^g_{s(j)t} + \epsilon^g_{jt}$$

- Compare relative changes in demographic's contribution to total employment growth over the next 4 years in firms that introduced childcare vs. future-introducers
- Conditional on establishment characteristics at baseline,local labor market-by-year FEs and industry-by-year FEs

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Employment Growth I

	(1)	(2)	(3)
Panel A: Total and Gender Decomposition			
	All	Female	Male
Introduction	4.561*	2.713	1.848
	(2.568)	(1.698)	(1.213)
Average	100.000	40.785	59.215
% of Total Effect	100.000	59.483	40.517
Panel B: Women by Age			
	16-24	25-39	+40
Introduction	0.345	1.348**	1.019
	(0.473)	(0.637)	(1.015)
Average	3.654	12.469	24.662
% of Total Effect	7.569	29.565	22.349

- Firms grow disproportionately more through women in child-bearing age

Employment Growth II

	(1)	(2)	(3)
Panel C: Mothers by Child Age			
	All	0-3	3-10
Introduction	0.832***	0.473***	0.359**
	(0.257)	(0.148)	(0.167)
Average	4.475	1.106	3.369
% of Total Effect	18.239	10.370	7.869
Panel D: Top 10% Occupations by Gender			
Introduction	2.550***	0.824***	1.725***
	(0.744)	(0.261)	(0.547)
Average	7.727	1.425	6.301
% of Total Effect	55.906	18.073	37.833

- Firms grow disproportionately more through mothers and top-10% occupations

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Changes in Firm's Workforce Composition

	(1)	(2)
Panel A. Top 10% Occupations by Gender:		
	Females	Males
Introduction	0.738***	1.500***
	(0.225)	(0.429)
Average	1.425	6.301
Panel B. Share of Mothers Among Workforce:		
	Below 10	Below 3
Introduction	0.571***	0.377***
	(0.166)	(0.107)
Average	4.475	1.106
Panel C. Share of New Hires:		
	From Employment	From Non-Employment
Introduction	1.721**	-0.903
	(0.816)	(0.591)
Average	10.852	13.368

- Firms ↑female talent in firm (share women in top 10% occ. ↑from 18% to 22%)
- ↑share of new hires through poaching

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Changes in Wages

Do women and mothers pay for the amenity through lower wages?

Wage Growth within firms

	All	Mothers	Male	Female	Gender Gap
Panel A. Incumbent Workers					
Introduction	0.005	0.015	-0.001	0.012***	-0.013*
	(0.005)	(0.010)	(0.006)	(0.005)	(0.007)
Average	0.055	0.013	0.059	0.048	-0.006
Observations	879,046	29,035	556,719	322,320	879,039
Panel B. New Hires					
Introduction	-0.016*	-0.008	-0.019*	-0.011	-0.008
	(0.009)	(0.021)	(0.010)	(0.010)	(0.011)
Average	0.296	0.240	0.295	0.296	-0.078
Observations	242,707	13,018	139,589	103,112	242,701

- No strong evidence that women pay for childcare provision through lower wages

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Changes in Fertility of Incumbent Workers

	(1) Overall	(2) In Incumbent Firm	(3) In Other Firm
Introduction	1.350***	1.361***	-0.011
	(0.477)	(0.476)	(0.154)
Average	14.620	13.353	1.267
Observations	141,539	141,539	141,539

- Fertility of incumbents increases by close to 9% relative to baseline Back additional results

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Model summary

- **Imperfect competition**: firms choose whether to provide childcare (amenity)
- We model childcare as a **productive amenity**
- **Three distinct channels** through which childcare can raise firm profits:
  1. *Firm growth*: increased attractiveness → employment growth
  2. *Productivity*: the amenity may raise effective productivity (e.g., reduced disruptions, preserve HC).
  3. *Markdown/lock-in*: childcare may lower labor supply elasticity → potentially higher per-worker rents.
- **Key role for labour supply elasticities to firm**: Lower labour supply elasticities increase firms' ability to capture surplus from amenities.
- **Two worker types** (parents vs. non-parents): parents have lower labor supply elasticities; childcare attracts parents → higher rents; costs shared across workforce → limited wage effects

Estimating separation wage probabilities across groups

- Dependent variable: 1 if worker leaves the firm
- variable of interest: average residualised wage in the firm

	(1)	(2)	(3)	(4)
Panel A. Elasticities by Demographic Group				
	All	Males [25-40)	Females [25-40)	Mothers†
Firm Wage Premium	-0.253***	-0.318***	-0.285***	-0.246***
	(0.019)	(0.021)	(0.022)	(0.029)
Childcare	-0.004	-0.015*	-0.009	-0.040***
	(0.007)	(0.009)	(0.007)	(0.014)
Elasticity	-2.139	-3.127	-2.052	-1.356
Average	0.118	0.102	0.139	0.181
Observations	4,683,225	945,511	484,478	12,681

- →Mothers and women have a low labor supply elasticity
- In addition, workers in top 10% of occupations have lower LS elasticities (▸ Top 10)

Separation Elasticities By Provider Status

	(1)	(2)	(3)	(4)
Panel C. Elasticities by Childcare Provision				
	All		Female $[25, 40)$	
	Non-Providers	Providers	Non-Providers	Providers
Firm Wage Premium	-0.260***	-0.169***	-0.293***	-0.208***
	(0.020)	(0.035)	(0.023)	(0.037)
Elasticity	-1.964	-1.965	-1.992	-1.753
Average	0.132	0.086	0.147	0.119
Observations	3,264,709	1,418,516	341,109	143,369

- Job separation responses to wages lower for provider firms
- Additional: ”Lock-in” effect of childcare $\Rightarrow$ No clear evidence

Conclusion

Firms can have sufficient incentives to voluntarily provide childcare — acting as de facto providers of family policy

- Retention ↑ and child penalty ↓, especially for high-wage mothers
- Hiring ↑ of mothers, women of childbearing age, and high-wage workers
- No adverse wage effects for women or mothers
- Consistent with monopsony: labour supply elasticities low for mothers

But: access unequal — may widen disparities across firms

Discussion: Policy Questions

Firm-provided childcare generates broader societal benefits firms are unlikely to fully internalize:

- **Fertility:** increases among female employees — cost for firms, but benefit for society
- **Fiscal externality:** shorter breaks and higher employment → tax revenues ↑; talent pools of other firms expand Hendren & Sprung-Keyser '20, Koll et al. '24
- **Child development:** benefits children, especially from disadvantaged families Cornelissen et al. '18, Cascio '23 — but access unequal

⇒ **Private firms may have sufficient incentives to provide childcare, but public provision remains essential for broad access and equitable outcomes "'**

Firm-provided child care: Targeted Interview

- Survey by German Economic Institute
  - Reasons stated: ”retain parents, reduction of care-related absenteeism, attract skilled workers...”

Firm-provided child care: Targeted Interview

- Survey by German Economic Institute
  - Reasons stated: ”retain parents, reduction of care-related absenteeism, attract skilled workers...”

- targeted interviews with selected firms and accredited provider organizations
  - secure competitive advantage in the market, strengthen employer brand
  - stressed advantage of guaranteeing parents access to firm-provided care
  - reduce child-related absences driven by insufficient childcare availability
  - parents appreciate proximity to their young child and the added flexibility

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- But still largely oversubscribed, in particular for 1-2 year olds
- In particular in West, operating hours quite restricted

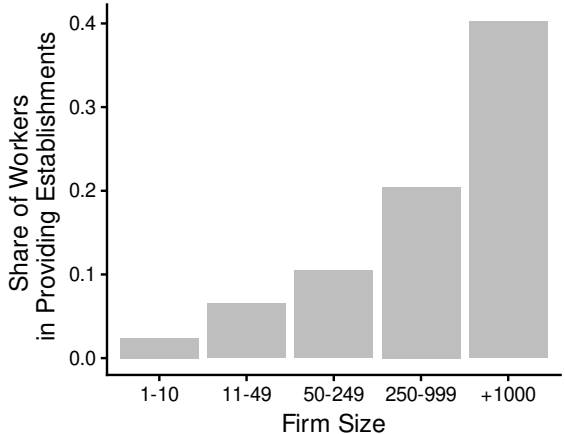
$\rightarrow$ 65% of firms restricted in their activities due to insufficient childcare (IHK (2014)) Back

Institutional Background: **Firm-provided** child care

- Firms receive some public funding under some conditions
- Normally higher quality than public substitutes (e.g. higher staff-child ratio) and better opening times/more days open
- Running costs of providing on-site nursery slot to firm: 500 EUR - 1500 EUR per month; reserving a slot: around 200-500 EUR a month
- Firms charge worker after wage is paid out

▸ Targeted Interview ▸ Back

Firm Size and Childcare Provision



Figure

- provision increasing with firm size

Public childcare and firm introduction

- Parents valuation of firm-provided care likely to depend on local public childcare availability.
- Explore how firms' decision to introduce childcare responds to changes in local childcare coverage within a firm's district between 2007-2012, *K*, exploit large increase for under-3s since 2005:

$$Introduction_{jdt} = \beta \Delta PublicChildcare_{dt} + Z_{jt-4}\alpha^{\top} + \theta_{l(d)} + \rho_{s(j)t} + \epsilon_{jdlst} \quad (2)$$

- $Introduction_{jt}$ denotes whether a firm *j* and district *d* has introduced firm-provided childcare up to year *t* relative to the previous observation period τ.
- $\Delta PublicChildcare_{K(j)t}$: change in local availability of public childcare slots for under-3-year-olds
- Z_{jt-4}: establishment characteristics at baseline (e.g. size, mean wage, mean tenure, workforce composition)

Labor Shortages and Childcare Introduction

	(1) # Vacancies	(2) Vacancy Share	(3) Staffing Problems	(4) Skilled Worker Shortages
	0.001***	0.239*	0.037	0.037*
	(0.000)	(0.134)	(0.027)	(0.020)
Obs	12,296	12,296	10,780	10,780
Average	0.148	0.148	0.132	0.132

- Firms with higher vacancies and skilled worker shortages more likely to introduce

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Firms substitute for lack of public provision

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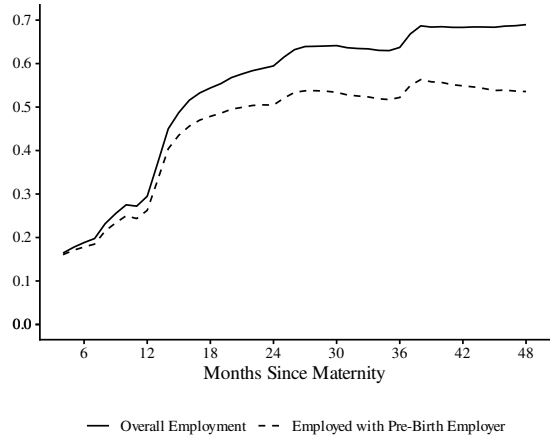
Background: Maternal Employment After Childbirth



Percentage of females working overall and for their incumbent employer after entering maternity leave. Longitudinal sample of first time mothers entering maternity leave from a survey establishment.

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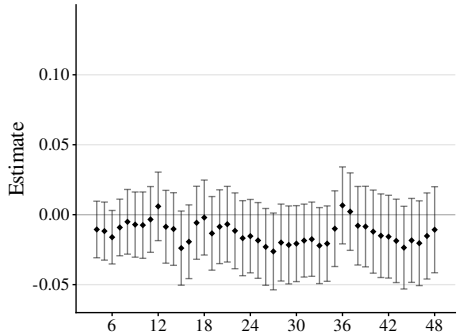
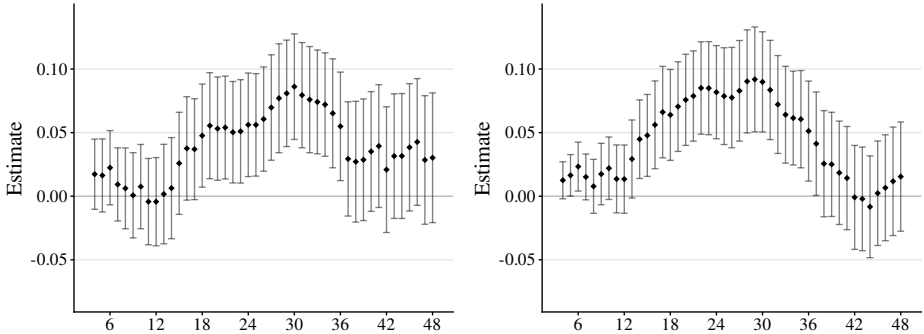
Differences in actively working at pre-birth firm - Future-providers versus never-providers



(a) Placebo

→ Retention prior to introduction is not higher for will-be-providing firms) Back



(a) Working in same pre-birth job

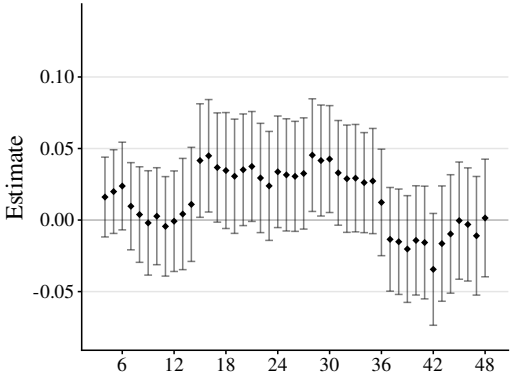
(b) Part-time at same firm

- Mothers in childcare-firms more likely to continue on pre-birth career
- Retention is driven by regular and part-time employment
- Noisier and smaller differences in overall employment (mothers in control firms move)

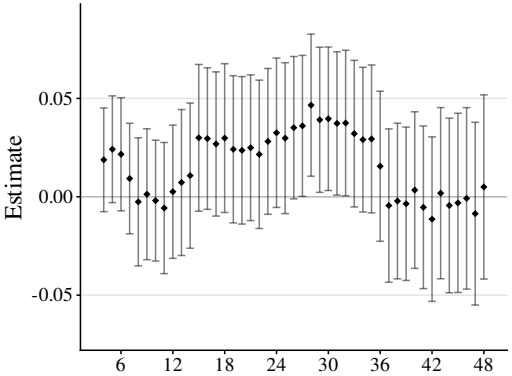
▸ employment and child penalty

▸ Back

Differences in overall maternal employment and child penalty?



(a) Overall employment



(b) Child penalty

- Noisier estimates, suggestive of reductions in child penalty in first 3 years

Does the provision of FFWP correlate with employment growth?

- Employment should grow in particular for demographic groups which value the amenity:
  - Female and (potentially) male parents of young children
  - Workers in childbearing age

$$\underbrace{\frac{L^d_{jt} - L^d_{jt-\tau}}{\sum_d L^d_{jt-\tau}}}_{\text{Emp. contribution from demographic } d} = \beta^d Introduction_{jt} + X_{jt-\tau}\alpha^{d\top} + \theta^d_{l(j)t} + \rho^d_{s(j)t} + \epsilon^d_{jt}$$

- Compare relative changes in demographic's contribution to total employment growth over the next 4 years in firms that introduced childcare vs. those that did not
- Results for separate sources of variation: i) introducers + never-takers ii) only within introducers
- Conditional on firm controls (e.g. equally sized firms), industry-time, local labor market-time fixed-effects

Employment Growth I

	(1)	(2)	(3)
Panel A: Total and Gender Decomposition			
	All	Female	Male
Introduction	4.561*	2.713	1.848
	(2.568)	(1.698)	(1.213)
Average	100.000	40.785	59.215
% of Total Effect	100.000	59.483	40.517
Panel B: Women by Age			
	16-24	25-39	+40
Introduction	0.345	1.348**	1.019
	(0.473)	(0.637)	(1.015)
Average	3.654	12.469	24.662
% of Total Effect	7.569	29.565	22.349

- Firms grow disproportionately more through women in child-bearing age

Employment Growth II

	(1)	(2)	(3)
Panel C: Mothers by Child Age			
	All	0-3	3-10
Introduction	0.832***	0.473***	0.359**
	(0.257)	(0.148)	(0.167)
Average	4.475	1.106	3.369
% of Total Effect	18.239	10.370	7.869
Panel D: Top 10% Occupations by Gender			
Introduction	2.550***	0.824***	1.725***
	(0.744)	(0.261)	(0.547)
Average	7.727	1.425	6.301
% of Total Effect	55.906	18.073	37.833

- Firms grow disproportionately more through mothers and top-10% occupations
- Results are robust to provider vs will-be provider comparison

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Model setup — workers' utilities

For now, assume firms can wage discriminate

- Outside option utility (for mothers / parent type P):

$$U^M = b^P \log W^M + u^M$$

- Utility from working at firm j:

$$U_j = \begin{cases} b^P \log w_j + u_j, & \text{if firm does not offer childcare} \\ b^P \log w_j + a + u_j, & \text{if firm offers childcare} \end{cases}$$

- a is the utility (amenity) value from firm-provided childcare

→ Firms face an upward-sloping labor supply curve; the elasticity is endogenous and may vary with amenity value a

The Amenity is Productive

- Workers' productivity in the firm:

$$Y_j = \begin{cases} y_j & \text{if the firm does not offer childcare} \\ sy_j & \text{if the firm offers childcare, } s \geq 1 \end{cases}$$

- firm-provided childcare increases parents' productivity (e.g. via earlier return or decreased separations, maintain firm-specific HC)

Wage offers: without and with childcare

Attenuated Compensating Differentials

- **No childcare:** Optimal wage (markdown expression):

$$w^*_{P0j} = y_j \cdot \frac{\varepsilon^*_{P0j}}{1 + \varepsilon^*_{P0j}}.$$

- **With childcare:** productivity scales by s but firm pays cost c_F:

$$w^*_{P1j} = (sy_j - c_F) \cdot \frac{\varepsilon^*_{P1j}}{1 + \varepsilon^*_{P1j}}.$$

- ε^*_{P1j} is the (equilibrium) labor supply elasticity to firm j under childcare (can differ with provision!)

→ Firms bear a larger part of amenity costs if they have more monopsony power

→ Childcare provision may increase firm's monopsony power ("lock-in")

→ As $\varepsilon \to \infty$: workers bear full costs (perfect competition)

A firm's incentives to provide childcare — profit decomposition

For parents (single-type intuition), the profit difference from introducing childcare:

$$\pi_j^{P1*} - \pi_j^{P0*} = \underbrace{(G_j^{1*} - G_j^{0*})\frac{sy_j - c}{1+\varepsilon_j^{P1*}}}_{\text{firm growth}} + \underbrace{G_j^{0*}\frac{1}{1+\varepsilon_j^{P0*}}\left(y_j(s-1)-c\right)}_{\text{change in effective productivity}} + \underbrace{G_j^{0*}\left(\frac{1}{1+\varepsilon_j^{P1*}} - \frac{1}{1+\varepsilon_j^{P0*}}\right)(sy_j - c)}_{\text{change in markdowns}},$$

Implications:

- Lower labor supply elasticities increase firms' incentives to provide childcare
- Lock-in effects (changes in elasticity) can further increase firm rents

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What if firms cannot wage discriminate?

Two worker types: parents (P) vs non-parents (N)

- **Cost sharing:**
  - Costs of childcare are shared across workers

  $\rightarrow$ helps explain limited wage effects in the data

- **Composition effect:**
  - childcare increases the share of parents in the firm
  - parents have lower labor supply elasticities $\rightarrow$ higher rents

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Separation elasticities across worker groups

	(1)	(2)	(3)	(4)
Panel B. Elasticities among Top Talent	Occupations		Mothers†	
	Bottom 10%	Top 10%	Low Wage	High Wage
Firm Wage Premium	-0.594***	-0.119***	-0.230***	-0.144**
	(0.045)	(0.019)	(0.037)	(0.056)
Childcare	0.012	-0.017**	-0.037*	-0.057***
	(0.024)	(0.008)	(0.021)	(0.019)
Elasticity	-2.690	-1.267	-1.104	-0.939
Average	0.221	0.094	0.208	0.153
Observations	392,111	535,577	6,164	6,262

- →workers in top 10% of occupations have lower LS elasticities (Go back)