

# IMMIGRANTS AND THE EMPLOYMENT EFFECTS OF FAMILY POLICIES

Marie Paul and Laura M. Sinn  
RWI, RGS ECON, UNI DUE, RUB

## Introduction

**Research Question:** Do family policies influence employment rates of mothers from immigrant families?

**Contribution:** This study provides comparative evidence on the employment effects of different types of family policies on immigrants relative to natives.

**Result:** Family related policies have less of an effect on immigrant mothers. Available daycare is found to have a significant positive effect on immigrant's employment rates.

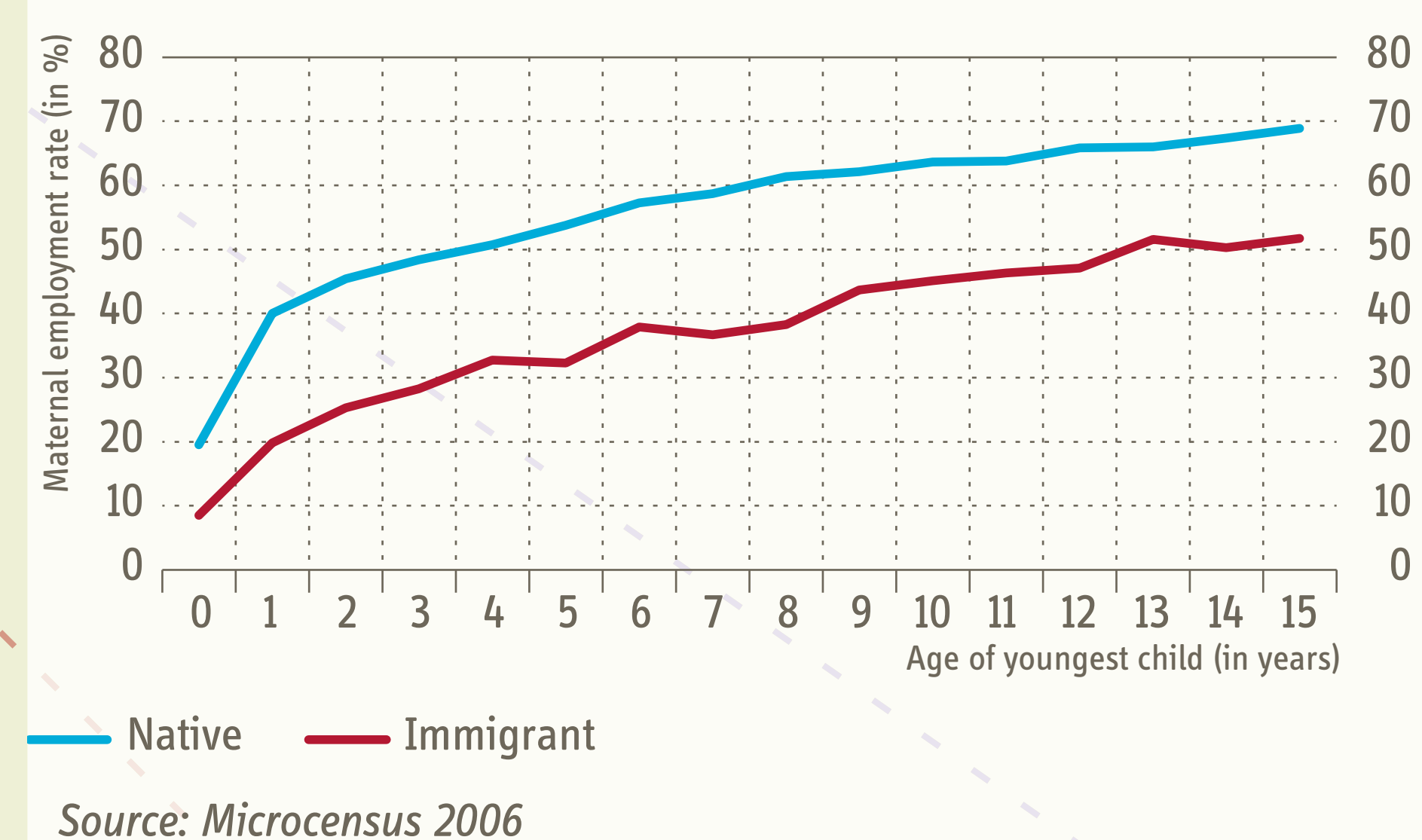
## Motivation

The integration of women from immigrant families into the labor market is very important because it:

- Reduces financial dependence on a husband or welfare
- Lowers child poverty risk
- Allows to better support children in school and when entering the labor market
- Promotes integration into society (improved language skills, extended social network etc.)
- Generates income tax revenues

Women from immigrant families have on average lower employment rates and this native-immigrant employment gap widens once they become mothers:

### Native-Immigrant Employment Gap



→ This study focuses on reforms that target employment of mothers with very young children.

## Data

### German Microcensus data

- We use German Microcensus data (wave 2005-2012).
- Representative sample of one percent of the German population.
- The data provides detailed information on migration.

### Contact:

Laura Sinn, Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), laura.sinn@rgs-econ.de

## Theoretical Considerations

**Are family policies more (+) or less (-) relevant for immigrant mothers?**

For every reform

- ▶ share not working in absence of the reform (+)
- ▶ reservation wage low enough (+/-) [low earnings of husband vs. cultural norms]
- ▶ income opportunities high enough (-)

Reform 1: Extension of child care

- ▶ chance to obtain a slot (+/-) [prioritized or discriminated?]
- ▶ belief that child benefits from child care (+/-) [trust in institutions of host country?]
- ▶ availability of informal care opportunities (-) [more non-working family members available?]

Reform 2: Parental Benefits (short-run)

- ▶ high pre-birth income (-)
- ▶ high family income (-)

Parental Benefits (medium-run)

- ▶ high parental benefit (-)
- ▶ vacuum in social norms when to return (-) [immigrants might follow own social norms]
- ▶ influence by mainstream opinion (-)

## Reform I: Extension of child care

**Reform:** Large extension of highly subsidized public child care for children under three years in Germany from 2006-2012.

**Empirical Strategy:** Regress employment dummy on annual state-specific child care attendance rate for children younger than three. Control for state dummies, year dummies and mother's characteristics.

**Results:** An increase in available daycare for children under 3 years increases maternal employment for immigrant and for native mothers.

### Employment effects of extended child care

| Dep. variable: employment | (1)                  | (2)                  | (3)                    | (4)                    |
|---------------------------|----------------------|----------------------|------------------------|------------------------|
| U3-Quota                  | 0.0064**<br>(0.0028) | 0.0065**<br>(0.0027) | 0.0069**<br>(0.0027)   | 0.0070***<br>(0.0027)  |
| Immigrant                 |                      |                      | -0.1313***<br>(0.0130) | -0.0769***<br>(0.0130) |
| u3quota*Immigrant         |                      |                      | -0.0017*<br>(0.0009)   | -0.0020***<br>(0.0009) |
| Mother's characteristics  | no                   | yes                  | no                     | yes                    |
| Observations              | 36 111               | 36 111               | 36 111                 | 36 111                 |
| R-squared                 | 0.007                | 0.052                | 0.030                  | 0.062                  |

The U3-Quota refers to children aged 0-2 enrolled in daycare per 100 children in the same age group. Mother's characteristics include age, age sq., education, family status, number of children. State and year dummies are included. Standard errors in parentheses.  $p < 0.10$  \*,  $p < 0.05$  \*\*,  $p < 0.01$  \*\*\*. Sample: West German mothers with 0-2 year old children. Source: Own calculations based on German Microcensus, 2006-09, 2011.

## Reform II: Parental benefits

**Reform:** Introduction of a generous pre-birth income based parental benefit in 2007.

**Empirical Strategy:** Follow RDD approach by Kluge and Schmitz (2014).

Control group: mothers with children born Oct-Dec 2006.

Treatment group: mothers with children born Jan-Mrch 2007.

No self-selection possible, because when reform was announced in September it was too late to adapt family planning.

**Results:** We find negative employment effects in the short-run but positive employment effects in the medium-run. Immigrant mothers seem to react on average differently than natives in the medium-run (Phase 3).

### Employment effects of parental benefit reform

| Dep. variable: employment | Phase 1<br>7-14 months |                        | Phase 2<br>15-24 months |                        | Phase 3<br>25-59 months |                        |
|---------------------------|------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|
|                           | (1)                    | (2)                    | (3)                     | (4)                    | (5)                     | (6)                    |
| Mother 2007               | -0.0601**<br>(0.0265)  | -0.0662**<br>(0.0260)  | -0.0032<br>(0.0362)     | -0.0117<br>(0.0346)    | 0.0436***<br>(0.0158)   | 0.0483***<br>(0.0153)  |
| Immigrant                 | -0.1235***<br>(0.0317) | -0.0821***<br>(0.0315) | -0.2432***<br>(0.0385)  | -0.1650***<br>(0.0398) | -0.1704***<br>(0.0192)  | -0.0832***<br>(0.0195) |
| Mother07*Immigrant        | 0.0295<br>(0.0414)     | 0.0498<br>(0.0408)     | -0.0154<br>(0.0525)     | -0.002<br>(0.0515)     | -0.0582**<br>(0.0265)   | -0.0521**<br>(0.0257)  |
| Mother's characteristics  | no                     | yes                    | no                      | yes                    | no                      | yes                    |
| Observations              | 1 351                  | 1 351                  | 1 107                   | 1 107                  | 5 887                   | 5 887                  |
| R-squared                 | 0.050                  | 0.098                  | 0.066                   | 0.145                  | 0.045                   | 0.103                  |

Mother's characteristics include childage, childage sq., age, age sq., education, family status, number of children. Mother 2007 refers to mothers with children born 01-03/2007. Standard errors in parentheses.  $p < 0.10$  \*,  $p < 0.05$  \*\*,  $p < 0.01$  \*\*\*. Sample: West German mothers with 7-59 months old children. Source: Own calculations based on German Microcensus, 2006-12.

## Conclusion

- Mothers from immigrant families seem generally less likely to be induced to start working by the reforms.
- The extension of public daycare has a strong positive employment effect on natives and immigrants though it is weaker for the latter (Reform 1). This may be explained by different child-care and income opportunities.
- In the short-run, we find that immigrant mothers do not behave differently towards financial incentives than the natives (Reform 2).
- However, the parental benefit reform has a significantly different effect on the immigrants in the medium-run (Reform 2). They may not have shared the uncertainty of natives when to return to work (Kluge and Schmitz, 2014) and may be less influenced by the public opinion.

**Outlook:** Use county-level data to analyze the extension of child care and include a third reform in the analysis.

### References:

Kluge, J. and S. Schmitz (2014): Social Norms and Mothers' Labor Market Attachment: The Medium-Run Effects of Parental Benefits. IZA DP No. 8115.