

University of Hawai'i at Mānoa Department of Economics Working Paper Series

Saunders Hall 542, 2424 Maile Way, Honolulu, HI 96822 Phone: (808) 956 -8496 www.economics.hawaii.edu

Working Paper No. 21-04

Paid Childcare Leave, Fertility, and Female Labor Supply in South Korea

By
Kyeongkuk Kim
Sang-Hyop Lee
Timothy J. Halliday

August 2021

Paid Childcare Leave, Fertility, and Female Labor Supply in South Korea *

Kyungkook Kim Sang-Hyop Lee Ministry of Finance, South Korea University of Hawai'i at Mānoa

Timothy J Halliday †
University of Hawai'i at Mānoa and IZA

August 20, 2021

Abstract

We consider the effects of a paid childcare leave subsidy on maternal behavior in South Korea. We employ both difference-in-difference and regression kink techniques. The subsidies had very large behavioral effects. Regression kink estimates indicate that an extra dollar of the monthly subsidy (on annual basis) increased conceptions by 0.06-0.08 percentage points. Difference-in-difference estimates indicate that paid leave subsidies also increased permanent working arrangements by ten percentage points for lower earning women and four percentage points for higher earning women. In a country with the lowest total fertility rate in the world and that often performs middling in rankings of gender inequality, we conclude that paid childcare leave for working women confers positive benefits.

Key Words: Childcare, Fertility, Labor Supply, Korea

JEL Classification: J18, J13

^{*}All errors are our own.

 $^{^\}dagger \text{Corresponding Author.}$ Address: 2424 Maile Way; 533 Saunders Hall; Honolulu, HI 96822. e-mail: halliday@hawaii.edu