

Parental Labor Supply

Evidence from Minimum Wage Changes (in the US)

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Motivation

- **Single mothers** [\[source\]](#)
 - High poverty rates: 28% vs 5% for married mothers
 - Low median annual income: 40K vs 60K for married mothers
 - 20% of all families
 - 76% at most high school
 - 50% of black mothers has no partner 14% for white mothers
- **Minimum wages**
 - Labour market: supply AND demand
 - Existing research focuses on drop in demand labour too expensive
 - This study shows supply effect also significant more money more workers
- **Mechanisms**
 - Supply and demand (see above)
 - Childcare could become more expensive
 - Single mothers could buy more childcare per hour worked

Context

- United States (152 federal & state minimum wages)
- 1980-2016

Findings

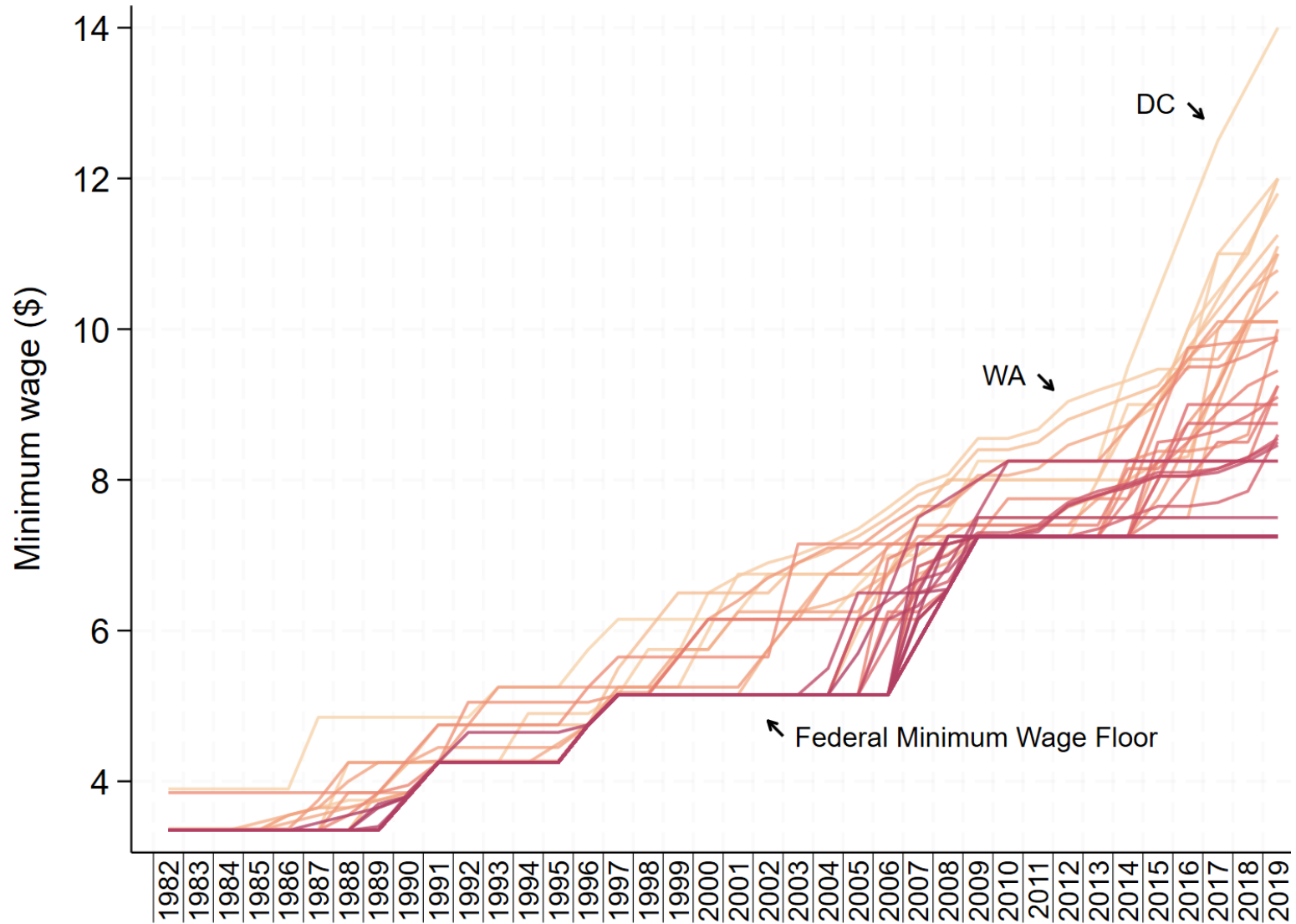
- Wages increase for affected workers
- Employment remains stable *overall*
- Single mothers *more likely* to enter labor force

Mechanism

- Change tradeoff between *work* and *paid childcare*

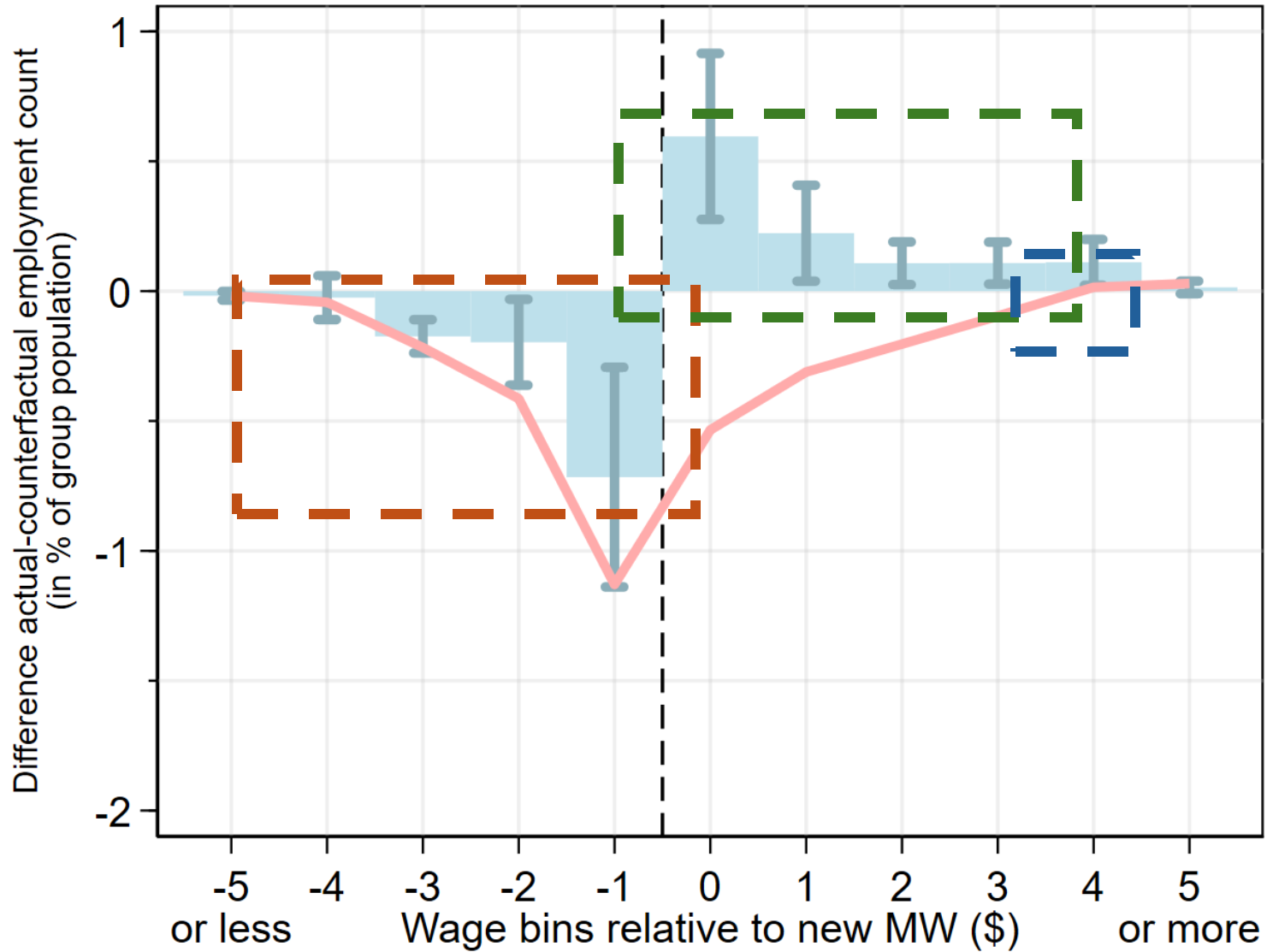
US Minimum Wages

- 3 increases to federal floor
- Many state-specific minimum wages
- Some state minimum wages are indexed to inflation





Data

- **CPS-MORG** current population survey - merged outgoing rotation groups
 - hourly wages and employment
 - household survey
- **CPS-ASEC** current population survey - annual social and economic supplement
 - (non-)work motivations
 - welfare program receipts
- **SIPP** survey of income and program participation
 - childcare utilization
 - longitudinal and rich info, but small sample

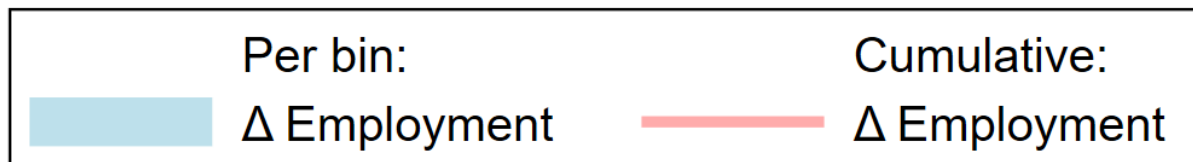


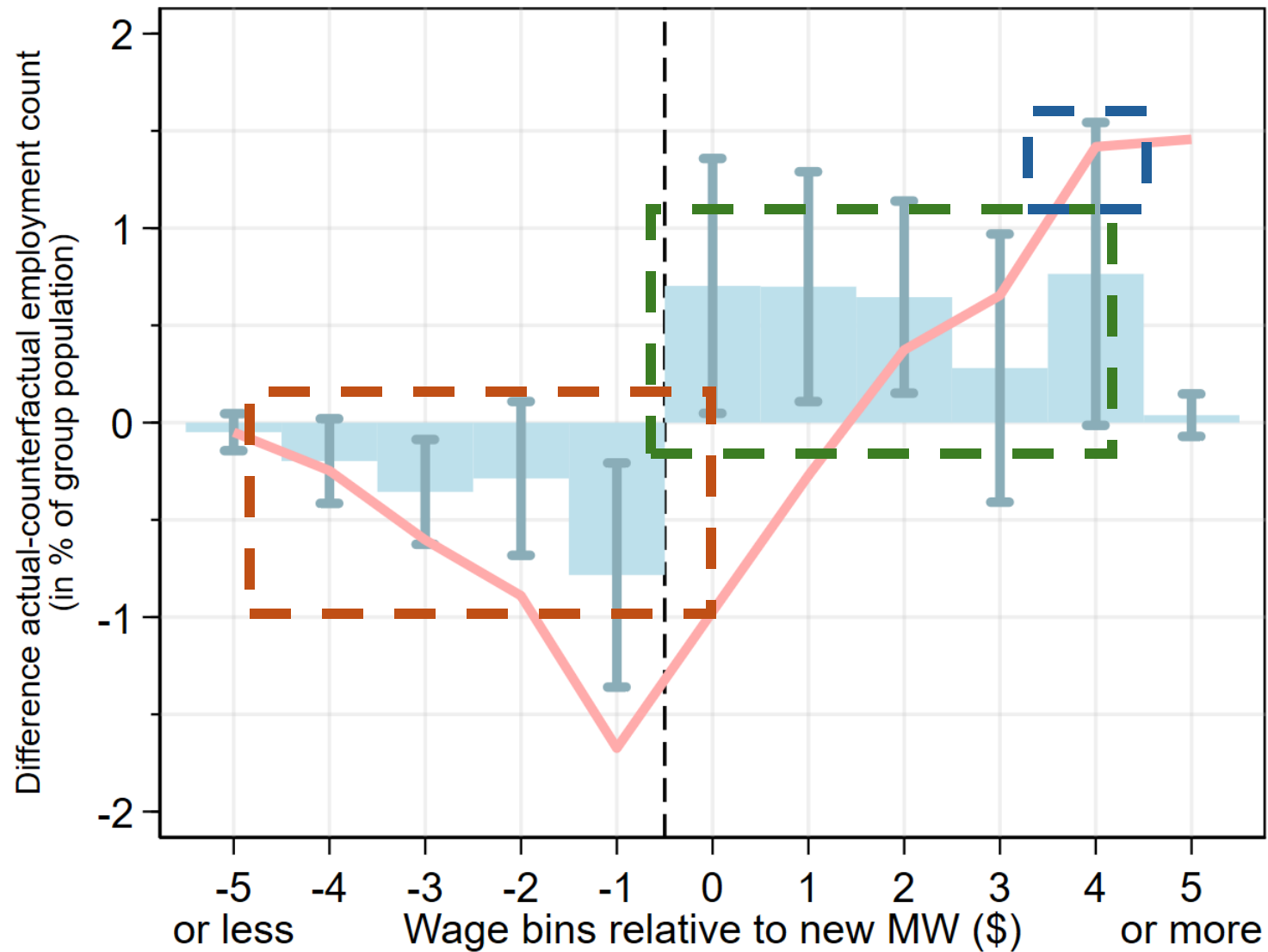
Legend

-  Change in number of workers earning \$X less/more than the upcoming minimum wage
-  Cumulative change in employment (over wage distribution)



All workers

- Fewer workers earn less than the new minimum wage 1pp EPOP
- More workers earn more than the minimum wage 1pp EPOP
- Both effects cancel out 0pp EPOP



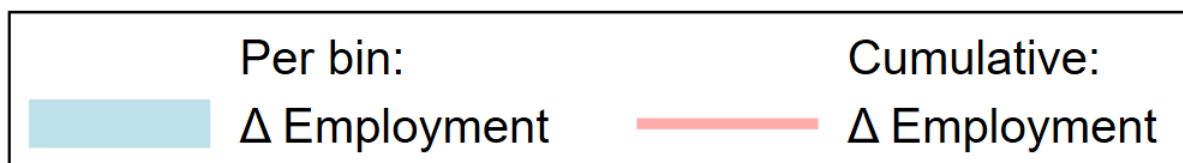


Legend

-  Change in number of workers earning \$X less/more than the upcoming minimum wage
-  Cumulative change in employment (over wage distribution)

Single mothers, child 0-5

- Fewer workers earn less than the new minimum wage 2pp EPOP
- **Many** more workers earn more than the minimum wage 5pp EPOP
- More single mothers of young children in employment after minimum wage increase +3pp EPOP



Mechanism: childcare costs

- More likely to spend money on formal care +20% after 10% increase
- Spend more per week +28% after 10% increase
- No effect on
 - married mothers, fathers or workers with bachelor
 - indicates it is not a price effect: higher MW could mean more expensive childcare
- Less likely to stay at home due to familial responsibility -15% after 10% increase

Mechanism: cars?

- **Racial Inequality and Minimum Wages in Frictional Labor Markets**
Wursten & Reich, Labour Economics 2023

Discussion

Own wage employment elasticity of 1.1 for single mothers with young children

- +10% wage leads to +11% employment rate
- larger than Earned Income Tax Credit effects
 - immediate pay increase vs lump sum ex-post
 - EITC impact on implied marginal tax rate of households is complicated
- Sabia (2008) finds negative effect
 - two-way fixed effects model, different timeframe & data issues

Child poverty declines, impact on child welfare ambiguous

- less time spent on children by their (now working) mothers

Sharp reductions in welfare program receipts

Dynamic impact: not studied

Robustness

Distributional DiD specification

- Time trends, census-division fixed effects no change
- Reweighting to adjust for changes in single mother characteristics
- Estimates by demographic group larger effect for black/Hispanic/young mothers
- Effects particularly strong in more recent times (post 1996)

Placebo tests

- Married mothers, fathers, college graduates, high earners no effect

Conclusion

Minimum wages can *increase* employment

- Supply effect dominates for single mothers
- Explanation: higher wages enable paid childcare