

# **Income Instability and Material Deprivation of Young Families: Does Formal Childcare Availability Foster Families' Buffering Capacity?**

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## **Short abstract**

Young families in Europe are increasingly exposed to employment instability with consequences for their risks of material deprivation. When one partner loses income, an increase in the work intensity of the other partner is a critical coping strategy to avoid material deprivation. Such a coping strategy, however, is contingent on the presence and age of children in the family as well as on context-specific institutional aspects, including family policies and especially access to ECEC (Early Childhood Education and Care) services. Focusing on a large number of European countries, this study combines micro longitudinal data (EU-SILC, longitudinal files) with regional childcare coverage data (own collection) to explore whether and to what extent families of different constellations manage to buffer economic risks via the activation of additional income and how this capacity depends on the levels of formal childcare availability. We show that income fluctuation in fact increases the risk of deprivation and that the extent to which this happens depends on families' employment situations. Higher (regional) availability of ECEC is found to increase families' capacities to buffer the income loss from one partner. This happens mainly through the continuous employment of women (mothers) and only to a minor extent through the activation of additional income in the moment of loss.

Keywords: ECEC, deprivation, female employment, activation

## **Introduction**

Employment and income instability and insecurity have become widespread phenomena in Europe, and young families are increasingly forced to cope with them. Instability and insecurity generally comes with lower economic resources and can possibly lead to material deprivation in living conditions, such as housing and financial capabilities. Such economic or social strain can be consequential for families, adults, and even more so for their children because growing up in a deprived household is detrimental to future life chances.

In this paper, we ask to what extent couples are resilient against the material deprivation associated with income volatility stemming from either income loss or employment instability, and whether family policies in the form of ECEC access can increase families' capacities to buffer income losses and avoid deprivation. Specifically, the income loss of one partner may be compensated by the (increasing) income of the other partner (often referred as Added Worker Effect). The extent to which couples are able to activate resilience strategy, however, is largely contingent on (1) the couple's life course stage, specifically their family situation, including the presence of (small) children, and (2) institutional aspects, among them: social policies.

Young couples are in a life stage that puts them not only at a higher risk of experiencing employment instability, but also might reduce their possibilities to counteract adverse situations, as often they are in their

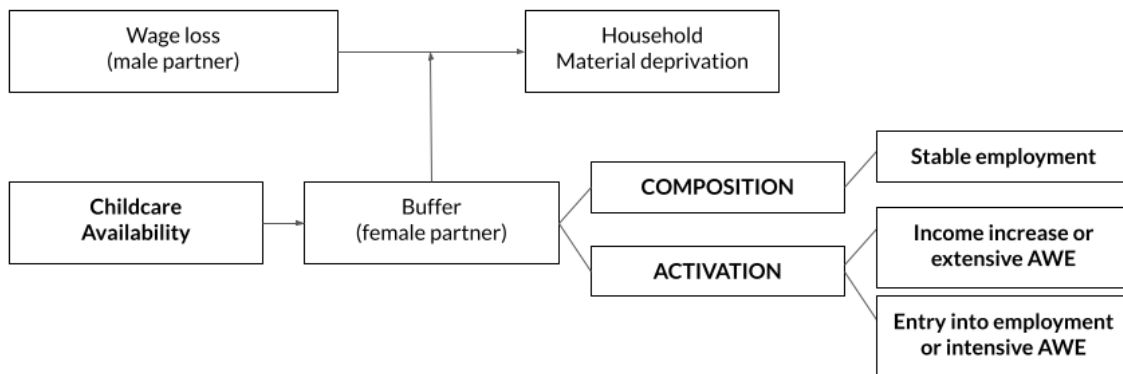
family-formation phase. Having children has implications for two reasons: first, children increase the demand for economic resources; second, children imply demand for care and might limit the ability to enter the workforce or increase working hours. The extent to which possible resilience-strategies are limited or enhanced is highly dependent on public policy support for families. In particular, in contexts where support for families with children is well-developed and childcare services are easily accessible, parents might be in a better position to increase their employment intensity (this is, of course, contingent also on labour market characteristics).

Prior investigations have not provided definitive answers to our research query. On one hand, recent studies examining how families respond to income shocks (Cammeraat et al. 2023; Halla et al., 2020; Hevenstone et al., 2023) have emphasized the importance of childcare policies, but they have yet to empirically validate this claim. On the other hand, it is an open empirical question whether the positive effect of childcare on female employment (Scherer and Pavolini, 2023) also extends to short-term dynamics such as the reaction to income instability.

**Theoretical framework**

Starting from the expectation that decreases in employment intensity of one partner increase material deprivation risks, we investigate (1) whether the other partner is able to increase his/her labour intensity and whether this prevents material deprivation of the household; (2) whether this varies across couples' constellations (childless, with young children in childcare age, with children outside childcare age); (3) to what extent formal public Early Childhood Education and Care provision facilitate families' resilience through the presence or increase of an additional income among couples with children of different ages. Overview 1 displays our conceptual model.

Overview 1. Conceptual model



**Analytical strategy**

We address these questions using the longitudinal component of EU-SILC microdata for 19 European countries, combined with macro data on childcare coverage at the regional level (NUTS-1). Focusing on the regional level allows us to take into account (the often large) within-country heterogeneity in social services and at the same time maximise the variation in policies. The longitudinal nature of the microdata allows us to observe the variation over time in partners' employment intensity and material deprivation. Our analytical sample includes young heterosexual couples, with and without children, where the women is aged 19-45, who were observed for at least two time points. This leaves us with about 98,000 observations (couples), nested in 81 regions and 15 years (2004-2019). Analyses deploy random-effects models with country fixed effects.

### Preliminary Results

Figure 1 reports the distribution of the six deprivation items in the whole sample, showing that there is considerable variation between items in the extent the population faces difficulties with them. Following the international literature, we use an index measure of deprivation, and its change over time ( $\Delta$ ). As to be expected, a wage loss of the (male) partner increases deprivation in the short run, but does so almost independently from the presence and age of children, as shown in Figure 2.

Childcare availability turns out to be crucial for increasing families' resilience against the consequence of an income loss, and the buffer works mostly through increasing women's continuous employment and much less through activating (or intensifying) the female partners' labour. It is thus women's stable employment to reduce material deprivation, while activation is often too weak to make any substantial difference.

Fig. 1 Distribution of Deprivation Items. Data: EU-SILC 2004-2019

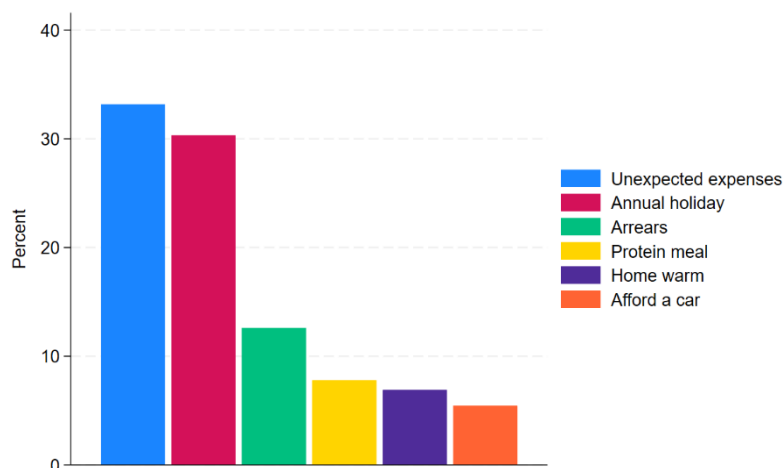
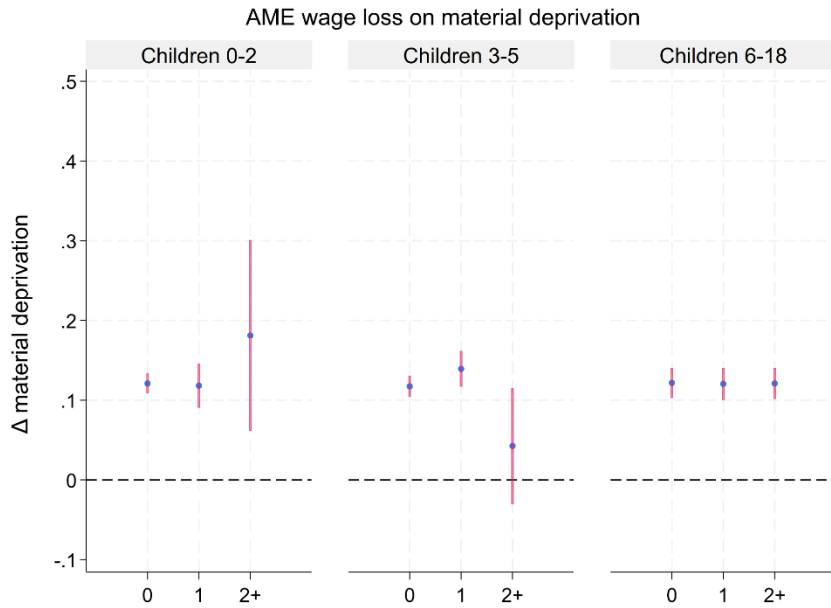


Fig. 2 Effect of wage loss of male partner on subsequent household material deprivation. Data: EU-SILC 2004-2019



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