

The effect of universal child benefits on labour supply

Tammy Schirle
(Wilfrid Laurier University)

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Abstract

I study the effect of a universal child-related income transfer on the labour supply of married individuals. Using a difference-in-differences estimator, I find the Canadian Universal Child Care Benefit has significant negative income effects. The likelihood of lower-educated mothers to participate in the labour force is reduced 3.3 percentage points when receiving the benefit. Median hours worked per week among lower-educated mothers is reduced by 2.3 hours. The effects on higher-educated mothers are also substantial, though an effect on hours may reflect greater flexibility in hours worked while mothers enjoy job protection and employment benefits until children reach 12 months of age. For men, the evidence suggests small, significant income effects that are consistent with the literature on labour supply elasticities.

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