



How can policy interventions such as subsidized care childcare and shared parental leave improve labor market efficiency by addressing gender disparities in household time allocation?

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Abstract

Gender disparities in household time allocation continue to impede labor market efficiency, with women disproportionately engaged in unpaid caregiving. This study examines how subsidized childcare and shared parental leave policies can mitigate these imbalances and improve labor outcomes. Drawing on case studies from Canada, Sweden, and Germany, the paper assesses how these policies influence female labor force participation and broader economic productivity. Findings show that subsidized childcare significantly increases maternal employment, particularly among low-income families, while also supporting children's long-term development. Moreover, non-transferable paternity leave quotas and financial incentives for fathers to take leave have been shown to reduce the caregiving burden on women, facilitating faster workforce re-entry. However, cultural attitudes, service quality, and institutional context shape the effectiveness of these policies. The study concludes that when carefully designed and contextually adapted, such interventions enhance gender equity and contribute meaningfully to macroeconomic growth.

Introduction

Gender disparities in household time allocation remain a significant barrier to labor market efficiency¹. Women continue to bear a disproportionate share of unpaid domestic and caregiving responsibilities, limiting their labor force participation, career advancement, and earning potential. This imbalance results in underutilized human capital and contributes to persistent wage gaps, reinforcing economic inefficiencies². To address this issue, policymakers have increasingly turned to subsidized childcare and shared parental leave as solutions that promote gender equity and optimize labor market outcomes.

Subsidized childcare reduces the financial burden of caregiving, allowing more women to participate in the workforce. Without affordable childcare, many mothers either reduce their working hours or exit the labor market entirely, leading to lost productivity and lower household incomes. Countries such as Canada and Sweden have demonstrated that investments in childcare services increase female labor force participation and enhance overall economic efficiency. The time burden of caregiving also plays a major role, as women often take on the majority of domestic responsibilities, making it harder to commit to full-time work or career advancement. Countries such as Canada and Sweden have demonstrated that investments in childcare services increase female labor force participation and enhance overall economic efficiency.

Shared parental leave is another critical intervention that redistributes caregiving responsibilities between men and women. Traditional maternity leave policies often reinforce the notion that childcare is a woman's responsibility, discouraging fathers from taking an active role. However, when paternity leave is incentivized or made non-transferable, more men take time off, fostering a more balanced division of labor at home. As a result, women face fewer career interruptions and are able to re-enter the workforce sooner, contributing to economic growth and productivity.

Beyond individual benefits, closing gender gaps in labor force participation has broader macroeconomic advantages. The International Monetary Fund (IMF) estimates that eliminating gender disparities could increase global GDP by up to 35%. Policies that promote equitable workforce participation enhance economic resilience, reduce poverty, and foster social stability.

To provide a more analytically rigorous foundation, this paper draws from interdisciplinary theoretical frameworks situated within labor economics: feminist political economy and institutional theory. Feminist economics critiques the neoclassical model's neglect of unpaid labor and instead foregrounds social reproduction as a critical determinant of labor market outcomes. This perspective reframes labor market efficiency beyond narrow productivity metrics, recognizing the systemic undervaluation of care work and its disproportionate burden on women as a central mechanism through which gendered labor inequalities are reproduced. The distribution of unpaid labor within households, shaped by social norms and reinforced by policy configurations, becomes not merely a private issue but a structural determinant of aggregate economic performance.

At the same time, institutional path dependency theory provides insight into why seemingly similar policy interventions, such as subsidized childcare or shared parental leave—yield divergent outcomes across different national contexts. Path dependency emphasizes that early institutional choices create self-reinforcing mechanisms, locking in behavioral patterns and constraining future reform trajectories. For instance, welfare states that historically privileged maternalist policies may struggle to normalize paternal caregiving even after adopting gender-neutral leave entitlements, due to entrenched cultural scripts and bureaucratic inertia. In this sense, policy effectiveness cannot be decoupled from the institutional and historical legacies within which it is embedded.

Although the analysis focuses on gender, it is also important to recognize that caregiving responsibilities intersect with other social identities. Race, class, and migration status can influence who benefits from these policies. For instance, low-income or racial minority families may face greater barriers in accessing subsidized childcare or formal employment, which affects the reach and equity of these interventions. Including intersectional considerations ensures a more complete understanding of the dynamics at play.

This paper explores how subsidized childcare and shared parental leave improve labor market efficiency by addressing gender disparities in household time allocation. It analyzes existing literature, empirical data, and policy case studies while considering counter arguments regarding feasibility and potential unintended consequences. By evaluating these policies, the paper aims to highlight their role in creating a more inclusive and productive economy.

The scope of this paper is limited to evaluating the effects of subsidized childcare and shared parental leave policies on labor market efficiency and gender equity. While the focus is on high- and middle-income countries with available data, particularly in Europe and North America, references are made to global trends where relevant. The analysis is restricted to policy impacts on labor force participation, wage equality, and caregiving roles, rather than exploring broader gender-related outcomes such as health or education. One of the primary limitations of this research is the reliance on secondary data, which may reflect regional biases or omit informal labor sectors. Additionally, the paper does not conduct new empirical analysis and instead synthesizes findings from existing studies, which may vary in scope, methodology, and context. While the policies examined show promise, their success often depends on specific cultural, economic, and institutional factors, which are difficult to generalize across countries.

II. Methodology: a deeper dive into research strategies

To rigorously assess the impact of subsidized childcare and shared parental leave policies on labor market participation, the studies referenced in this review employ a combination of natural experiments, quasi-experimental designs, and longitudinal analyses, each carefully structured to isolate causal effects. By leveraging policy-induced exogenous variation, econometric modeling, and large-scale labor market datasets, these studies provide robust empirical evidence on how childcare support and parental leave policies shape female employment dynamics.

III. Summary of main policies on childcare around the world

III. Subsidy policies

Subsidized childcare has been widely recognized as an effective policy intervention for improving labor market efficiency by increasing female labor force participation. However, its effectiveness is highly dependent on several key conditions. One of the primary factors is the affordability and accessibility of childcare services. Research indicates that policies that significantly reduce out-of-pocket childcare costs have the greatest impact on maternal employment. For instance, Gathmann and Sass found that Germany's childcare reforms, which expanded early childhood education subsidies, led to a 12% rise in maternal labor force participation, particularly benefiting lower-income families. Similarly, Berlinski and Galiani reported that increased preschool access in Argentina correlated with higher female employment rates, with a 10% increase in childcare enrollment leading to a 2% increase in maternal employment.

Beyond direct childcare subsidies, expanding early educational access can serve as a key mechanism for increasing female labor participation, particularly in developing economies where formal childcare policies are limited. Investment in preschool infrastructure provides an alternative form of subsidized childcare, enabling mothers to enter or remain in the workforce. Evidence from Brazil and Uruguay suggests

that state-supported preschool expansion significantly increases maternal employment, particularly among low-income women. Additionally, early education programs contribute to long-term economic mobility by enhancing children's future productivity, reducing the need for parental supervision, and alleviating intergenerational cycles of poverty.

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Additionally, in economies where extended family networks play a dominant role in childcare, subsidized daycare services may not be prioritized, and traditional caregiving structures could limit female workforce participation even in the presence of policy interventions. A study by Calderón on the expansion of childcare in Mexico found that while subsidized childcare centers increased female labor force participation by approximately 18%, the effect was significantly weaker in regions with a stronger reliance on informal childcare through extended families³. This suggests that the success of childcare subsidies is contingent upon existing social structures and cultural attitudes toward external childcare.

To provide context for the importance of subsidized childcare as a policy lever, it is instructive to compare female labor force participation across countries with differing levels of childcare infrastructure. According to OECD statistics for 2023, female labor force participation among women aged fifteen to sixty-four exceeded seventy-five percent in countries with established subsidized childcare systems such as Sweden, Germany, and France, where national institutional support facilitates high maternal employment, as reported by the IZA World of Labor. In contrast, countries with limited or no such support, including Mexico (approximately forty-six percent), India (approximately twenty-four percent), and Japan (approximately fifty-one percent), have exhibited significantly lower participation rates in recent years based on data from the World Bank and other national sources. This gap, often in the range of twenty to thirty percentage points, suggests a strong correlation between state-supported caregiving infrastructure and female workforce engagement.

However, these cross-country differences should be interpreted as providing context rather than as definitive evidence of causality. Countries differ in cultural attitudes, welfare regimes, labor market structures, and complementary social policies, all of which may influence labor force outcomes. It is therefore essential to use quasi-experimental methods and natural experiments to isolate the specific effects of childcare and parental leave policies on maternal employment. The following section turns to such studies, analyzing how staggered reforms and regional variation offer more credible estimates of these policies' impact on gendered labor supply dynamics.

III. B. Gender oriented policies

The quality of childcare services also plays a crucial role in determining labor market outcomes. While affordability increases access, poor-quality childcare can deter parents from using these services, limiting the policy's effectiveness. Cascio cautioned that if subsidized childcare results in lower-quality services, the net benefits to labor market participation may be diminished⁴. Additionally, the structure of the labor market affects how effective childcare subsidies are. In economies where flexible work arrangements are common, mothers can more easily transition back into employment after childbirth. Conversely, in rigid labor markets with high barriers to re-entry, childcare subsidies alone may not be sufficient to significantly boost female workforce participation.

Cultural attitudes toward gender roles in caregiving also influence the effectiveness of childcare subsidies. In societies where traditional gender norms dictate that women should be primary caregivers, even significant reductions in childcare costs may not lead to substantial increases in female labor force participation. Comparative studies have shown that countries with more egalitarian gender norms, such as those in Scandinavia, tend to experience stronger labor market effects from childcare subsidies⁵. Furthermore, complementary policies, such as tax incentives for dual-income households and workplace policies supporting work-life balance, enhance the impact of subsidized childcare. Countries that implement a combination of childcare subsidies, parental leave reforms, and employer incentives generally see the most significant improvements in gender equality in labor markets.

III. C. Parental leave policies

Shared parental leave policies have been instrumental in redistributing household responsibilities and improving labor market efficiency by encouraging gender equality in caregiving. However, the success of these policies depends on specific conditions, including policy design, economic incentives, and societal attitudes toward parental roles.

A critical factor is the presence of non-transferable paternity leave, often referred to as a "daddy quota." Research has shown that when fathers are required or incentivized to take a portion of parental leave, their participation in childcare increases, reducing the burden on mothers and facilitating their quicker return to the workforce. In Sweden, Duvander and Johansson found that the introduction of a dedicated paternity leave quota increased paternal engagement in childcare by 15%, leading to higher female workforce retention rates and a reduction in long-term wage penalties⁶. Similarly, Arnalds, Eydal, and Gíslason found that Iceland's parental leave reforms contributed to shorter career interruptions for women and improved job security⁷.

Economic incentives also play a crucial role in the uptake of shared parental leave. Studies have indicated that when parental leave benefits are set at a high percentage of previous earnings, fathers are more likely to take leave. In Germany, the introduction of ElterngeldPlus, which offered financial incentives for fathers to take leave, resulted in an increase in the proportion of fathers taking parental leave from 21% to 36% within a few years⁸. In contrast, in countries where parental leave is unpaid or offers low wage replacement rates, uptake among fathers remains low, reinforcing traditional gender divisions in caregiving.

Cultural norms surrounding gender roles also determine the effectiveness of shared parental leave policies. In societies where caregiving is primarily seen as a woman's responsibility, men may face social stigma for taking parental leave, reducing its utilization. Cross-country comparisons by Olivetti and Petrongolo highlight that countries with progressive gender norms experience higher rates of parental leave uptake by fathers, leading to greater gender equality in household labor and labor market participation⁹.

Additionally, the length and flexibility of parental leave policies impact their effectiveness. While longer leave periods can support family well-being, excessively extended leaves may discourage women's workforce participation by making re-entry more challenging. Thévenon and Solaz caution that prolonged parental leave may inadvertently harm women's employment prospects if employers perceive them as more likely to take extended breaks from work¹⁰. Therefore, policies that balance adequate leave duration with mechanisms for gradual workforce reintegration, such as part-time return options, tend to yield the most positive labor market outcomes.

III. D. Implications from subsidies, gender oriented and parental leave policies

Childcare subsidies and parental leave policies are not merely instruments of social protection. They function as tools for improving labor market efficiency by addressing structural barriers to workforce participation. When women disproportionately bear the burden of unpaid caregiving, it results in misallocation of labor resources and reduces overall economic productivity. These policies aim to lower the implicit cost of workforce participation for caregivers, particularly mothers, by enabling greater continuity in employment, improving job matching, and expanding the effective labor supply. In turn, this facilitates a more inclusive and productive labor market, narrowing gender-based inefficiencies and supporting long-term economic growth.

Although much of the literature focuses on high-income countries with established welfare regimes, implementing such policies in developing economies involves distinct constraints. Limited fiscal capacity is a major challenge, as many governments are unable to invest in large-scale childcare infrastructure or offer wage-compensated parental leave. In contexts where informal employment dominates and workers lack legal protections, conventional parental leave mechanisms often fail to reach the majority of the labor force.

Cultural barriers also play a significant role. In many societies with rigid gender norms, men are discouraged from engaging in caregiving, limiting the effectiveness of shared parental leave. Additionally, weak institutional enforcement can result in noncompliance among employers, further reducing policy impact. Addressing these issues requires not only public funding and legal reform but also structural shifts. These include expanding early childhood education, incentivizing formal employment contracts, and promoting societal changes through targeted awareness campaigns that challenge traditional caregiving roles.

IV. Empirical Approach using Natural Experiments

To rigorously examine the impact of caregiving policies on labor market outcomes, this section synthesizes natural experiments that exploit regional variation or staggered policy rollouts to estimate causal effects. These quasi-experimental designs offer analytical leverage in settings where randomized trials are infeasible, allowing researchers to approximate counterfactual scenarios. However, as the following studies illustrate, even well-constructed natural experiments are subject to econometric challenges such as selection bias, reverse causality, and limited external validity.

A study by Gathmann and Sass capitalizes on a natural experiment arising from Germany's childcare reforms, which expanded early childhood education subsidies in a staggered manner across federal states¹¹. This variation created an opportunity to assess the causal impact of childcare affordability on maternal labor force participation. Using regional administrative labor market data and policy implementation records, the authors employed quasi-experimental econometric techniques to compare maternal employment rates in states that received earlier policy rollouts against those that had delayed implementation. The findings revealed a 12% increase in maternal employment, particularly benefiting lower-income families, emphasizing that affordability is a crucial determinant of policy effectiveness. Nevertheless, such natural experiments, while valuable for causal inference, are not immune to confounding influences. Variations in labor demand across regions, demographic shifts, or concurrent welfare reforms may partially account for observed differences, complicating efforts to isolate the independent effect of childcare policy.

This aligns with the findings of Berlinski and Galiani, who investigated a comparable policy shift in Argentina, where preschool expansion led to a marked increase in female employment¹². By leveraging regional disparities in preschool accessibility, the study applied instrumental variable (IV) regression to account for potential selection bias in childcare enrollment decisions. The results demonstrated that a 10% rise in childcare enrollment corresponded to a 2% increase in maternal employment, reinforcing the notion that when childcare costs are reduced, more women enter the workforce. However, a central limitation of IV approaches is their reliance on local average treatment effects (LATE), which estimate impacts for marginal participants whose behavior is influenced by the instrument. These results may not generalize to the wider population, raising concerns about external validity, especially in the context of diverse labor markets and policy environments.

However, access alone does not guarantee success. Childcare quality is equally critical. Cascio cautioned that if subsidized childcare results in a decline in service quality, its labor market benefits may be undermined¹³. Using panel data regression models and longitudinal datasets, the study tracked how variations in childcare service quality influenced maternal employment over time. The findings suggest that while subsidies may increase participation, if service quality deteriorates, parents—particularly mothers—may be reluctant to fully engage in the workforce, thereby diluting the intended economic gains of the intervention.

While childcare policies primarily affect workforce entry, parental leave policies shape long-term workforce retention. In Sweden, Duvander and Johansson analyzed the introduction of a “daddy quota,” a non-transferable portion of parental leave reserved for fathers¹⁴. Using administrative records of parental leave uptake and employment trajectories, they demonstrated that when fathers took leave, maternal employment retention improved, and long-term wage penalties for women were mitigated. Yet, despite the richness of administrative data, longitudinal analyses remain vulnerable to omitted variable bias. Changes in employer behavior, macroeconomic shocks, or shifting workplace cultures may affect maternal outcomes independently of the policy intervention, introducing endogeneity concerns.

Building on this, Koslowski et al. examined the effectiveness of Germany’s ElterngeldPlus reform, which introduced financial incentives for fathers to take parental leave¹⁵. Through time-series analysis and regression modeling, the study found that parental leave uptake increased from 21% to 36% within a few years, illustrating that economic incentives are instrumental in shifting caregiving norms and reducing the career disruptions women face post-childbirth. Nonetheless, the temporal clustering of family policy reforms and evolving societal narratives makes it difficult to disentangle the isolated impact of any single intervention from broader institutional or cultural change.

V. Policy Examination: Sweden’s Model of Subsidized Childcare and Shared Parental Leave

Sweden provides a case study for evaluating the impact of subsidized childcare and shared parental leave policies on labor market efficiency and gender disparities in household time allocation. As a country with a long-standing commitment to gender equality, Sweden has implemented extensive policy measures designed to facilitate higher female labor force participation and encourage paternal involvement in childcare. Examining Sweden’s approach offers understanding of the conditions necessary for the successful implementation of these policies and their broader economic implications.

Sweden’s subsidized childcare system is among the most comprehensive globally, with a well-funded, high-quality public childcare program that significantly reduces the financial burden on parents. The Swedish government ensures that childcare fees remain affordable by capping parental contributions at a low percentage of household income while subsidizing the remainder of the cost. The availability of universally accessible childcare has led to a substantial increase in maternal employment rates. Studies indicate that Sweden’s childcare system plays a crucial role in enabling women to remain in the workforce, as it provides a reliable infrastructure that alleviates the opportunity cost associated with child-rearing responsibilities. Research by Datta Gupta, Smith, and Verner found that access to subsidized childcare in Sweden is directly correlated with higher female employment rates and lower career interruptions among mothers, demonstrating the effectiveness of this policy in mitigating gender disparities in labor market participation²⁹.

However, while the government ensures that childcare services are widely available, concerns regarding regional disparities in accessibility and service quality have emerged. Urban areas generally have better access to high-quality childcare facilities compared to rural regions, where limited-service availability may constrain maternal workforce participation. Addressing these disparities requires continued government investment and policy adjustments to ensure equitable access across different demographic groups.

In conjunction with subsidized childcare, Sweden has implemented one of the most progressive parental leave policies in the world. The Swedish parental leave system grants parents a total of 480 days of paid leave per child, with a portion specifically reserved for fathers to encourage greater paternal involvement in childcare. This policy, often referred to as the “daddy quota,” mandates that a minimum of 90 days of leave must be taken by each parent, incentivizing fathers to participate more actively in early child-rearing. Empirical evidence suggests that this policy has contributed to a cultural shift in caregiving responsibilities, reducing the traditional gendered division of labor. Studies by Duvander and Johansson demonstrate that fathers who take advantage of parental leave continue to be more involved in childcare even after returning to work, which in turn facilitates mothers’ labor market reintegration and reduces career penalties associated with maternity leave³⁰.

Despite the policy’s success in promoting gender equality, cultural and structural barriers persist. In some cases, workplace norms and employer biases may discourage fathers from utilizing their full parental leave entitlements. Research by Almqvist and Duvander highlights that while Sweden’s legal framework supports shared parental leave, disparities in workplace acceptance remain, with some fathers facing implicit pressure to return to work earlier than entitled³¹. To address this issue, the Swedish government has continuously expanded financial incentives and public awareness campaigns to normalize paternal leave-taking. Additionally, companies with progressive workplace policies have played a crucial role in promoting a culture that encourages shared caregiving responsibilities.

The economic impact of Sweden's childcare and parental leave policies extends beyond labor force participation rates. Studies indicate that these policies contribute to long-term economic growth by optimizing labor market efficiency and increasing household incomes. Research by Olivetti and Petrongolo suggests that Sweden's approach has led to higher female employment rates and reduced gender wage gaps compared to other OECD countries with less developed family support policies. Furthermore, the redistribution of household responsibilities through shared parental leave has enhanced overall productivity, as it enables both parents to balance professional and domestic responsibilities more effectively³².

While Sweden's model presents a successful case study, its applicability to other countries depends on several contextual factors, including economic capacity, cultural attitudes toward gender roles, and existing labor market structures. The Swedish government's strong commitment to gender equality, coupled with substantial public investment in family support policies, has been instrumental in the success of these initiatives. For countries considering similar policies, key lessons from Sweden's experience include the importance of well-funded childcare programs, the necessity of mandatory paternity leave quotas, and the role of sustained public advocacy in shifting societal norms.

VI. Counterarguments to the Childcare Reforms

Despite the compelling evidence supporting subsidized childcare and shared parental leave, critics argue that these policies present significant economic and administrative challenges. One major concern is the fiscal burden associated with large-scale childcare subsidies. Publicly funded childcare programs require substantial government expenditure, raising concerns about long-term financial sustainability. For instance, research on Quebec's universal childcare program found that while maternal employment increased significantly, the quality of subsidized childcare services declined due to underfunding and high demand¹⁷. This raises questions about whether such programs can be effectively maintained without significant trade-offs in service quality—an important dimension of policy effectiveness, which includes not just service uptake but outcomes like affordability, equity, and quality.

Another common critique of parental leave policies is their potential impact on business operations, particularly for small and medium-sized enterprises (SMEs). Extended leave entitlements may be perceived as disruptive to productivity and workforce planning. Thévenon and Solaz found that some firms responded to parental leave mandates by reducing hiring opportunities for women of childbearing age, fearing potential staffing shortages¹⁸. This unintended labor market distortion contradicts the policy's intended goal of promoting gender equality in employment. Here, *labor market efficiency* could be better understood through metrics such as hiring elasticity, job vacancy duration, or employer-adjusted productivity loss.

Moreover, cultural norms and workplace biases often limit the effectiveness of shared parental leave policies. Even when generous leave entitlements are available, many fathers hesitate to take advantage of them due to fears of career setbacks or social stigma. Kleven, Landais, and Sogaard found that in some countries, fathers taking extended leave faced negative performance evaluations and slower career progression, discouraging their participation¹⁹. However, restrictive gender norms not only affect men's engagement in domestic work but also pose barriers to women's workforce participation. In many societies, women face social and familial pressure to prioritize caregiving over professional ambitions, which can undermine the effectiveness of childcare subsidies and parental leave policies.

For example, in some developing economies, deeply entrenched social expectations discourage women from seeking formal employment, even when external childcare options are available. Jayachandran found that in regions where conservative gender norms dominate, women's workforce participation remained low despite economic growth and rising education levels²⁰. This suggests that without cultural shifts and institutional support, policies promoting subsidized childcare and parental leave may yield limited results. From an analytical standpoint, this underscores the need to operationalize *gender disparities in household time allocation* using time-use surveys, caregiving hours logged, or intra-household labor division metrics.

To mitigate these challenges, multi-pronged policy approaches are necessary. Public awareness campaigns can play a crucial role in challenging gender norms by promoting narratives that emphasize the benefits of dual-income households and equal caregiving responsibilities. Additionally, workplace policies that incentivize female workforce retention, such as return-to-work programs, flexible scheduling, and anti-discrimination laws, can complement childcare and parental leave initiatives. Countries that have successfully increased female labor force participation, such as Sweden and Norway, have done so not just through childcare subsidies but also through comprehensive legal protections against workplace discrimination and targeted efforts to normalize women's employment. Without addressing the broader structural and cultural barriers to women's labor market participation, even the most well-funded childcare and parental leave policies may fail to achieve their intended impact.

While this paper has focused primarily on short- and medium-term labour market indicators such as maternal employment rates and paternal leave uptake, it is important to acknowledge that the long-term effects of caregiving policies on labour market efficiency remain underexamined in the existing empirical literature. *Labor market efficiency*, in this context, could be more rigorously measured through metrics like sustained career progression, lifetime earnings growth, job match stability, productivity per employee, and reductions in labour

force churn. Most studies emphasize immediate labour supply responses, often overlooking how these interventions may influence human capital accumulation, job retention, or workplace innovation over time. Although the current body of evidence suggests that subsidized childcare and parental leave support workforce continuity and reduce barriers to re-entry, their broader economic implications, particularly those relating to aggregate productivity growth and institutional efficiency, are frequently inferred rather than directly measured. The credibility of short-run findings nonetheless offers a compelling rationale to expect longer-term gains, as improved caregiving support can mitigate career interruptions, enhance skill preservation, and facilitate upward mobility, especially for women in dual-earner households. These mechanisms may, in turn, foster more stable labor markets and a more inclusive distribution of economic opportunity. As such, the absence of rigorous long-term evaluations represents a critical gap in the literature. Future research should prioritize identifying and quantifying these extended outcomes through panel data, firm-level productivity metrics, or linked administrative datasets. Doing so would allow for a more holistic understanding of how caregiving-related policies contribute not only to equity but also to dynamic labor market efficiency and sustainable economic growth.

VII. Mitigating policy challenges and overcoming Cultural Barriers

VIA. Economic and Fiscal Challenges

One of the most prominent concerns regarding subsidized childcare is the fiscal burden it imposes on public budgets. Large-scale childcare subsidies require sustained government investment, raising concerns about long-term viability, particularly in the face of rising demand. Evidence from Quebec's universal childcare program illustrates this tension clearly. Although the policy led to a substantial increase in maternal employment, the rapid expansion of subsidized childcare created resource strains that compromised service quality²¹. Class sizes grew, caregiver-to-child ratios worsened, and oversight weakened in some facilities. These outcomes point to a critical implementation barrier: when public provision scales up quickly without proportional increases in funding, the quality of care may deteriorate, undermining the program's intended labour market benefits. Thus, fiscal constraints do not merely limit coverage, they can also dilute the effectiveness of the policy by creating quality deficits that deter sustained maternal employment.

To address this, a mixed-financing model that combines public investment with employer contributions and tax incentives for private childcare providers may offer a more sustainable solution. Countries such as Sweden and Germany have successfully implemented such hybrid models, balancing affordability with enforceable quality standards. These models help distribute costs across stakeholders and reduce overreliance on public funding, thereby insulating childcare systems from budget volatility.

Additionally, targeting subsidies toward low-income households rather than adopting universal schemes could enhance cost-effectiveness by concentrating resources where they are most needed. This strategy ensures that fiscal constraints do not force a trade-off between access and quality. Implementation mechanisms such as income-based co-payment structures or tiered reimbursement models can facilitate equity without compromising service delivery standards.

A key consideration in designing effective caregiving policy involves evaluating how subsidized childcare and shared parental leave operate not only in isolation but also in combination. While subsidized childcare addresses cost-related barriers to maternal employment, and shared parental leave facilitates a more equitable distribution of caregiving responsibilities, their integration may enhance outcomes beyond what either policy achieves individually. For instance, parental leave that encourages father participation may reinforce maternal workforce re-entry only if quality childcare is also accessible upon leave expiration. Conversely, subsidized childcare may be underutilized or less effective if gendered leave patterns continue to disincentivize dual participation in caregiving. Coordinating these policies requires careful calibration of timing, duration, and accessibility to ensure complementarity rather than redundancy. Without alignment, policy effects may be diluted or inadvertently reinforce existing inequalities. Future research and policy design should incorporate frameworks that account for these interactions, recognizing that the effectiveness of any single intervention may depend on the institutional environment into which it is introduced.

VI.B. Business Concerns and Employer Incentives

Concerns regarding the impact of extended parental leave on business operations, particularly for small and medium-sized enterprises (SMEs), warrant policy adjustments that mitigate potential disruptions. One effective approach is implementing wage compensation schemes for businesses, wherein governments provide financial support to offset the temporary loss of employees on parental leave. For example, Germany's ElterngeldPlus program subsidizes a portion of wages for parents taking leave in a flexible manner, allowing for part-time work arrangements that minimize disruptions to business operations²². Furthermore, policies that encourage phased reintegration into the workforce—such as allowing employees to gradually return through part-time work before resuming full-time responsibilities—have been shown to reduce career penalties associated with parental leave while benefiting employers through improved retention rates.²³

VI.C. Cultural Norms and Workplace Biases

A critical barrier to the effectiveness of shared parental leave policies lies in prevailing cultural norms that discourage paternal participation in caregiving. Even in countries where such policies are legally established, deeply rooted social expectations and workplace biases frequently disincentivize fathers from taking leave. In many contexts, caregiving remains feminized, and fathers face implicit or explicit penalties for deviating from traditional breadwinner roles²⁴.

One policy response to these constraints is the implementation of “use-it-or-lose-it” paternal leave quotas, which have proven effective in shifting behavioural norms. Sweden’s introduction of a non-transferable “daddy quota” led to a significant rise in fathers claiming parental leave, contributing to more equitable sharing of domestic labour and longer-term improvements in female labour market outcomes²⁵. Iceland’s three-month mandatory paternity leaves similarly disrupted traditional gendered expectations and increased post-leave paternal involvement in caregiving²⁶.

Workplace culture also plays a vital role in reinforcing or dismantling caregiving norms. Employers who institutionalize paternity leave through formal policies, career protection guarantees, and financial incentives foster a more inclusive and supportive environment. Companies such as Spotify and Deloitte, by offering fully paid paternity leave and encouraging its uptake, have signalled a corporate norm of gender-equitable caregiving²⁷.

Beyond legal and workplace mechanisms, public narratives matter. Media campaigns that normalize paternal involvement, such as government-funded commercials or interviews with high-profile male figures who have taken leave, have shown promise in gradually reshaping societal attitudes. In Japan, where paternal leave usage historically lagged due to stigma, public awareness drives and government incentives have contributed to a slow but observable shift in male parental behavior²⁸.

A coordinated strategy that integrates legislative design, workplace reform, and cultural messaging is therefore essential. Without efforts to shift underlying norms, even well-funded policies may fail to achieve their intended outcomes. By challenging gendered assumptions and legitimizing male caregiving, such multifaceted approaches can enhance the effectiveness of shared parental leave and promote gender parity in labour force participation.

VIII. Conclusion

Addressing gender disparities in the division of household responsibilities, particularly those related to caregiving, is both an economic necessity and a matter of social equity. Public policy interventions such as subsidized childcare and shared parental leave have become central to modern labour market strategies aimed at reducing inequalities in employment outcomes between men and women. The cumulative evidence from diverse policy environments suggests that these interventions can support female labour force participation, reduce gender wage gaps, and promote greater labour market efficiency. Subsidized childcare lowers the opportunity cost of caregiving and allows women, particularly mothers, to reenter or remain in the workforce. At the same time, shared parental leave policies incentivize a more equitable division of domestic labour, thereby mitigating the long-term penalties traditionally borne by women following childbirth. Together, these policies reshape the structure of household time allocation and provide a foundation for more inclusive economic growth.

Despite their demonstrated benefits, the implementation of such policies often faces significant challenges. Fiscal constraints are among the most pressing, particularly in countries where budgetary limitations restrict the expansion of social services. Large-scale childcare programs require consistent and adequate funding to ensure service quality, accessibility, and administrative effectiveness. The case of Quebec’s universal childcare initiative provides an instructive example. While the program succeeded in boosting maternal employment, it also suffered from insufficient funding relative to demand, resulting in overcrowded facilities and declining service quality. This outcome underscores the importance of designing financially sustainable models. Countries that have achieved better quality outcomes, such as Sweden and Germany, have done so by adopting mixed-financing models that combine targeted public funding with employer contributions and tax incentives for private childcare providers. Such frameworks not only ease the fiscal burden on governments but also encourage competition, innovation, and service quality in the childcare sector.

In addition to fiscal limitations, social and cultural barriers significantly influence policy effectiveness. Even where paid leave policies exist, many fathers hesitate to take advantage of them due to perceived stigma or concerns about negative career consequences. These cultural norms reinforce traditional gender roles and undermine the redistributive potential of shared caregiving policies. For example, studies from countries such as Japan and South Korea indicate that male parental leave uptake remains low despite generous entitlements, largely due to persistent workplace biases and deeply rooted expectations about masculinity and breadwinning. Thus, policy design alone is insufficient to shift societal behavior. Complementary measures—such as public awareness campaigns that promote caregiving as a shared responsibility,

legal protections for employees who take leave, and employer-led initiatives that normalize paternal participation—are essential for enhancing uptake and ensuring that caregiving policies deliver on their intended equity and efficiency outcomes.

Moreover, the effectiveness of these policies varies depending on the broader institutional and cultural context in which they are implemented. Family structure, tax policy, household income distribution, and access to informal caregiving networks can all mediate the impact of subsidized childcare and parental leave. As this paper has shown, context matters. A policy that succeeds in one country may fall short in another due to differences in administrative capacity, policy coordination, or societal attitudes toward gender roles. It is therefore crucial that future policy design reflects a nuanced understanding of these contextual variables and avoids adopting one-size-fits-all solutions.

A final but critical observation concerns the temporal scope of current research. Much of the existing literature focuses on short- and medium-term labour market outcomes such as maternal employment rates, wage gaps immediately following childbirth, or paternal leave uptake. These metrics are important, but they capture only a portion of the broader economic consequences of caregiving policy. Long-term effects, such as career advancement, lifetime income growth, human capital accumulation, firm-level productivity, and intergenerational mobility, are far less studied but equally essential to evaluating the overall efficiency of policy interventions. While initial findings are promising, these long-term dynamics remain underexplored due to data limitations, methodological challenges, and the extended timeframes required for evaluation. Future research should aim to close this gap by employing longitudinal datasets, panel studies, and administrative linkages that can track the impacts of caregiving-related policies over time. Doing so would provide policymakers with more accurate insights into the dynamic economic implications of these reforms and their role in shaping a more equitable and efficient labour market over the long run.

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