Grandparents as Child Care Providers: 
Factors to Consider When Designing Child Care Policies

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Formal child care services can expand women’s economic opportunities and promote equity through early childhood development. However, academics and policy makers often overlook the role of relatives as child care providers. This note discusses how grandparent-provided child care can be factored into child care policies in the context of Organisation for Economic Co-operation and Development (OECD) countries. Omitting the role of relatives when estimating costs and benefits of child care programs can give biased and incomplete results that might even reverse certain programs. The focus of this note is on the opportunity cost of relatives—particularly grandparents—who care for children. Not just governments spend on child care programs—grandparents spend considerable time caring for grandchildren. Depending on their labor market status and work history, grandparents’ opportunity cost could be high or low; governments should factor in such costs when evaluating programs. The Netherlands and the United Kingdom are experimenting with policies that formally support grandparent-provided child care.

The Business Case for Public Support for Child Care

To address earnings disparities between men and women, the World Bank (2011) suggests that one priority policy action is to increase access to child care through subsidies. The general issue is well known: child care responsibilities constrain women’s time, pushing women to unpaid activities within the home and to occupations that often pay less. Women worldwide spend more time on housework and child care and less time on market work and leisure than do men (World Bank 2011).

Child care and its implications for maternal labor supply are complex issues. Government subsidies affect the private supply of child care services. That supply responds to demand, but can be affected by the public child care provision. For women, labor supply, fertility, and choice of child care services are connected decisions. Evidence shows that access to formal child care increases (i) participation in formal employment and (ii) the number of hours mothers work. However, the magnitude of effects ranges from null up to a 0.36 elasticity of female labor supply with respect to child care cost. The effect varies across and within countries by type of beneficiary, household income and composition, labor market opportunities, and child care institutions (Blau and Currie 2006).

Grandparents: Main Providers of Informal Child Care Services in OECD Countries

Informal care is defined as generally unregulated care that is arranged by the parent in the child’s home or elsewhere and is provided by relatives, friends, neighbors, babysitters, or nannies. Informal child care is widespread (figure 1); even in countries such as the Netherlands, more than half of children under age two are in informal care. Although informal child
care is used less as children grow, it remains important even for primary school children: 45 percent of children in Romania between ages 6 and 12 receive informal care.

Relatives are the most important informal child care providers. In poor countries, older sisters or younger aunts care for children in the home while the mother works (Skoufias and Parker 2006). In middle- and high-income countries, grandparents—often maternal grandmothers—take the responsibility. For example, grandparents provide almost half of the informal care for U.S. children, and nonrelatives care for about 30 percent (figure 2). Figures are even more striking in Australia: grandparents care for 80 percent of children under age three. In Belgium, Greece, and Italy, about half of grandmothers between ages 50 and 65 regularly care for grandchildren at least once a week (Zamarro 2011).

In the United States, more families rely on grandparents and fewer use nannies (Posadas and Vidal-Fernández 2012) despite an increase in the supply of formal child care and the introduction of subsidies and universal child care programs in some states (Cascio 2009; Fitzpatrick 2010).

Policy makers interested in alleviating constraints on women’s formal work must measure the effect of child care services on maternal labor supply. Fortunately, academics have renewed their interest in this topic, and although most studies do not address causality or control for access to other types of child care, they show that access to grandparents’ care is positively associated with mothers’ labor supply. Del Boca, Locatelli, and Vuri (2004) find that having grandmothers living near and in good health increases the likelihood of mothers working full time in Italy. Maurer-Fazio et al. (2011) estimate that, in China, married women living with their parents (or spouse’s parents) are 12 percent more likely to work. Albuquerque and Passos (2010) find that in 11 European countries, a mother with children younger than age six is 12 percent more likely to work if a grandparent cares for her youngest child. Finally, Posadas and Vidal-Fernández (2012) use an instrumental variable approach for the United States and find that access to grandparents’ child care increases maternal labor force participation by 15 percent.

Policy Considerations

This section presents links between formal and grandparent-provided child care services and discusses elements to consider when making policy recommendations about child care

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**Figure 1. Use of Informal Child Care Arrangements in a Typical Week, 2008**

Sources: OECD Family Database; U.S. Census Bureau.

Note: Data for Cyprus are for the southern part of the island. Data are for 2007 in France, 2009 in the Republic of Korea, and 2005 in the United States, for which the last group is aged 6–14 and includes multiple care arrangements. Australia includes only grandparents.
programs, with implications for employment regulations and pension systems.

**No free lunch.** Grandparent-provided child care is obviously not free. Grandparents could work in the labor market or enjoy leisure time. Zamarro (2011) finds that women age 50–65 in European countries are less likely to work if they care for grandchildren. Ho (2008) finds the time transfers from U.S. grandmothers to daughters through child care services are an important factor in retirement decisions. According to the American Health and Retirement Study, women and men ages 51–61 spent 880 hours and 370 hours in the previous 12 months, respectively, caring for grandchildren (Rupert and Zanella 2011).

**Complements or substitutes?** Grandparent-provided child care can either complement or substitute for formal care, depending on availability of formal care, employment characteristics (part time versus full time), and cultural factors. High prices for child care encourage parents to rely on grandparents, especially if such costs represent a high percentage of the mother’s potential wages (Zamarro 2011; Albuquerque and Passos 2010; Ho 2008; Del Boca, Locatelli, and Vuri 2004; Leibowitz, Klerman, and Waite 1992). Limited opening hours and a lack of part-time jobs can make grandparents’ and formal child care complements (Del Boca 2002). Thus, regulation of both child care facilities and labor markets will affect either the substitutability or the complementarity of the two types of care.

**Crowding-out effect.** Potential links between formal and grandparent-provided child care suggest that formal child care may crowd out informal care. For example, universal child care programs have a large take up, but a low effect on labor market participation and hours that mothers work. In some cases, this crowding-out effect is close to 100 percent (Havnes and Mogstad 2011; Fitzpatrick 2010; Cascio 2009; Baker, Gruber, and Milligan 2008).

The magnitude is smaller in developing countries (see Chioda and Verdú [2011] for Brazil and Colombia). Most studies conclude that subsidized child care is not cost-efficient because the additional tax revenue collected from mothers’ earnings will not cover government expenses for child care; thus, the care must be justified on equity grounds—either for gender equality or childhood development. However, such studies do not consider who was minding the children before the program was set up, so they are unable to account for an additional positive effect of freeing grandparents’ time.

One exception is Carvalho et al. (2011), who evaluated expansion of public child care in poor neighborhoods of Rio de Janeiro. Similar to previous studies, the authors find the program affects female labor force participation (an increase in 10 percentage points from a base of 36 percent), but has no effect on the hours mothers worked. Interestingly, the randomized control trial design allows identification of crowding-out effects by looking at child care used by the control group. The study finds that 30 percent of control group women (mothers randomly placed on a waiting list for public child care) ended up sending their children to private care, suggesting that public care is most likely to displace care by mothers or informal care by relatives or nonrelatives. More integrated studies are needed that take into account all of the possible beneficiaries: mothers and other relatives.

**Grandmothers’ low opportunity cost.** Some developed countries promote grandparent-provided care by providing transfers to those who care for grandchildren. In 2007, the Netherlands introduced a grant for grandparents who regularly care for grandchildren. Parents receive an allowance if the grandparent is registered on a host parent agency and fulfills a set of requirements (mostly safety related). In Nottinghamshire in 2004, the United Kingdom considered a similar policy of paying caregiver grandparents weekly.
Such policies can be appropriate when grandparents enjoy good health and expect to live long, especially if the country has early retirement options or a large share of grandmothers out of the labor force. For example, in Eastern Europe, the retirement age is relatively low, and in Southern Europe, grandmothers seldom work because of low opportunity costs. However, such policies should be accompanied by an increase in affordable, flexible, and high-quality formal child care. Future generations of grandmothers will have a higher opportunity cost of caring for grandchildren, because they will be more engaged in labor market activities and will have more experience.

More comprehensive data. Clearly there is a need for more comprehensive data on child care, even in OECD countries. Survey instruments must be flexible to record multiple child care providers; intensity of care; complementarity and substitution among providers; and constraints from child care services, households, and labor markets. Information can be gathered from formal facilities, household surveys, or health and retirement surveys.

Conclusions
Child care policies have a central place in discussions about promoting women’s economic opportunities. Child care can affect fertility decisions, and some discussion aspects can be applied to elder care, whose burden also falls mainly on women (Sattar 2011). However, better data and more analysis are needed, given the degree of complexity surrounding child care regulations; labor markets; and households’ decisions over fertility, labor supply, and choice of child care provider. Studies show that governments affect the supply not only through subsidies, but also through regulation of child care facilities and labor markets (part-time jobs, unemployment rates, and flexible work schedules). Fundamentally, universal child care is justifiable on equity grounds related to early childhood development and school readiness.

About the Author
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References