

# Childcare Subsidies and Female Labour Force Participation: A Policy Evaluation Perspective

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## ABSTRACT

Public childcare subsidies are widely regarded as a key social policy to boost female labour force participation (FLFP) by reducing the private cost of childrearing for families. This paper examines the design and outcomes of childcare subsidy programs in a comparative, international context, with an eye to middle-income countries like Malaysia. Drawing on OECD, World Bank, and UN data and scholarly studies, the analysis shows that well-designed subsidies can significantly increase maternal employment while also yielding economic growth and child development benefits. For example, universal or low-fee childcare in Nordic Europe has been linked to female employment rates exceeding 70%, whereas countries with scarce care support see rates closer to 50%. In developing regions, evidence from randomized and quasi-experimental studies (e.g. Brazil and parts of Africa) indicates that expanding affordable childcare raises family incomes and broadens work opportunities. However, policy effectiveness depends on matching demand and supply, ensuring quality, and addressing cultural and income inequalities. We conclude that scaling up subsidized childcare—especially targeted at low- and middle-income families—should be part of comprehensive family and gender equality strategies.

**Keywords:** Childcare subsidies; female labour force participation; social welfare policy; gender equality; comparative analysis.

## INTRODUCTION

The participation of women in paid work is a strategic economic and social priority worldwide. In 2022, only about 50% of women globally were in the labour force compared to roughly 80% of men. A major contributor to this gender gap is the disproportionate burden of unpaid care work: women perform roughly 76% of all childcare and household work, often spending multiple hours per day caring for young children. The United Nations and ILO estimate that hundreds of millions of adults are effectively excluded from the formal labour market by caregiving responsibilities – in 2018 about 647 million working-age people, 94% of them women, were reported to be unable to work due to family duties. In many countries, high childcare costs, limited formal daycare slots, and social norms expecting mothers to stay home combine to keep mothers out of paid jobs. For instance, Malaysia's female labour force participation has remained around 55% for years, versus over 80% for Malaysian men.

Subsidized childcare services have therefore emerged as a flagship policy for both social welfare and gender equity. By lowering out-of-pocket childcare expenses and ensuring access to quality care, subsidies can reduce the opportunity cost for mothers to work. Economists argue that such support can boost national productivity and growth by bringing more educated women into the workforce, while simultaneously improving early childhood development outcomes. Indeed, OECD analysis shows that over the past 30 years the expansion of early childhood education and care (ECEC) has “greatly contributed” to rising female employment, particularly among mothers of very young children. Yet the impact of subsidies also depends on policy details and context: mere availability of childcare slots does not always translate into higher employment if fees remain unaffordable or if cultural norms discourage dual-earner households.

This paper provides a policy evaluation perspective on childcare subsidies and FLFP. We compare high-income countries (e.g. Nordic Europe, Canada, Japan) with emerging economies (e.g. Malaysia, parts of Africa and the Middle East) to draw lessons on effective program design. The analysis is grounded in both quantitative evidence (national employment statistics, cross-country studies, experimental evaluations) and qualitative policy reviews. We emphasize the experiences of diverse regimes – for example, universal subsidized daycare in Sweden and France, low-fee public programs in Canada, modest tax credits in Malaysia, and NGO-driven care initiatives in Africa – in order to identify common success factors and pitfalls. In doing so, we aim to inform policy debates in Malaysia and similar countries about how childcare support can serve as a lever of social welfare, gender equality, and inclusive economic development.

## LITERATURE REVIEW

A large body of research in economics and public policy has examined the link between childcare access and maternal employment. The basic theory is straightforward: by subsidizing childcare, the government effectively raises mothers' net wages or lowers the "full price" of working, which should lead more mothers to enter the labour market. In a classical labor supply model, mothers compare the wage they would forgo by staying home with the price of paid care. If childcare is very costly or scarce, many mothers (especially those earning lower wages) will find it rational to remain out of paid work. Conversely, when care is widely available at low cost, the reservation wage for working falls and more women take jobs.

Empirical studies generally confirm a positive relationship between subsidized childcare and female labour supply, though effect sizes vary. A review by OECD (2018) notes that the rise in ECEC provision over recent decades has "greatly contributed" to women's employment gains, particularly for mothers of infants. It further observes that mothers are still much more likely to work part-time than men, and that increasing ECEC hours is "paramount to increasing the full-time participation of mothers". In addition, new econometric evidence using country legislation data finds that each 10% increase in the availability of affordable childcare spots (through policy reforms) raises the national female labour participation rate by about 2 percentage points on average. Notably, Anukriti et al. (2025) show that laws targeting childcare affordability have the largest impact, followed by laws expanding availability and quality – and they observe sustained FLFP gains in the years after enactment.

Specific country studies illustrate these effects. In Canada, the province of Quebec introduced a universal low-fee childcare program in 1997, which researchers have linked to sharp rises in maternal employment. Lefebvre and Merrigan (2008) estimate that FLFP among mothers with young children jumped on the order of 15–20% within a decade of the policy's implementation. Similarly, Fortin et al. (2013) report that the Quebec program paid for itself through the higher tax revenues of newly employed mothers. In the United States, targeted subsidies such as the Child Care Development Fund have been found to increase work incentives for low-income women: one study by Herbst and Tekin (2011) calculates that a 10% cut in childcare prices could boost low-income maternal employment by about 2.5%. These findings are consistent with the notion that childcare assistance effectively reduces the opportunity cost of work for mothers.

In Western Europe, cross-national comparisons show a strong correlation between extensive public childcare systems and high FLFP. Northern European countries like Sweden, Norway, and Denmark offer near-universal, subsidized daycare and preschool. For example, as of the 2010s female employment rates in Sweden and Denmark often exceed 75%, well above the OECD average. In these countries childcare fees for infants or toddlers may amount to only 10–15% of median wages, and services are high-quality and widely available. This contrasts with Southern Europe (Italy, Spain, Greece) where low childcare supply and high fees leave many mothers outside work. The IZA World of Labor review notes that Northern Europe's combination of "generous universal childcare provisions" and support for working parents has led to higher women's employment, whereas countries lacking these supports have both low maternal employment and low childcare usage.

However, the evidence is not uniformly positive. A well-known study of the Norwegian daycare expansion (Havnes and Mogstad, 2011) finds that introducing universal childcare had surprisingly little causal effect on mothers' labour supply. Using difference-in-differences methods, they show that the increase in public daycare

slots mostly displaced previously used informal childcare (e.g. by grandparents) and had minimal net impact on mothers' work hours. This "crowd-out" phenomenon suggests that when female employment is already high or when informal networks fill childcare gaps, subsidies alone may yield modest gains. On the other hand, other Norwegian evidence points to a positive outcome: Havnes and Mogstad (2011) also report that over the longer term, the policy reduced welfare dependency among families and raised full-time employment. These mixed results underscore that context matters: the marginal effect of daycare depends on baseline participation, quality of informal care, and complementary policies (such as parental leave and flexible work).

In Asia, childcare subsidies have been introduced with varying success. Japan, for example, significantly expanded daycare supply and raised subsidy levels in the 2000s. Yet deep-seated social norms and long working hours have limited the policy's impact: Japan's maternal employment rate remains lower than in Europe, and many women still exit the workforce after childbirth (Fujita, 2020). Similarly, in South Korea subsidies exist but women's labor supply is hampered by a general lack of workplace flexibility and persistent gender role expectations. By contrast, Singapore provides both universal pre-school and means-tested subsidies, and has seen FLFP reach around 65–70%. One comparative review notes that where subsidized childcare is coupled with strong female career support and positive norms, the take-up of paid work by mothers tends to be highest.

Importantly, emerging-economy evidence suggests that even in lower-income contexts, affordable childcare can unlock women's economic potential. A randomized evaluation in Rio de Janeiro found that giving low-income families access to free public daycare significantly increased household income. Children who won daycare lottery spent 34% more time in formal care, and the extra care enabled caregivers (especially grandparents and older siblings) to work more, boosting family earnings in the short and medium term. Similarly, World Bank and J-PAL studies in Africa report that community childcare programs lead to higher women's participation in market activities. For example, a pilot program in rural Democratic Republic of Congo showed that access to affordable daycare enabled many mothers to farm commercial plots more intensively, increasing their productivity and monthly incomes. In Mozambique, the introduction of community-based preschools raised the working hours of mothers and improved early learning outcomes for children. These cases indicate substantial latent demand for childcare; when barriers of cost and access are removed, mothers shift into more remunerative work.

The literature also highlights that the design of childcare subsidies is crucial. Subsidies need to target affordability for the poor (to avoid regressive effects), and coverage must be expanded to reach rural and marginalized communities. Studies find that when only middle- or high-income families can afford fees (or access slots), inequality may rise even if overall FLFP ticks up. Quality standards are another common theme: low-quality care can undermine both children's development and parent trust. For instance, economic research emphasizes that poor training of childcare workers can negate educational benefits for children and discourage enrollment (thus blunting the employment effect). Finally, the literature stresses complementarities: generous parental leave, flexible work arrangements, and efforts to shift social norms all reinforce childcare policies. In sum, the evidence suggests a multifaceted approach: subsidies are most effective when part of a broad family-supportive framework.

## METHODOLOGY

This study employs a comparative policy analysis based on secondary data and existing evaluation literature. Quantitative indicators are drawn from OECD, World Bank, UN, and national statistical sources. Key metrics include country female labour force participation rates (especially among mothers of young children), average public spending on childcare (as % of GDP), and child-to-staff ratios or enrollment rates in formal childcare. Wherever possible, we compare these across high-income and middle-income countries to capture a range of policy environments.

Taking the seven countries discussed later as examples, the table below summarizes the data on female labour force participation (FLFP) and childcare costs as a percentage of wages for seven countries: Sweden, France, Canada, Japan, Malaysia, Lebanon, and Rwanda, followed by a visual comparison of the values. All figures are drawn from official sources (World Bank, OECD, etc.).

Country	Female Labour Force Participation Rate (2023)% of women (15+)	Childcare Costs (% of Wages) Latest available (2020–2023)
Sweden	63.38%	~5%
France	52.78%	~17%
Canada	61.14%	~9%
Japan	54.85%	~14%
Malaysia	51.60%	~15%
Lebanon	27.48%	N/A – Formal childcare cost data not available (high private cost)
Rwanda	55.07%	N/A – No official data (limited formal childcare services)



Figure 1: Female Labour Force Participation Rate in 2023 (percentage of female population ages 15+ in the labor force)

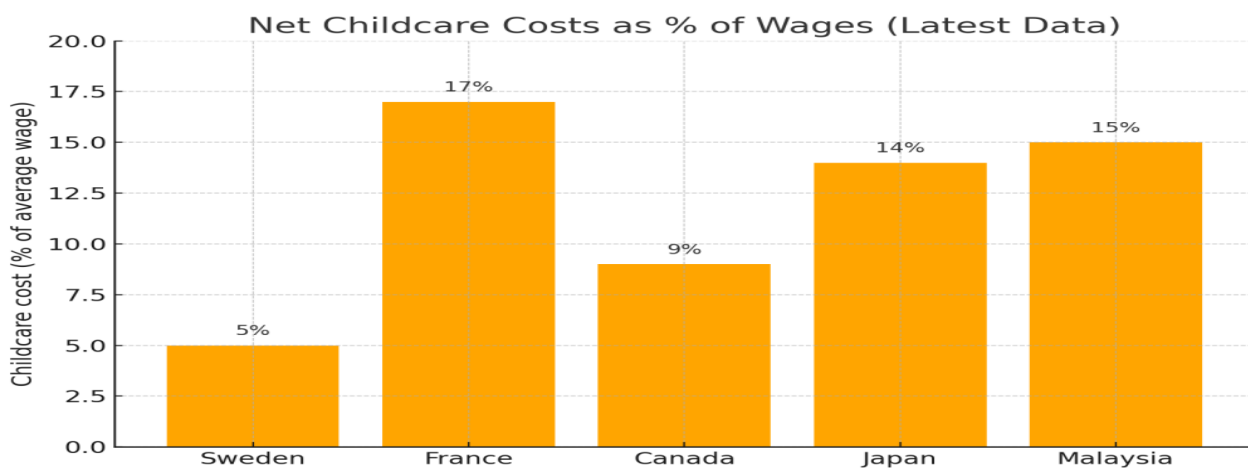


Figure 2: Net Childcare Costs as a Percentage of Wages (latest available data, ~2020–2023). Costs refer to a dual-earner couple with two children in full-time care, except Malaysia (urban household example). Lower percentages signify more affordable childcare



The first chart shows female labour force participation rates (higher values indicate a greater proportion of women in the workforce). The second chart shows net childcare costs as a percentage of wages for those countries where data are available (lower values indicate more affordable childcare relative to earnings). Each data point is labeled and sourced from the above table.

The analysis also synthesizes findings from quasi-experimental studies (e.g. difference-in-differences evaluations of policy changes) and randomized trials (such as J-PAL projects) that directly estimate the causal impact of childcare programs. Notable examples include Havnes and Mogstad's Norway study, Lefebvre and Merrigan's Quebec analysis, and Attanasio et al.'s Brazilian daycare lottery. By collating results from these diverse methods, we infer general trends in how subsidies affect women's labour supply.

Qualitative evidence is reviewed from government reports, NGO case studies, and academic policy analyses. We examine policy design features (e.g. subsidy formulae, eligibility rules, supply-side investments) and implementation outcomes (e.g. waitlist lengths, usage patterns) to assess practical constraints. Country case studies are selected to illustrate different approaches: for example, Sweden and France (universal early care), Canada's Quebec (deep subsidies), Japan (high-supply model), Malaysia (emerging scheme), and developing-country programs (MENA and African pilots). This multi-country approach allows us to highlight lessons and caveats that transcend a single national context.

## RESULTS AND DISCUSSION

Our comparative analysis reveals that countries with extensive, affordable childcare programs tend to exhibit much higher FLFP, especially among mothers of young children. Key findings include:

**Nordic Europe (Sweden, Denmark, Norway)** – These nations provide near-universal daycare and preschool, often at very low fees. For example, in Sweden and Denmark the cost of full-time care for toddlers is typically well under 15% of average wages. Correspondingly, female employment in the core working ages (25–54) exceeds 75%. The correlation is striking: OECD data show that Nordic countries combine above-average FLFP with high public childcare enrollment. Research attributes this to the robust supply and low cost of ECEC, as well as supportive parental leave policies. As one OECD review notes, expanding ECEC availability and hours “is paramount” to enabling mothers to work full time. In practice, women in these countries can more easily return to full careers with young children, contributing to the EU 75% employment target.

**France** – France offers heavily subsidized childcare (*crèches*) and preschools, and child benefit payments. The result is similarly high FLFP (around 70–75%). Empirical analyses show that these policies are instrumental: a controlled study finds that France's family allowances and daycare provision substantially raised maternal labour supply. Moreover, subsidies in France are income-tested but generous, helping lower-income women join the workforce. Quality standards in French daycare are high, which also encourages take-up. Overall, France exemplifies how large public investment in childcare can lift female employment to near parity with men.

**Canada (Quebec)** – In 1997 Quebec instituted a famous C\$5-per-day daycare program for young children. Numerous evaluations indicate that this dramatically increased labour market attachment among mothers. One widely cited study found that within 10 years the employment rate of mothers with children under age three rose by roughly 15–20% relative to the national trend. Fortin et al. (2013) calculate that for every dollar spent on subsidies, the government recouped a large fraction in higher taxes. These results underscore that even a single policy change (cost-cutting daycare) can yield rapid, measurable increases in women's labour force participation. It should be noted that Canada is somewhat unique in providing such a unified program at the provincial level; however, it aligns with the broader evidence that reducing childcare costs has positive employment effects for mothers.

**Norway** – Norway's experience offers a cautionary note: while it has generous universal daycare, the measured effect on FLFP was smaller than expected. Havnes and Mogstad (2011) analyzed Norway's expansion and found little net increase in mothers' employment as a direct result. Instead, the new public slots mainly crowded out informal care (e.g. relatives), suggesting that mothers who wanted to work were often already

doing so or using other care. In other words, the marginal woman who entered the labour market due to daycare was few. Nonetheless, this finding does not imply subsidies are useless: Havnes and Mogstad also report long-run benefits like reduced welfare dependence. The Norway case highlights that when female employment is already very high, or when strong family networks exist, additional subsidies may have limited immediate impact on employment statistics. It emphasizes the importance of targeting and of complementary reforms.

**Japan** – Japan has dramatically increased childcare supply in recent years (opening thousands of new daycare centers) and has introduced fees and subsidies that vary by income. Yet FLFP among mothers lags behind many OECD peers. Scholars attribute this to persistent social norms (mothers often expected to prioritize home life) and inflexible work cultures (long hours, few part-time roles). A recent review notes that despite financial incentives, many Japanese women still reduce hours or leave work after childbirth. Japan's case suggests that without broader shifts in workplace policies and gender roles, childcare subsidies alone may not fully close the participation gap.

**Southeast Asia (Malaysia)** – Malaysia is an illustrative middle-income case. Public spending on childcare is relatively low and fragmented, but growing. The government has introduced programs like PERMATA (an early childhood development initiative) and modest tax deductions for childcare. However, survey data indicate that childcare remains a major barrier for Malaysian mothers: about one-third cite cost as the reason for not working, and only ~3% of young children attend formal daycare. Malaysia's female LFPR is around 55%, well below Singapore (~70%) and Indonesia (~50–60%). World Bank and UN reports stress that without larger subsidies or more public childcare slots, many educated Malaysian women remain inactive after childbirth. By way of example, a UNDP brief notes that Malaysian women spend on average 63% more time on unpaid care than men, reinforcing inequality. Our analysis suggests that Malaysia could substantially raise FLFP by implementing a broad-based subsidy or voucher program for childcare, alongside quality standards and support for rural areas.

**Middle East (Mashreq countries)** – In Jordan, Lebanon, and Iraq, female participation is among the lowest globally (under 30%). A recent World Bank study finds that lack of childcare is the “most challenging barrier” in this region. The study estimates that expanding affordable, quality childcare in Jordan and Lebanon could increase FLFP by 2–3 percentage points immediately, and by as much as 7 points if fully subsidized. These gains are sizable given baseline rates: in Lebanon, women's employment was only about 26% (2019). Gender norms, high urban child poverty, and weak public services compound the issue. Here, even small policy shifts (e.g. subsidizing daycare for public-sector workers) could have noticeable labour market effects, as women face high domestic burdens.

**Sub-Saharan Africa** – Many African countries have high nominal female labour participation, but much of this work is in subsistence or informal sectors, partly due to lack of childcare. A World Bank summary notes that although “Female labour force participation is generally high in most African countries, unpaid work – including childcare – frequently takes a significant part of [women's] day”. Recognizing this, some African governments and NGOs have experimented with community-based childcare. For instance, an IZA working paper reports that in Rwanda access to local daycare boosted women's involvement in high-value farming and increased household incomes. In Mozambique and Nigeria, partnerships are forming to create public pre-school networks, which early reports indicate raise mothers' working hours and productivity. Overall, the African cases suggest that even where formal employment is low, childcare interventions can free women to pursue more lucrative work or education.

Across these case studies, the message is clear: affordable childcare correlates with higher female employment. Universal subsidies (Northern Europe, Quebec) and targeted programs (MENA, Africa pilots) alike have demonstrated the capacity to pull mothers into paid jobs. The quantitative gains vary – from a few percentage points of FLFP in some contexts to double-digit percentage point increases in others – but the direction is consistent. Differences arise from program scale, baseline conditions, and social factors. Importantly, expansion of childcare services often yields additional social benefits beyond FLFP. For example, Brazil's daycare program improved child health and cognitive scores, and global studies note long-term gains in children's development from early learning (which in turn benefits the economy).

However, several limitations emerge. First, coverage gaps remain a concern. Subsidies may be most generous in cities, leaving rural mothers underserved. Studies find that urban high-income families sometimes capture the bulk of subsidies when rollouts are uneven. Second, supply constraints can blunt demand-side policies. For example, in Malaysia and parts of Africa there are simply not enough childcare centers; expanding subsidies without building capacity could lead to long waitlists or quality dilution. Third, quality issues can arise if staffing and curricula are not regulated. Incentivizing cheap daycare may lead to crowding and underqualified care-givers, which undermines both child welfare and parental trust. Fourth, we must consider cultural and normative factors: in places where women are strongly expected to care for children, new daycare centers may remain underutilized. Finally, fiscal limits matter: large-scale universal subsidies (like those in Scandinavia) require sustained budgets. Thus, the trade-off between generosity and targeting is a recurring debate.

Despite these challenges, the overall evidence supports the view that childcare subsidies are a powerful tool. They should, however, be designed thoughtfully: affordability rules (sliding fees or means tests), quality standards, and integration with broader gender-equity policies are all critical components. In summary, the global comparison suggests that expanding public childcare can make a significant contribution to women's economic empowerment and social welfare, but success depends on complementing measures and careful implementation.

### **Policy Implications and Conclusions**

This review indicates that well-crafted childcare subsidies do more than just “mind the kids” – they serve as a catalyst for broader social and economic goals. By enabling more mothers to work, such policies expand household incomes and tax bases, contributing to poverty reduction and growth. They also promote gender equality by distributing care responsibilities more evenly. For instance, OECD and World Bank analyses repeatedly conclude that countries matching Sweden's female employment rates would see multi-trillion-dollar GDP gains.

For policy-makers, the lesson is that childcare subsidies should be integral to family policy rather than an afterthought. A holistic approach is advised: generous parental leave (for both parents), workplace flexibility, anti-discrimination enforcement, and public awareness campaigns complement daycare subsidies. Subsidies must be made accessible and affordable to low- and middle-income families; otherwise the main bottleneck for women in these groups remains the high relative cost of care. Governments should invest in building childcare infrastructure (especially in underserved areas) and professional training to ensure that expansions do not compromise quality.

In the context of Malaysia and similar emerging economies, the implications are clear. Targeted subsidies – for example, vouchers for private daycare or scaled-up public centers – could meaningfully raise FLFP from its current stagnation. As UNDP (2023) highlights, women who spend excessive time on unpaid care often have no choice but to withdraw from work. A structured subsidy program (ideally with progressive benefits) could relieve this burden. Case studies suggest starting small (pilots in urban areas or for government workers) and then scaling up as public support builds. Monitoring and evaluation will be important: tracking enrollment, participation, and labour market outcomes over time will allow continual adjustment of policy levers. Coordinating with ministries of education, labour, and social development can ensure that early childhood outcomes are integrated with labour policy.

In conclusion, this policy evaluation perspective underscores that childcare subsidies are a form of social welfare with far-reaching economic returns. They encourage mothers to return to work or seek better jobs, which raises family living standards and spurs GDP growth. Evidence from OECD countries, Latin America, Asia, and Africa all point to the same conclusion: when childcare is made affordable and available, women's labour force participation rises. The magnitude of the effect depends on context, but even modest increases in FLFP translate into substantial social gains. Policymakers should therefore regard public investment in childcare not merely as a cost, but as an investment in human capital and inclusive growth. As part of a comprehensive gender and family policy framework, childcare subsidies can help unlock the full economic potential of women and foster more equitable, productive societies.

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