Outsourcing of Domestic Work and the Implications for Third Child Fertility and Divorce in Sweden

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1. Introduction
The purpose of this study is to further investigate whether outsourcing of housework affects decisions about fertility and divorce. To investigate these questions, we use the variation in the time spent in domestic work that arose due to a tax reform that was implemented in Sweden in 2007. This reform implied a tax reduction that lowered the price of household services by 50%. Previous research indicates that the distribution of housework is central to behavior and negotiations within households and affects, perhaps especially women’s, decisions on labor market work, career, fertility and divorce. Hence, these research questions are theoretically important. Also, the paper is relevant from an international policy perspective since a number of European countries have introduced similar policies directly subsidizing and stimulating the demand for domestic services, for example Belgium (Titres-services), Denmark (Hjemmeservice), Finland (Kotitalousvähennys), France (Cheque emploie service), Germany (Haushaltsnahe Beschäftigungsverhältnisse) and Spain (Special Regime).

2. Brief description of theory and previous research
Many developed countries today have birth rates below the replacement rate, and strategies for increasing fertility levels have been put high on the political agenda both nationally (in specific countries) and internationally (within EU). Theoretically, low birth rates in developed countries have often been related to the combination of relatively high levels of gender equality regarding individual oriented social institutions (such as the educational system, the labor market and political institutions) while
maintaining gender inequality as regards family oriented social institutions (such as the
gendered division of household work and childcare) (Brewster & Rindfuss, 2000;  
McDonald, 2000). This means that women who are active and committed to labor 
market work more often prefer few (or no) children as a labor market career can be 
difficult to combine with family.

The Swedish fertility rate is considered as relatively high in an international perspective, 
which is often ascribed to the family-friendly policies in the form of public childcare and 
generous parental leave (Brewster & Rindfuss, 2000). Consequently, factors that 
increase the possibilities to combine family and work are linked to higher fertility rates, 
as they tend to reduce the cost of children on careers – especially for women since they 
often have the main responsibility for home and children (Hobson & Oláh, 2006; Hoem,  
1993; Oháh, 2003). Other studies show a positive correlation between the probability of 
having a second child and gender equality in family responsibilities (Cooke, 2004; Oháh,  
2003). Overall, there is strong reason to believe that the division of housework between 
men and women is an important factor in fertility decisions.

It is for couples with children that gender differences in housework is greatest (Boyce,  
2008; Evertsson & Nermo, 2004). Previous research has also linked the women's 
"double work" (home and work) with reduced fertility. The fertility rate in Sweden has 
fluctuated considerably in recent decades, largely due to changes in the probability of 
obtaining a third child (Andersson, 2000; Statistics Sweden, 2011). Accordingly, such a 
decision may be more sensitive to external factors such as economic situation, 
unemployment risk and, we believe, the ability to buy household services at subsidized 
rates. According to Statistics Sweden (2011) 28% of all Swedish women gave birth to a 
third child in 2010. Women with high income and women living in urban areas have a 
greater tendency than others to have a third child (Ibid.). This study is thus particularly 
interesting since the majority of households outsourcing domestic services are high-
income households in urban regions (Statistics Sweden, 2012).

In a similar way as the distribution of domestic work and childcare could be of 
importance for fertility decisions, we believe it is of significance for divorce. Ruppanner
(2010) reports however, that conflicts concerning the distribution of housework is common both among couples in which the men did more domestic work relative to other men, and among couples with very traditional division of labor. This result can be partially linked to Becker’s specialization model where it is assumed that the risk of divorce decreases by high specialization in paid and unpaid work (where women traditionally focus on housework and man on paid work) because the "benefits" of being cohabiting then is greatest (Becker, Landes & Michaek, 1977). This assumption, however, has been criticized. Cooke (2006) connects the implications of equality in the distribution of housework to the national context when she compares US and Germany and shows that the American marriages that were most equal in respect to the division of housework were also the most stable, while the opposite was true in Germany. Frisco and Williams (2003) found that if women experienced that the domestic work was unevenly distributed (to their detriment) they were twice as likely to file for divorce compared to others. However, this was not the case for men. Conflicts regarding the distribution of housework thus appear to increase the risk of separation.

3. The Tax Reform
The reform implied a tax reduction when outsourcing housework which lowered the price of such services with 50%. The main service that this deduction hitherto subsidized was cleaning (89%) (Swedish Tax Board, 2011). From the implementation in 2007, it has gradually become more and more popular. Among married couples, the users almost doubled each year since the reform was introduced, from about 2% in 2007 to about 8% in 2009.

4. Data
The paper uses unique Swedish panel census registry data including information on among other things household’s annual tax deduction due to outsourced housework, income and family situation.

5. Research Methods: Propensity Score Matching (PSM)
Studies investigating the effects of policy changes typically suffer from selection problems, i.e., systematic differences between "participants" and "non-participants". In
the group we study, women from households that outsourced domestic work, we have an overrepresentation of highly educated and high income earners. The analytical method we use, propensity score matching (PSM), means that we only compare individuals from households that are similar to each other on a range of factors other than just the fact that one group outsourced housework. We among other things match individuals on detailed trends in earnings from 2000 until the year before the household outsourced domestic work as well as age, family status, parental leave and trends of transfers during the years preceding the reform. This method allows us, in spite of the initial differences between individuals in the household who outsourced or did not outsource housework, to compare people who are matched (i.e., display a consistently non-significant difference) on all the relevant variables during several years prior to the year of the first tax deduction for domestic services.

6. Expected findings
Theoretically we expect small but significant effects of housework outsourcing on third child fertility and divorced. In a prior paper of ours on the effects of outsourced housework and female earnings (Halldén & Stenberg, 2014), we thoroughly conducted a large set of sensitivity analyses. Hence, we know that our identification strategy is valid.

References


