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Working from Home, Endogenous Fertility, and Human Capital Accumulation

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Abstract

This paper analyzes the effects of working from home on fertility rate and human capital accumulation using an overlapping-generations model, which is mainly based on Groezen, Leers and Mejidam (2003) and Cardak (2004). Although Groezen, Leers and Mejidam (2003) consider childcare cost and child allowances in a model of a small open economy, they ignore educational expenditures and do not analyze human capital accumulation. Although Cardak (2004) considers human capital accumulation and assumes it is determined by governmental or parental expenditures on education and by parent's human capital endowments, he ignores childcare cost and child allowances, and assumes population size is constant in each period. This study considers human capital accumulation in a model introduced childcare time with endogenous fertility by following Murata (2022). We then consider the effects of working from home on fertility rate and human capital accumulation. This paper is motivated by enforced working from home during the coronavirus (Covid-19) pandemic. We find that if the government increases childcare subsidies, working from home promotes human capital accumulation and economic growth.

Keywords: Human resources, working from home, COVID-19, endogenous Fertility, Human Capital Accumulation, Subsidies