

Chapter 2

Institutional Settings of Childbearing

A Comparison of Family Policy Development Across OECD Countries

Olivier Thévenon

2.1 Introduction

Chapter 1 has shown that after decades of continuous decline birth rates in many European countries have started to rise again since the early 2000s. This decline was mainly caused by the postponement of childbirth among the younger generations, with the average age of women at childbirth in the OECD increasing from 27.2 years in 1970 to 29.9 years in 2008. Social change and economic development were key drivers of this process: young people are enrolled in education for longer periods, with a stronger focus on autonomy before starting a family; more women are active on the labour market and young households often wish to secure their economic situation before having children (Myrskylä et al. 2009; Lesthaeghe 2010). In recent years, however, fertility rates have started to rise again in most economically advanced countries. This development is mainly driven by a rise in birth rates above age 30; the fertility decline due to the ‘postponement’ of childbirth has approached its limits (Goldstein et al. 2009). Yet, the current economic recession has stalled the upturn of fertility trends in many European countries and entails consequences that are still uncertain in the long run (Sobotka et al. 2011).

Interestingly, this increase in fertility rates has been steeper in countries where female labour market participation has also risen markedly and where women have more opportunities to combine work and childbearing (Luci-Greulich and Thévenon 2014). Hence fertility rates are now higher in countries with high rates of female employment, while the opposite situation prevailed 30 years ago. Previous research emphasised the contribution of family policies to this upturn (Gauthier 2007). In particular policies that help parents to balance work and family life are found to encourage fertility (Thévenon and Gauthier 2011).

O. Thévenon (✉)

Institut National d’Etudes Démographiques, Paris, France

e-mail: olivier.thevenon@ined.fr

Family policies are, however, diverse because countries have different histories and different policy priorities (OECD 2011; Thévenon 2011).¹ These policies target a range of objectives such as reconciling work and family responsibilities, mobilising female labour supply and promoting gender equality as well as ensuring the financial sustainability of social protection systems, combating child and family poverty, promoting child development and enhancing child well-being throughout the early life course. The design of family policy may vary and reflects the different levels of priority attributed to these objectives.

Not all policies succeed in promoting the conditions necessary for individuals to start or enlarge a family. A key differentiating characteristic is the extent to which policies targeting families offer a mix between financial assistance, entitlements to leave work after a birth and the provision of child-care services.

This chapter considers the different settings by looking at three core components or levers of family policies in the OECD countries which can have an important effect on childbearing preferences: (a) financial transfers to supplement family income, (b) leave entitlements to enable working parents to care for their child(ren) and (c) the provision of child-care services. It assesses differences in their key characteristics as well as the extent to which a combination of these forms of support may influence fertility behaviour. Three main questions are addressed:

- How has policy support for families evolved over the past decades? Key characteristics of support will be compared at different points in time to track relevant trends.
- Do these policies support specific types of families, (one-earner or two-earner couples, number of children)?
- Are policy packages sufficient to secure the environment needed to start family formation or to enlarge the family? Special attention will be paid to the combination of resources in terms of time, money and services available to parents over the life course of a child.

Section 2.1 reviews how policies directed towards early childhood developed over the past three decades by considering each type of intervention along the three levers: family-related financial transfers, parental leave entitlements and the provision of child-care services. It shows that the scope of policies for families with children has been broadened in many countries, but there are still large differences across countries regarding the extent and type of support. Section 2.2 sheds light on these differences and explains how the different types of policy support complement each other. It underlines that the main difference concern the support given to working parents with children aged below three to either stay in the labour force or to choose between work and having a child. Section 2.3 discusses the characteristics of family policy packages that are likely to affect fertility behaviour.

¹ These differences are also documented by a large number of references, e.g., Gornick et al. (1997), Esping-Andersen (1999), Korpi (2000), Gauthier (2002), Meulders and O'Dorchai (2007).

The main source of data is the OECD Family Database (www.oecd.org/social/family/database) but other sources are also used. Policies and policy instruments can be defined at different ages of children within a single country and also across countries. To ensure consistency, the policy analyses in this chapter refer to different child ages while these ages are consistent across countries.

2.2 The Three Levers of Family Policies in OECD Countries

Money, time and child-care support are key resources required by households wishing to have and raise children. As child costs rise, children become less affordable for actual and potential parents. However, governments provide households with resources that reduce the private cost borne by parents who raise children. Financial transfers, leave entitlements and spending on child-care services are the three main policy levers that governments may use to supplement families' resources. The mix between these different types of support varies across countries as family policies may reflect different priorities and target different groups of families in each country.

2.2.1 *Increasing Expenditures for Families*

Before discussing each of the three policy levers separately, this sub-section looks at overall public expenditures for families. Expenditures made by governments for families have grown since the early 1980s, with an especially significant increase in funds for formal child-care services used by working parents as a substitute for parental care (OECD 2011). Cross-country differences in the policy mix established to support family well-being and the work-life balance remain quite large, however, and only partially match the standard classification of welfare states (Thévenon 2011; see below).

Figure 2.1 shows the proportion of the gross domestic product (GDP) governments spend for families (disregarding expenditures on compulsory education).²

²Expenditure includes child payments and allowances, parental leave benefits and child-care support. Spending on health and housing support also assists families, but is not included here. No data on tax breaks for Estonia, Greece, Hungary and Slovenia. Tax breaks are not used in Denmark, Finland, Iceland, Italy, Luxembourg and Sweden. Coverage of spendings on families may be limited as such services are often provided and/or co-financed by local governments. This leads to large gaps in the measurement of spending in Canada and Switzerland. Local governments also play a key role in financing child care. This can make it difficult to get an accurate view of public support for child care across a country, especially but not exclusively in those with a federal structure.

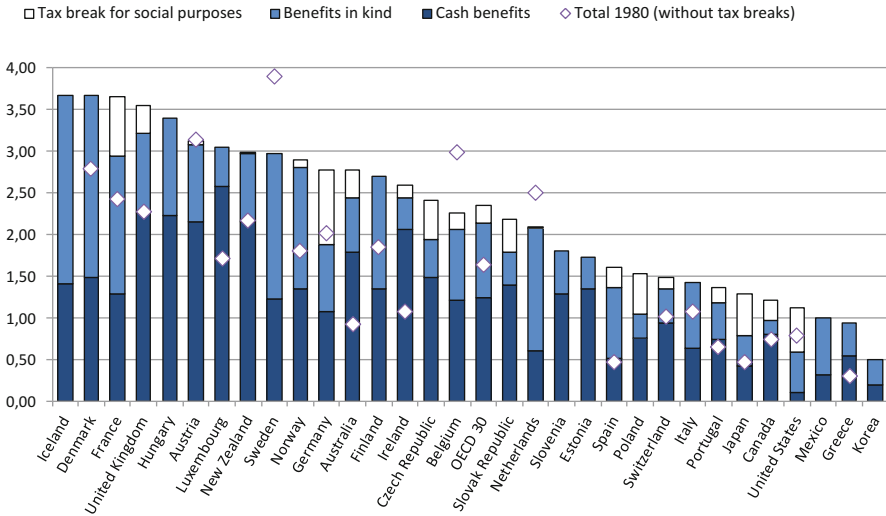


Fig. 2.1 Spending on families and children as percentage of GDP, 2007, countries ranked in decreasing order of total family benefit spending in 2007 (OECD average is the unweighted average of all available OECD countries; data for Australia and Turkey are missing. Estimates for 1980 are based on social expenditures data and do not include tax breaks)

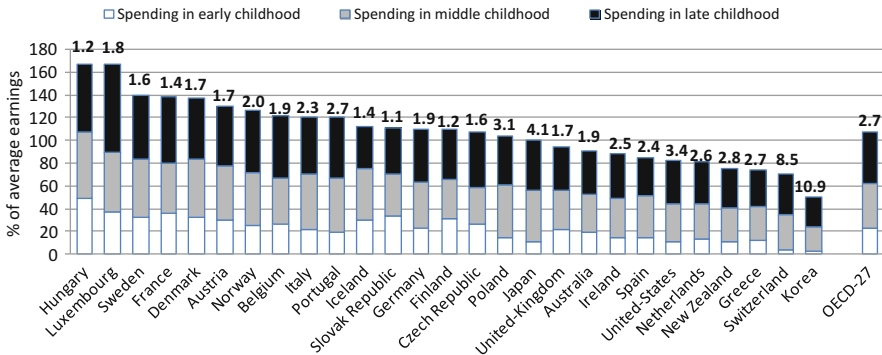


Fig. 2.2 Total public spending per child as a percentage of median earnings, 2003 (Numbers above bars are ratio of spending on middle and late childhood (7–17) to early childhood (0–6); author's calculations, OECD 2009)

In the OECD, this share rose from an average of around 1.6 % in 1980 to 2.2 % in 2007, although the amount countries actually spend on child and family policies still varies considerably. In 2007, Denmark, France, Iceland and the United Kingdom allocated more than 3.5 % of their GDPs to family support, as compared with slightly more than 0.5 % in South Korea, for example.

The breakdown of spending over childhood also varies widely across countries. Figure 2.2 illustrates the variations in governments' spending, including preschool and compulsory education, with a breakdown into three periods: early childhood

(0–6 years), middle childhood (7–11 years) and late childhood (12–17 years). In Switzerland, for example, the total amount spent per child is about 70 % of average earnings and less than half the amount spent in Hungary. The figure also shows total spending for middle and late childhood (7–17) as compared to spending for early childhood years (0–6). Most countries spend proportionately much more on middle and late childhood than on early childhood.

2.2.2 Financial Transfers

The breakdown of spending into broad categories of policy instruments also varies greatly across countries. The variations relate to differences in the orientations and priorities set by governments regarding the different policy goals (Thévenon 2011; OECD 2011).

Financial support can be provided in the form of cash benefits or child-related tax breaks. Cash benefits are twofold: some are paid out after a birth in the form of birth grants or payments to parents who take leave from employment after a birth. Other benefits are given to parents on a regular basis. They mainly include family allowances, child benefits or working family payments. A number of OECD countries also include one-off benefits such as back-to-school-supplements or social grants (e.g., for housing) in this category. Overall, cash payments are often the main group of expenditures, representing 1.25 % of the GDP, on average, and over 2 % in Austria, Hungary, Iceland, Luxembourg, New Zealand and the United Kingdom (Fig. 2.1).

A comparison of spending per child and GDP per capita gives a better idea of actual government efforts to support families with children, because spending in percentage of GDP depends on the size of the population that contributes to the gross domestic product and on the number of children. Figure 2.3 shows the cash benefits spent for each child under age 20 relative to the average gross domestic

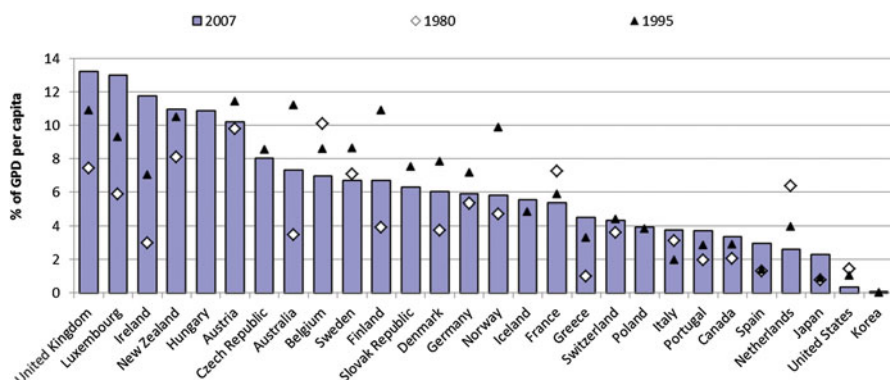


Fig. 2.3 Spending on cash benefits per child under age 20 in percentage of GDP per capita (author's calculation based on OECD Social Expenditures Database)

product per capita (birth grants and leave benefits received by parents of a newborn child are not included here but are illustrated separately in Fig. 2.9).

Interestingly, two English-speaking countries hold opposite positions: the United Kingdom, on the one hand, shows the highest in-cash expenditures per child, while the United States, along with Korea, rank lowest in this respect. Although the average amounts spent per child increased between 1980 and 2007, expenditure decreased in several countries during the past decades. More precisely, average spending has decreased in about one third of all countries since the mid-1990s. The larger number of children covered by policies – notably due to the fertility ‘rebound’ – might partly explain this downward trend, together with the increase in the GDP per capita that contributes to lowering the relative share of spending on cash benefits. By contrast, in many countries expenditures on leave and child-care services have increased over this same period thus offsetting the relative decline of cash benefits (see below).

Child-related tax breaks are also a widespread means of supplementing family incomes. Only six of the 32 OECD countries grant no specific tax breaks to families. Where these transfers do exist, they involve different mechanisms, including tax allowances on earned income and tax credits to support contracting services such as child care. The large majority of OECD countries provide such tax breaks, but their relative share in the overall support given to families varies widely (Fig. 2.1). Tax breaks are the main mechanism of family support, for example, in the United States and constitute an important share of financial transfers to families in France and Germany.

To what extent do financial transfers (through cash benefits and tax breaks) help to reduce the ‘direct’ cost of raising children? To answer this question, we study the increase in disposable income generated by tax and benefit transfers given to families with children as compared to childless households with the same earnings. Of course, these transfers vary with household composition and earnings. Figure 2.4 illustrates the increase in net income of ‘traditional’ single-earner families with two children and average earnings. The situation of two-earner families is discussed thereafter. The difference in disposable income due to children is highest in the United Kingdom where the income of one-earner couples with two children is 28 % higher than that of childless households. In Spain, where in-cash support is rather low in general, the difference is only 5 % up (Fig. 2.1).

This specific form of support has evolved differently across countries. In most cases, it has increased since the early 1980s, with an impressive rise in the United Kingdom, but has declined significantly in Finland, the Netherlands and Norway, while remaining quite stable in France and Sweden.

Variations in the level of support depending on family size also differ between countries. The ‘family size ratio’ in Fig. 2.5 shows the additional benefits households receive for a third child as compared to equivalent households with one child only (comparisons with two children instead of one would reveal similar but less pronounced differences). This information is not available for all European countries, but family support is likely to specifically target large families in Belgium, France and Sweden. By contrast, family benefits are less predominantly earmarked

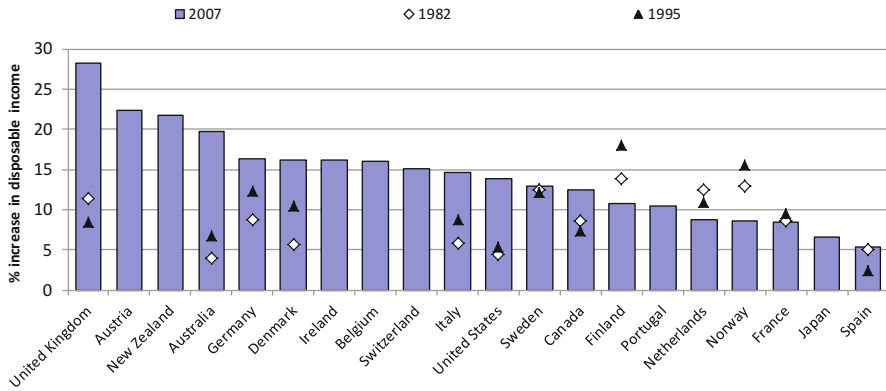


Fig. 2.4 Increase in disposable income due to financial transfers (percentage of the income of a childless couple for a single-earner couple with two children and average earnings; author's calculation based on OECD Social Expenditures Database)

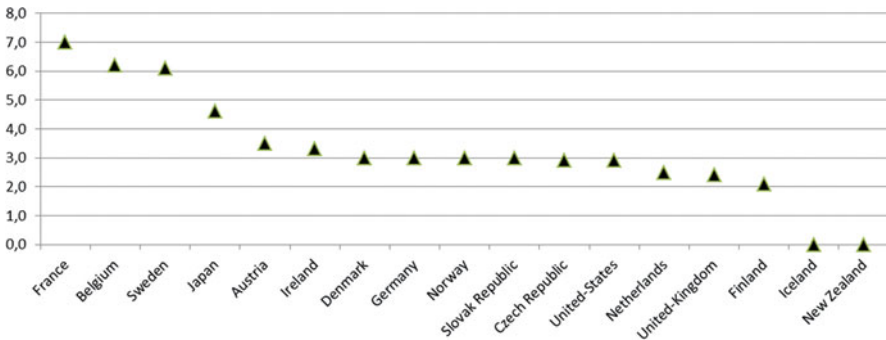


Fig. 2.5 Per-child supplement received by a family with three children as compared to one-child families (relative difference in the supplement of income after tax and benefits given to couples with three children compared to the supplement of net income given to couples with the same earnings and one child; the ratio is based on two-earner couples with average earnings and children aged 7–14 years; estimates from the Bradshaw and Finch dataset on the transfers received by families, broken down by family type, see Bradshaw and Mayhew 2006)

for large families in Finland, the United Kingdom or in Iceland and New Zealand where families with three children receive a per-child supplement equal to that received by one-child households. The overall spending in cash benefits gives priority to all poor families in most of these countries (Thévenon 2011; OECD 2011).

It is also worth comparing the extent to which tax and benefit transfers modify the financial return of paid work. Households' allocation of time between care and paid work and the division of labour between partners might react to the incentives generated by these transfers. In particular the participation of women in paid work might depend on the relative gain in disposable income of two-earner families as compared to one-earner households with the same initial earnings. Figure 2.6 compares

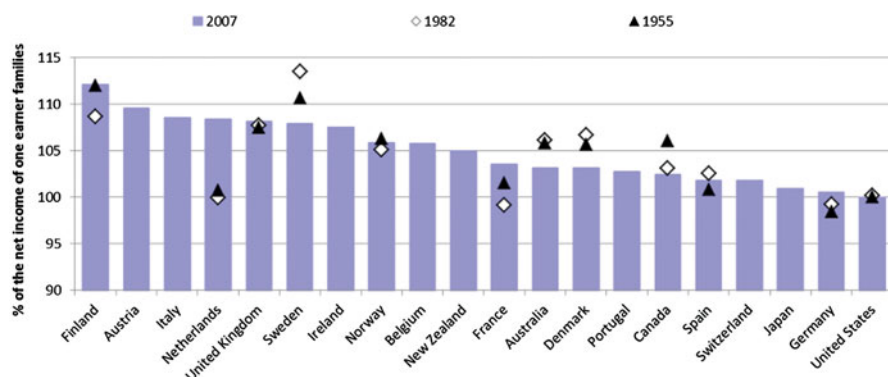


Fig. 2.6 Disposable income added by a second earner as per cent of net income of a one-earner household (illustrates the difference in household disposable income between a situation where husband and wife share earnings (100 % and 33 % of the average earnings respectively) and a situation where the husband earns the entire household income (133 % of the average earnings), for a couple with two children (Source: OECD tax and benefit data))

the ratio of two-earner to one-earner net income for a family with two children and earnings equal to 133 % of the average wage. In the two-earner family, the second earner works part-time and receives earnings equal to one third of the average wage. Values above 100 indicate that a second earner working part-time is financially more advantageous than a situation where all income is earned by one breadwinner. Household net income is higher for two-earner families in all countries, except in Germany and the United States where tax rates are very similar for one-earner and two-earner families.³ Note, however, that this figure does not include child-care costs which can significantly alter the relative gain for two-earner families (OECD 2011).

2.2.3 Child-Related Leave Entitlements

Leave entitlement after childbirth is a second broad category of parental support. Employment is protected during leave so that parents can resume work after taking time off to care for a newborn infant. Different types of leave entitlement can often

³Figure 2.6 illustrates one particular case, but transfers and their consequences on effective tax rates vary with income level and the number and age of children (OECD Family database, PF1.4). Germany is the only country where the tax/benefit system significantly favours single breadwinner couples over dual-earner families, at both levels of earnings, and particularly at higher earnings. This is due to the fact that in Germany social security contributions are capped in such a manner that a couple family with two adults who earn an average wage pays about EUR 7,000 more in social security contributions than a couple family with a single breadwinner who earns twice the average wage. Similar effects exist in the tax/benefit systems of France, Iceland and the Slovak Republic, but at this earnings level the effect of the caps is comparatively small. Moreover, it is lowered by the individual nature of the tax systems in Iceland and the Slovak Republic.

be combined. First, working mothers are entitled to a period of maternity leave (or pregnancy leave) around the time of childbirth which protects the health of the working mother and her child and guarantees that she can return to her job within a limited number of weeks after childbirth. Across the OECD, the average duration of maternity leave was around 19 weeks in 2007. Maternity leave is paid in almost all countries, except in the United States where there is no central government legislation on paid leave (for details see OECD 2011, indicator PF2.1).⁴ Fathers are also entitled to paternity leave at the time of childbirth, but these entitlements cover a short period that varies from five to 15 days following the birth.

Parental leave entitlements that supplement the basic rights to maternity and paternity leave vary substantially across the OECD. These variations exist because leave policies are designed to address different concerns (Kamerman and Moss 2009): economic concerns, since they affect labour market participation and regulation; social concerns for the health of working mothers and their children, the physical and emotional development of children and gender equality; and demographic concerns, since the parents' availability to care for their children might also influence fertility decisions.

There are also large differences in the length of parental leave and the conditions of leave payment across the OECD. These differences have been quite constant (or even increased) over time. Strikingly, working parents are entitled to a much longer period of parental leave in countries which pioneered the introduction of employment-protected leave for both parents during and after maternity leave (Fig. 2.7). Parents are entitled not to work for at least around 2 years, but frequently up to 3 years. These periods of parental leave are usually taken just after maternity leave, though in some countries they can be taken when the child is much older (often up to age eight).

The following notes provide more detail for comparison among the countries in Fig. 2.7:

- The total number of weeks includes entitlements to paid and unpaid leave. In some countries (Czech Republic, Norway) the totals refer to parental leave and subsequent longer periods of paid and unpaid leave women can take to care for their young children after maternity leave (sometimes under a different name, e.g., child-care leave or home-care leave).
- In some countries there are different payment options and hence different periods for which a benefit is received. The figure shows the option with the longest benefit period. In Australia, a parent can request to take up to an additional twelve months (of their own or of their partner's unused leave period) after the first 12-month-period of leave. In Canada, the federal Employment Insurance programme grants 35 weeks of paid parental leave; unpaid leave periods can be longer. For example, the province of Québec grants up to 52 weeks of unpaid leave. During this period, eligible clients can claim benefits under the Québec Parental Insurance Plan. In the Czech Republic, parental benefit can be received until the child is 48 months old,

⁴In Australia, paid leave was introduced on 1 January 2011.

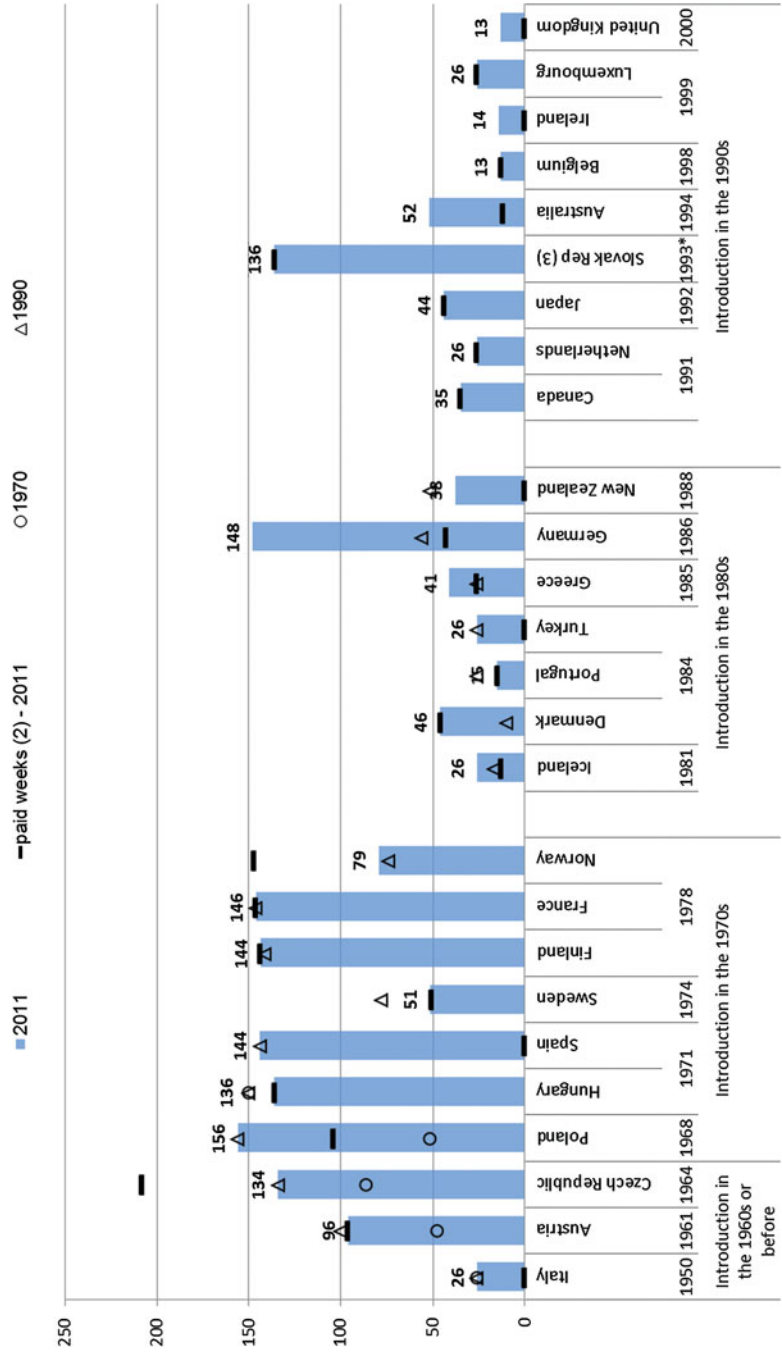


Fig. 2.7 Number of weeks granted as a period of job-protected parental leave

while the job-protected period of leave ends at month 36. In Germany, parents are entitled to a leave of up to 3 years, but the period of payment is limited: an income-related ‘parental benefit’ (Elterngeld 1) is paid for a period of twelve months (plus two months bonus if the father takes at least two months). Instead of 12 (+2) months, the parental benefit may be spread over 24 (+4) months. In the Netherlands, payment is not made as benefit but through a tax credit. In Norway, there are 36 weeks of paid parental leave, which can be taken by the mother, plus 52 weeks of unpaid job-protected leave. However, a cash-for care payment can be received until the child has reached his/her third birthday. In Sweden, a municipal child-raising allowance (vårdnadsbidrag) was reinstituted in 2008 in addition to the statutory period of leave. As of 2009, municipalities may choose whether or not they provide a benefit for parents having a child aged one to three who do not use publicly funded child-care services and for whose child 250 days of parental leave have already been used. In Poland, the basic payment covers 24 months, but the period can be extended to 36 months in case there is more than one child.

- Slovakia was governed by the leave legislation applying in the Czech Republic. From 1993 onwards, it implemented its own legislation.

Among the countries which pioneered parental leave entitlements, only Sweden and, more significantly, Germany have reduced the duration of leave while increasing the level of payment. This shows a clear change in policy orientation towards a shorter period of leave with earnings-related payment.

As payment is a key determinant of uptake, parental leave is paid in almost all countries except the United States, the only OECD country today with no statutory compensation payment. Payment conditions vary across countries, however. Long leave periods are generally associated with flat-rate family-based payment, so that only one parent claims payment while on leave. Shorter periods of parental leave are often associated with earnings-related payments that guarantee a higher wage replacement rate up to a ceiling (for details see OECD 2011, indicator PF2.4). Under such schemes, high earners and men are more likely to claim part of the entitlements. However, as leave payments do not fully replace the leave-taker’s wage and women very often earn less than their partners, they are more likely than men to take all or most of the leave. Moreover, women most often do so to care for an infant after the end of their maternity leave. In this case, they may not be in the labour force for a long period. Thus, for women who were employed before childbirth, the opportunity cost of a child caused by work interruption becomes quite high. Figure 2.8 adds paid weeks of parental leave to those of maternity leave entitlements and shows that women can take paid leave for three or more years in six countries (Austria, the Czech Republic, Finland, France (for the birth of a second child), Hungary and the Slovak Republic). In the other countries, the total periods of paid leave are much shorter – one year or less – because paid parental leave is shorter.

As illustrated in Fig. 2.9, differences in leave entitlements lead to substantial variations in the amounts spent per childbirth. These amounts include the ‘birth grants’ paid in some countries around childbirth to cover childbirth expenses. Spending per birth relative to GDP per capita is especially high in the Czech Republic and Hungary where parental leave is comparatively long.

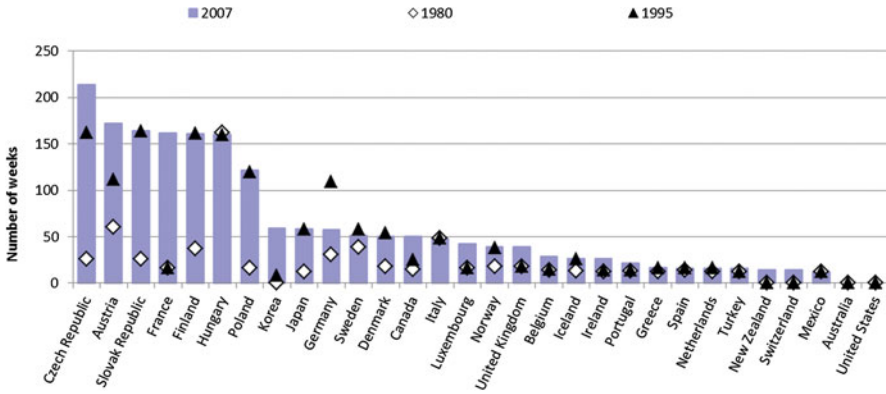


Fig. 2.8 Number of paid weeks for child-related leave (mothers, 1980, 1995 and 2007; countries ranked by number of paid weeks available in 1980; includes maternity and parental leave women can take after maternity leave and, when relevant, weeks of childcare or home-care leave (Source: OECD Family Database))

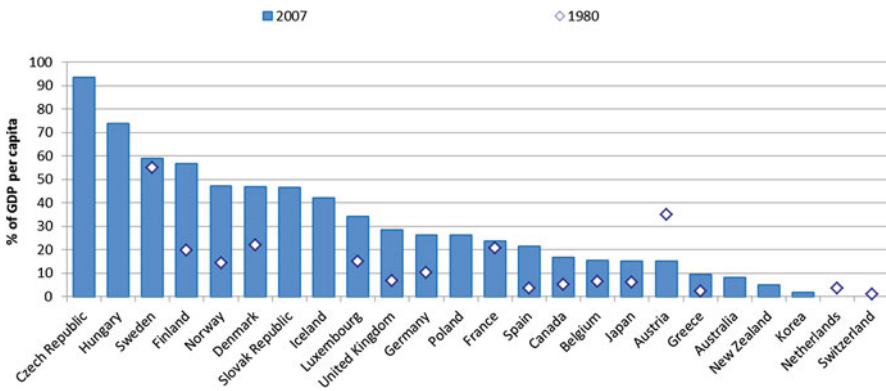


Fig. 2.9 Spending on child-related leave per childbirth in per cent of GDP per capita, 1980, 2007 (2006 for Italy, 2004 for Portugal; author's calculation based on OECD Social Expenditures Database)

2.2.4 Child-Care Services

Finally, child-care services that parents can substitute for personal care are also resources that might influence the decision to have children and to combine work and childbearing. Governments play a key role in subsidising the provision of child-care services. Trends over the past two decades show that countries have favoured expanding in-kind benefits over cash transfers and spending on education (OECD 2011). Nevertheless, in-kind expenditures for children under age three amount to an average of just below 0.9 % of the GDP in the OECD, which corresponds to roughly one third of the total expenditures for families (Fig. 2.1). Denmark, France, Iceland, Finland and Sweden are the 'big' service providers, with in-kind expenditures

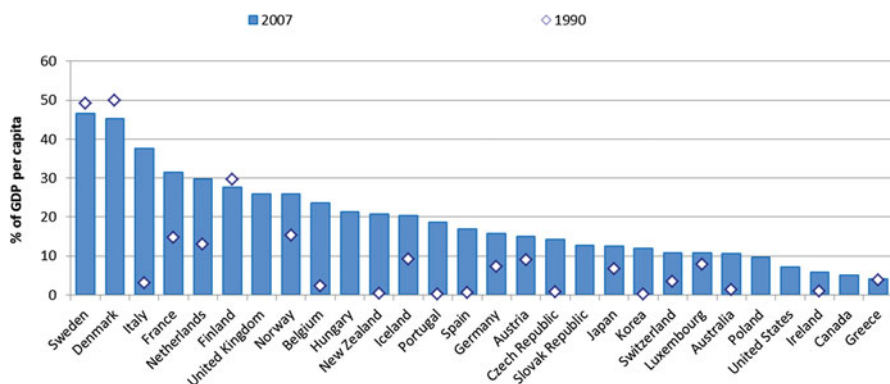


Fig. 2.10 Spending on child-care services per child under age 3, percentage of GDP per capita, 1990, 2007 (2006 for Portugal; figures include childcare and day-care services, home help for families and a suite of family social services (Source: OECD Family Database and data collected by the author))

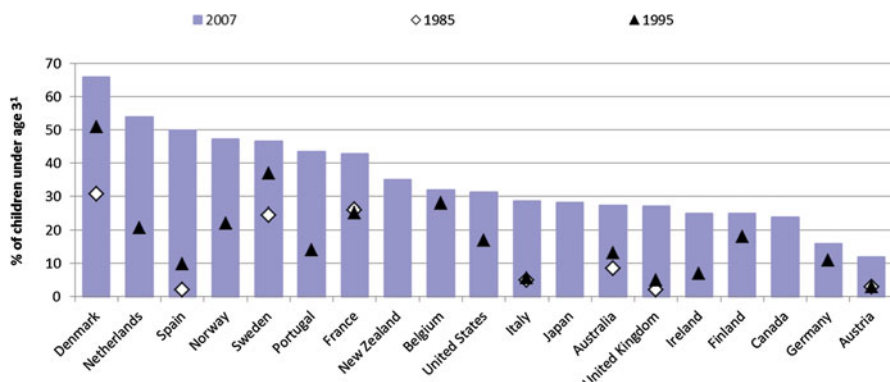


Fig. 2.11 Proportion of children under age three enrolled in formal child-care services (Source: OECD Family Database and authors' collection)

exceeding 2 % of the GDP in total, i.e., more than twice the OECD average. These expenditures can be measured per child under age three and expressed in percentages of the GDP per capita to compare the share of income per inhabitant actually devoted to the provision of child-care services (Fig. 2.10). In this respect, Denmark, Italy and Sweden are the three countries with the highest shares of income per inhabitant spent for child-care services.

As illustrated in Fig. 2.11, the expansion of service coverage for children below age three is one consequence of the increasing investment in child-care services. Differences in participation rates are, however, still large between Denmark, where about two thirds of all children below age three have a place in a day-care centre, and Germany and Austria, which are at the other extreme. In Austria, care services cover no more than 12 % of all preschool children.

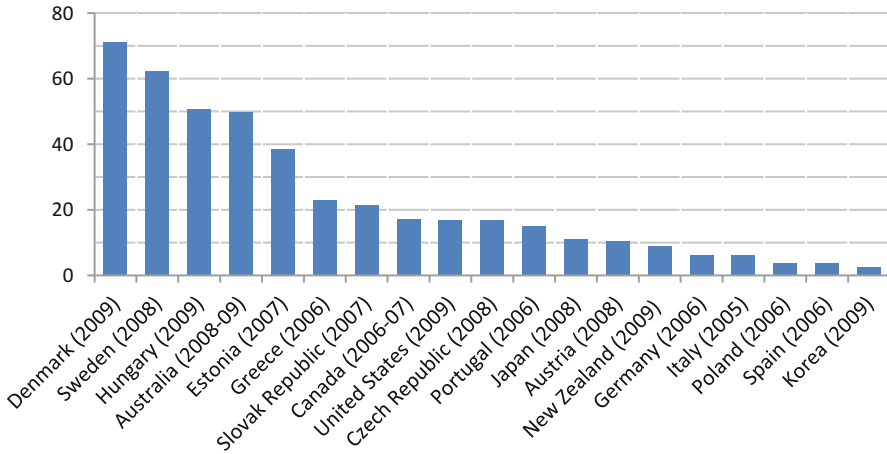


Fig. 2.12 Proportion of children aged 6–11 attending out-of-school-hours care services, 2008 (children aged 5–11 in Germany, 6–11 in Australia, 5–13 in New Zealand, 6–9 in Canada, 6–13 in Italy, 6–14 in the Czech Republic and the Slovak Republic) (Source: OECD Family Database)

In balancing work and family, the provision of out-of-school care services is also important for parents of school-aged children. Figure 2.12 shows that the percentages of children covered by these services vary between countries, with Denmark and Sweden having much higher rates than the other European countries.

To sum up, over the past decades, OECD countries have considerably increased their expenditures to support families. All types of support have been expanded to some extent: ever since the early 1980s, in-cash transfers for families with children have been raised in many countries, but the relative share of the GDP per capita invested per child has grown at a slower rate since the mid-1990s or even decreased in some countries. In turn, in the large majority of countries, ‘traditional’ households with two children and average earnings now receive a higher compensation for the cost of raising children than a few decades ago: compared to 30 years ago, their income is now more generously supplemented by tax and benefit transfers relative to childless households.

Leave entitlements for working parents have also been extended, but parental leave policies vary widely across countries. Overall, there are two types of leave schemes: First of all, countries which pioneered the introduction of parental leave entitlements provide comparatively long periods of leave (up to 3 years) with flat-rate payments, which might, however, make a return to the labour market difficult, especially for low-qualified women. Secondly, countries that introduced leave entitlements later and/or reformed them recently (e.g., Germany) offer shorter periods of leave, often combined with earnings-related payments and special incentives for fathers to take parental leave. This second type of leave scheme promotes a combination of work and family life for both parents and encourages mothers to participate in the labour market. Overall and over time, there is a polarisation between countries with respect to the two leave schemes. Only Germany radically changed its leave policy scheme from the first to the second type, which drastically

reduced the number of paid leave weeks from 2007 onwards (a period not covered in the present study).

Last but not least, as a consequence of a growing demand for child-care services, expenditures ‘in-kind’ have increased over the last decade and led to a much wider provision for infants and pre-school children. However, the percentage of children below age three enrolled in formal child-care services still varies widely and is particularly low in German-speaking and eastern European countries.

2.2.5 *A Diversity of Family Policy Patterns*

As we have seen, there are remarkable differences in the way policy instruments are combined to provide support for families. These differences are rooted in the countries’ welfare state histories, their attitudes towards families, the government’s role, current family outcomes and the relative weight given to the different yet interdependent family policy objectives. They also concern the extent and type of support provided to working parents with children under age three. Thévenon (2011) provides an in-depth discussion of cross-country differences and similarities in the policy mix accomplished to support families in OECD countries. Country classifications of family policy partially corroborate Esping-Andersen’s standard categorisation of welfare states (Esping-Andersen 1999) though with considerable heterogeneity within the respective groups and as well as outliers.

The findings can be summarised as follows: the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) provide comparatively comprehensive support for working parents with very young children (under age three). In this respect, they clearly outdistance the other OECD countries. Support is provided through a mix of relatively generous leave arrangements for working parents after the birth of a child and widely available child-care services. English-speaking countries (Ireland and United Kingdom in Europe, but this group also includes Australia, Canada, New Zealand and the United States) provide much less support in time and in kind for working parents with very young children, while financial support is more generous but primarily targeted to low-income families and preschool children. As seen above, not all of these countries offer the same level of support, with Canada and the United States lagging behind the others. Continental and eastern European countries are a more heterogeneous group with a more intermediate position. Among these countries, France and Hungary stand out by offering rather generous support for working parents as compared to the other countries in their respective groups.

One drawback regarding the above description of policy settings is due to the fact that many countries have multifaceted policies and promote the coexistence of different options to balance work and family. Actually, the guiding principle for policy action is to give parents the freedom to choose between parental care or a substitute that allows them, and in particular mothers, to return to work soon after childbirth. In this respect, countries can provide resources for different types of households: on the one hand, they can actively support households with a clear distinction between

one partner acting as earner and the other being responsible for care activities by extended leave entitlements, generous (non means-tested) benefits and a tax system that treats one-earner families favourably; on the other hand, households where parents share paid and care work can also benefit from other policy developments. To measure the support received by these two types of households, we can examine how the provision of child-care services for children below age three, the existence of a leave period for fathers and tax incentives to encourage two earners instead of one are combined. The forms of support given to one or the other type of household are not mutually exclusive and can both exist in one country. However, policies may favour one type of household more than another, which may limit the extent to which households are actually free to choose their preferred organisation.

Two indexes built upon the aforementioned information on policy packages were designed to determine the degree of balance between the forms of support given to households with ‘one earner parent and one carer parent’ and households where both parents are ‘earners and carers’. The index comparing the support received by households with a traditional division of work combines the information on the financial transfers received by families with two children presented in Fig. 2.4, the length of the period of (paid or unpaid) leave a women can take after a childbirth, the spending on leave per childbirth as reported in Fig. 2.9 and the relative marginal tax rate of a second earner.⁵ The position of countries regarding these three variables is estimated by a standardised score which is then combined into a composite index.⁶ A value close to 1 indicates stronger support of households with a clear divide between a parent who is the main earner and one who is the main carer. By contrast, a value of 0 does not mean that the country does not support this type of household, but that this support is lowest in countries with a 0 value.

A similar index is estimated to compare the types of support received by two-earner families. This index combines support in the form of tax incentives for two earners instead of one,⁷ the duration of father-specific leave, if any, the coverage of services for children under age three and the spending per child allocated for the provision of these services as reported in Fig. 2.10. A value closer to 1 indicates stronger support for two-earner families with children.

⁵ More precisely, the relative tax rate of the second earner is indicated by the ratio of the marginal tax rate on the second earner to the tax wedge for a single-earner couple with two children and average earnings. This ratio represents the share of the earnings of the second earner which goes into paying additional household taxes.

⁶ The standardised score for each criterion x is given by the formula $(1 - [\text{Max}(x) - x]/[\text{Max}(x) - \text{Min}(x)])^2$, which permits ranking countries by their score ranging from 0 to 1. The composite index is calculated by taking the weighted average of the score obtained for each dimension that counts for one quarter in the total index. It allows for a partial compensation between the different dimensions, which implies that a low score in one dimension can only be partially offset by a high score in another dimension.

⁷ These incentives are estimated by the increase in the household’s disposable income for a couple with two children where husband and wife both earn an income (100 % and 33 % of average earnings, respectively) as compared with the situation, in which the entire household income is earned by the husband.

Fig. 2.13 Comparative support for work and/or care

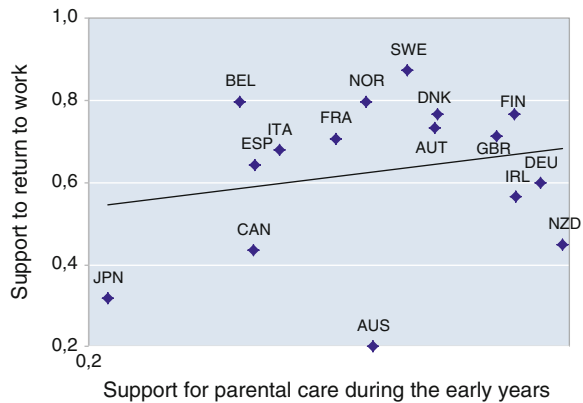


Figure 2.13 plots countries with regard to these two indexes, which are only available for the few countries on which we have a complete set of information. Interestingly, many countries are located in the north-east of the figure that depicts the situation where both types of households receive quite high levels of support. This shows that countries which give stronger support to two-earner families also have quite high levels of support for households with one non-working parent who provides child care. Sweden and the other Nordic countries offer the highest levels of support for two-earner families. This is mainly due to the income return of having two instead of one earner and the broad provision of child-care services for children below age three. However, these countries as well as the United Kingdom also offer a comparatively high level of support for one-earner families, especially when compared with Belgium, France, Italy or Spain.

Among the countries considered here, support for either type of family is lowest in Japan. Australia, Germany, Ireland and New Zealand are the only countries where the one-earner/one-carer model explicitly receives more support. This is illustrated by their position below the diagonal line. Australia stands out as the country with the lowest support for families with two earners, but where part-time work for mothers is quite frequent despite the comparatively low level of policy support. In this case, maternal working time is a key adjustment variable, but is not taken into account here. It should be noted that even if support is weak, the one-earner/one-carer model is likely to be frequent in countries where the two-earner/two-carer model also receives low support, e.g., in Spain and Italy. This household type might often be ‘chosen’ as a default option when there is no support to help both parents to combine work and child-care.

2.3 Summary: Family Policies and Fertility Outcomes

In most OECD countries, support for families with children has been considerably extended over the past three decades. Parents now get more help to reconcile work and child care, but there are still large differences in the actual support received by

working parents with a child under three. To some extent, these differences reflect variations between two basic options in the early years after childbirth. On the one hand, policies can support a rather long interruption of labour market participation by one parent – in practice most often the mother – who makes use of extended leave entitlements to care for the young infant. This is often motivated by beliefs about the positive influence on child outcomes, although there is little evidence to suggest a lasting conflict between maternal employment and child outcomes (OECD 2011). In any case, mothers are expected to adjust their labour market participation and working hours to give priority to child care (Thévenon 2006). On the other hand, households with two earners sharing child care can be actively supported by policies that facilitate the mother's return to work soon after childbirth, as is the case, for example, in Nordic countries. Key factors to encourage this return are a limited but well-paid period of leave after childbirth combined with widely available child-care services for very young children. A more active contribution of fathers to care activities can also be fostered with father-specific leave entitlements after childbirth. Fathers usually take more leave days than in the past, but there is no clear evidence as yet that this significantly affects the division of unpaid work between men and women, which still remains gender unbalanced (OECD 2011; Miranda 2011). This 'combination' option assumes that young adults prefer to find a job and secure their earnings and labour market status before having children and using work-related support (Bernhardt 1993). One consequence of this attitude is that childbirth is postponed to later ages. This postponement process is a major cause of the decline in period fertility rates observed in most economically advanced countries over the past decades (Goldstein et al. 2009). However, supporting mothers' return to work seems to be an effective way to enhance fertility in the long run since countries which have high female employment rates now also have higher fertility rates (OECD 2011). As mentioned before, these two policy orientations do not necessarily exclude each other and many countries have developed support in both directions.

Figure 2.13 shows the parallel evolution of the average public expenditures given to families per child in OECD countries, on the one hand, and fertility rates, on the other hand. A steep fertility decline can be observed in Japan, Korea, German-speaking and southern European countries, which all continue to exhibit low fertility. By contrast, a significant rebound in fertility rates has occurred in continental and northern Europe and in English-speaking countries. The public expenditures given to families per child have increased at the same time. An acceleration of this rise started a bit earlier than the recovery in fertility rates in certain areas, which suggests that the development of family policies has played a role in the fertility upturn (Fig. 2.14).

Luci-Greulich and Thévenon (2013) provide evidence that the increase in government spending actually helped to boost fertility over the past decades. In line with former cross-national studies (see Table 2.1 for a summary of these results) they also find that each of the policy instruments contributes to raising fertility. However, the duration of paid leave as well as leave and birth grants paid after childbirth have a very small effect as compared to other cash benefits paid over childhood, and

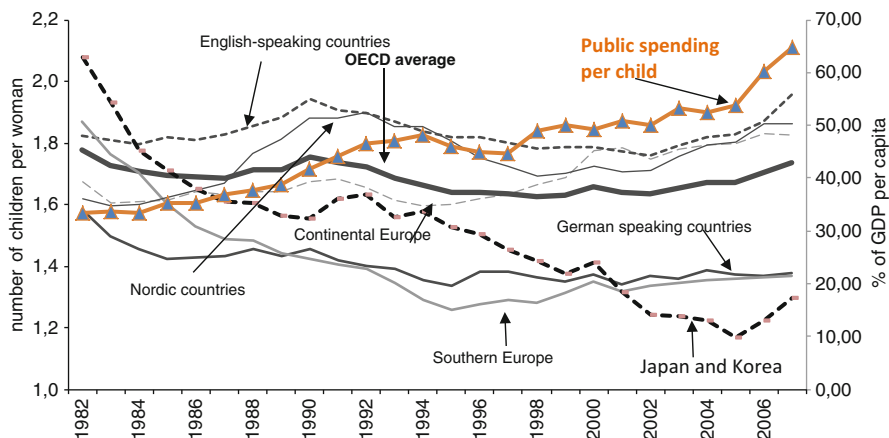


Fig. 2.14 Trends in fertility and per-child public spending on families, total fertility rates (*left axis*) and average government spending for families (*right axis*). Geographical areas are defined as: Anglophone (Australia, Canada, New Zealand, United Kingdom, United States); Nordic (Denmark, Finland, Norway, Sweden); Continental (Belgium, France, Netherlands); German-speaking (Austria, Germany); southern Europe (Greece, Italy, Spain). Government spending per child includes expenditures on family benefits, child-care services, leave and other payments made around childbirth. The average is calculated for 18 countries for which data are available, including Denmark, the Netherlands, Spain, Norway, Sweden, Portugal, France, New Zealand, Belgium, United States, Italy, Japan, Australia, United Kingdom, Ireland, Finland, Germany, Austria. (More details about the estimation of the indices can be received from the author)

especially as compared to the impact of child-care provision for children under age three. The increased supply of child-care services for preschool children, which helps parents to combine work and family life, seems to be a more efficient way of supporting fertility decisions in the long run than providing short-term support in the form of long leave periods and birth grants.

Although the extent to which families are given a choice between work and care in the early years after childbirth varies considerably across countries, it does not seem to strongly influence fertility trends in the long run. Paid parental leave and birth grants do have an impact on fertility rates, but their strongest effect is probably on the timing of births. Their impact is generally weak as compared to the provision of child-care services that facilitate a return to work after childbirth (Luci-Greulich and Thévenon 2013). The actual influence of family policies on fertility decisions might depend on the comprehensiveness of policy support.

Complementary combinations of support in time, cash and services to foster the work-life balance and continuity of this support over childhood are key parameters for policy effectiveness. In this respect, it is worth noting that despite rather high total spending for families, investments in child-care services are much lower in low fertility countries such as Germany, Austria or Hungary than in Nordic countries, France or the United Kingdom. The lack of child-care services hampers the combination of work and family formation and obliges parents, and especially women, to choose between having a child and pursuing a career.

Table 2.1 Comparison of results of cross-national studies

Study	Explained variable	Financial transfer	Leave entitlements			Childcare provisions		Country and period covered – methodology
			<i>Duration</i>	<i>Payment rate of maternity leave</i>	<i>Spending per child (all leaves including)</i>	<i>Spending per child</i>	<i>Enrolment rates</i>	
Gauthier and Hatzius (1997)	TFRs (for women with 1, 2 or 3 and more children separately)	Positive	Positive but statistically insignificant	Negative but statistically insignificant	–	–		22 OECD countries 1970–1990–panel data methods
Adsera (2004)	TFRs	–	Positive	–	–	–		28 OECD countries 1960–1997–panel data methods
D’Addio and Mira d’Ercole (2005)	TFRs	Positive	Negative	Positive	–	–		16 OECD countries 1980–1999–panel data methods
Hilgeman and Butts (2009)	Achieved fertility at age 18-45	–	Negative	Not significant	–	–	Positive	20 OECD countries 1995–2000 waves of European or World value Surveys—cross-sectional multilevel approach
Kalwij (2010)	Timing of birth	Not effect	Not included	–	Positive	No effect	Not included	16 European countries—event history analysis Information on individual fertility history from European Social Survey 2004
	Completed family size	Not effect						
Luci-Greulich and Thévenon (2014)	TFR	Positive	Positive	–	Positive	Not significant	Positive	OECD countries 1982–2007–panel data methods
	Tempo-adjusted fertility rates	Positive	Not significant	–	Not significant (negative)	Negative	Not significant (positive)	

The continuity of support over childhood is also fundamental for enabling potential parents to make clear childbearing plans. Fertility plans will be facilitated, in the first place, if there is no gap between the expiry of leave entitlements and the provision of child-care services. Continuity also implies that support does not stop when children enter compulsory school and that parents with school-aged children can find out-of-school-hours care services that match their working hours. Overall, a continuum in the support granted to working parents might help to minimise the lasting impact of childbearing on women's career opportunities that might prevent potential parents from having children. Reliable financial assistance throughout childhood seems also positively related with fertility trends (Luci-Greulich and Thévenon 2013). This finding is consistent with the fact that the cost of raising a child increases as the child grows older and that the compensation of this cost is crucial for reducing the poverty risk, but also for helping households fulfil their intentions to have children.

As already noted, countries also differ in the extent to which financial support targets households with specific needs caused by their limited income or size. Portugal and Italy are the two countries in which the largest share of family benefits (above two thirds) are means-tested, but a large number of benefits are also means-tested in many other countries, among them France, Germany, Ireland, Poland and Slovenia. Low-income families are also a specific target for policy support in many English-speaking countries, where the poorest quartile of families receives a substantial share of income assistance (Thévenon 2011). Transfers also vary with family size, especially in Belgium, France and Sweden where they are significantly higher for large families, i.e., those with three or more children.

Finally, the stability of policies over time is also vital for enabling potential parents to make fertility plans and to realise their fertility intentions. Although this chapter did not directly assess stability, it shows that lasting differences in policy contexts emerged decades ago and have remained quite large despite growing investment in families on the part of national governments. In France, for example, policy support for families is anchored in a longstanding tradition that explains the relative stability in completed fertility rates over and above changes in the timing of childbirths (Thévenon 2010). This historical background has created high expectations regarding policies but also strong confidence in the assistance that all families will receive from childbirth to adulthood. Moreover, the strong support received by working parents in France also explains why the birth of a first child has a comparatively weak impact on women's propensity to work full-time, while the impact of a second or third child is stronger (Thévenon 2009). By contrast, giving birth to a first child has a much stronger effect in Germany, the Netherlands and in eastern and southern European countries where overall support for working parents is weaker. Moreover, these countries have seen a rather strong increase in childlessness and an increase in the differentiation of mothers' labour market status by number of children over the past decades. In Germany and the Netherlands, for example, childless women were more likely to work full-time around 2005 than 15 years before, while mothers now tend to work more part-time and often short hours. This illustrates the particular role of part-time work in balancing work and family responsibilities in

countries where child-care provision is comparatively limited and where services cover few hours per day. Thus, other factors besides family policies, such as specific labour market contexts and attitudes towards the role of women and the state should also be considered as important factors for fertility. These two aspects might influence the extent to which policy-related resources are perceived and used by households and how they subsequently affect fertility behaviour.

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