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Family policies in developed countries: contrasting models

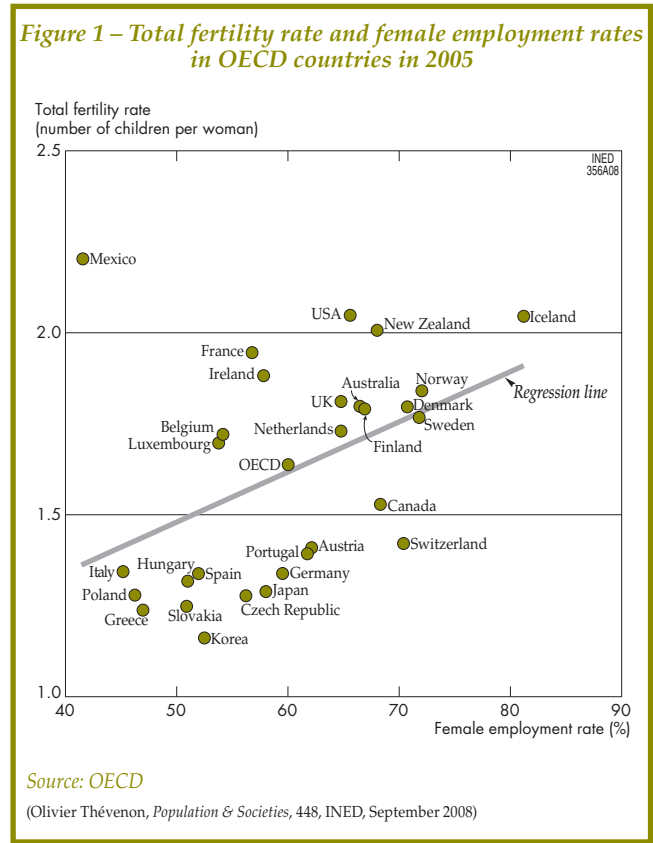
Olivier Thévenon*

Fertility – the average number of children per woman – varies by a factor of two between developed countries. These differentials may be partly due to the existence, or otherwise, of family policies, and to differences in their scope. But what are developed countries' family policies and what forms do they take? Olivier Thévenon describes existing policies using data from the OECD Family database.

Population trends in recent years have prompted most European countries to introduce or expand family support policies. The decline in fertility since the 1970s has led to a substantial decrease in births whose effects may be potentially detrimental over the long term. The number of children per family is often below the desired number reported in surveys. Family support is intended to close the gap between desired and actual fertility by lowering the barriers to having children. The increase in divorce and separation, and the growing numbers of reconstituted families, of children born outside marriage and of "lone" parents have also prompted countries to increase support for families, particularly those on low incomes. At the same time, governments have sought to encourage women's workforce participation by ensuring that these policies enable parents to strike a better balance between work and family. Governments' total investment in benefits and services for families has increased sharply in recent years, reaching an average of 2.4% of GDP in 2003 in OECD countries, compared with 1.6% in 1980.

* Institut national d'études démographiques and Organisation for Economic Cooperation and Development.

NB: The opinions expressed here are those of the author alone.



Editorial – Family policies in developed countries: contrasting models

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◆ Is childbearing incompatible with a working career?

Family policies nevertheless vary considerably from one country to another. Some countries have long-standing family policies that have been adapted since they were first introduced in response to new forms of vulnerability. Other countries have implemented family policies more recently and these still comprise a disparate set of welfare measures.

Different countries also pursue different policy objectives. Stated priorities range from support for fertility, support for the work-family balance, reducing inequality in living standards or reducing family poverty, to support for children's healthcare or education, or promotion of a more equitable division of domestic tasks between men and women.

The two objectives of expanding women's workforce participation and increasing fertility may appear to be mutually exclusive. But this is a mistaken belief. In fact, fertility rates are highest in the countries where the proportion of women in the workforce is also highest (Figure 1).

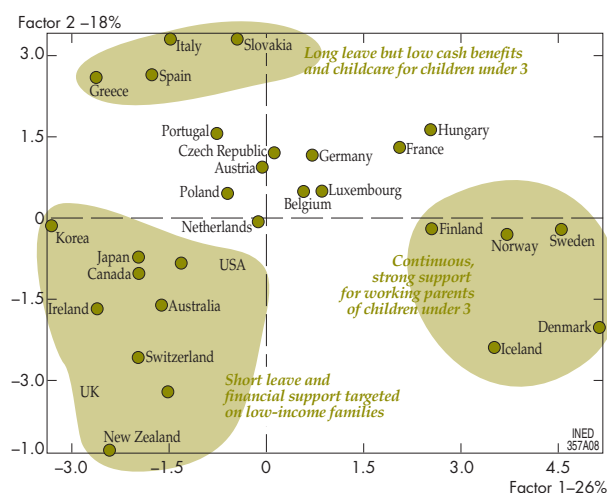
The Nordic countries:

◆ strong support for families with small children

Using data from the OECD's Family database [1], family policies in the different countries were compared by plotting the countries along two axes (Figure 2). Two groups of countries seem to emerge at first: the Nordic countries, on the right hand side of the graph, and the southern European and Anglo-Saxon countries on the left. That division can be attributed mainly to differences in parental leave and childcare services for working parents with children aged under three. Parental leave in the Nordic countries is longer than in other countries: 53 weeks full-time equivalent average wage (1) in Sweden and 47 weeks in Denmark, compared with only 27 weeks on average for all OECD countries. This disparity is due to the relatively high wage levels in Nordic countries, since the length of leave remains limited.

Full-time equivalent leave specifically reserved for fathers is also longer than in other countries: 13 weeks in Iceland and 11 weeks in Sweden, compared with an OECD average of only one week. However, paternity leave only represents a tiny fraction of total parental leave, which is almost entirely taken by women. In all, spending on leave is much higher in the Nordic countries, totalling on average 57% of per capita GDP for each child, versus 25% in the other countries, and only 5% in the Anglo-Saxon countries.

Figure 2 – OECD countries by family policy



Source: OECD

(Olivier Thévenon, *Population & Societies*, 448, INED, September 2008)

Note on the analysis method: the similarities and differences between family policies in OECD countries are summarized using Principal Component Analysis (PCA) to plot each country along two axes. The horizontal axis reveals the clearest distinction, which is chiefly related to support in the form of leave and childcare facilities for families with children under three. The vertical axis highlights the contrasts between countries in terms of length of parental leave and targeting of financial support on low-income families.

The percentage of children in formal childcare is also much higher in the Nordic countries (2). Around half of all children aged under three are enrolled in formal childcare there compared with fewer than one-fifth in the OECD countries as a whole. The amount invested per child is also much higher: an average \$5,758 in purchasing power parity in the Nordic countries, versus \$2,520 for the OECD average. However, the volume of cash benefits for families is below the average, and clearly targets low-income families.

The total investment in childcare and education for all children aged under six is higher in the Nordic countries, at 1.8% of GDP on average, versus 0.7% in the other countries (and only 0.6% in the Anglo-Saxon and Asian countries, and 0.7% in southern Europe).

◆ Denmark: strong state intervention

Denmark and Iceland stand out from the other Nordic countries (Figure 2) partly for the same reasons: the percentage of children aged under three in formal childcare is much higher in those two countries (62% in Denmark and 59% in Iceland). The level of spending on childcare services is also higher in Denmark (2.3% of GDP). The

(1) Total length of maternity and parental leave that would be obtained if paid at the average wage rate.

(2) Finland is an exception, however, with only around 35% of under-threes enrolled in formal childcare, compared with 40% in Sweden, 44% in Norway, 59% in Iceland and 62% in Denmark.

effective tax rate, i.e. the aggregate percentage of tax levied on earned income, is also much higher in Denmark – and in all Nordic countries – than in the other countries. That can be seen as the trade-off for the relatively high level of support granted in the form of paid leave and childcare services aimed at reconciling work and parenthood. Denmark is probably the most developed model based on strong public intervention offering high, continuous support that enables parents to reconcile work and family. The system provides relatively high financial security during parental leave. Leave is quite short but is followed by easy access to formal childcare then preschool and school. Consequently, the fertility rate is among the highest in the OECD countries, with a particularly high (full-time equivalent) female employment rate. High female workforce participation nevertheless comes at the expense of pronounced occupational segregation between men and women.

◆ **The Anglo-Saxon countries: support targeted on preschool children and poor families**

At the opposite end of the spectrum from the Nordic countries, the Anglo-Saxon countries, Japan, Korea and the southern European countries are in a similar position to each other, with generally lower support for working women who have children aged under three. There is little or no compensation during leave after the birth of a child. The supply of childcare and education services is also generally lower, but there are sharp variations between countries. Public investment is also clearly targeted on preschool education. Spending per child aged under three and enrolment rates in childcare facilities are much lower than for children aged three to six.

However, the Anglo-Saxon countries, plus Japan and Korea, differ from southern Europe in several respects. First, support for families through family benefits and tax breaks is much higher. It is actually the main form of intervention in those countries, where such support accounts for 1.9% of GDP, compared with 1.6% for the OECD average (the USA is an exception, with only 0.8%). This support also clearly targets low-income families and has an objective of poverty reduction. A little more than one child in four (28%) nevertheless attends formal childcare, often private, compared with an OECD average of slightly fewer than one in four (23%).

In other words, the Anglo-Saxon countries are characterized by limited public support for working women with children aged under three. There is more public investment in preschool facilities for children aged three and over, usually provided on a part-time

basis, the main objective being to ensure equal educational opportunities for all children. In this context, the work-family balance relies above all on the adjustment allowed by labour-market flexibility, i.e. the ability to change jobs without being unemployed for too long and especially the development of part-time employment for women with small children. It is thus based on strong asymmetry between the positions of men and women in the labour market and implies that families with small children forego potential income, which is not offset by public support. As a result, family income is often inadequate and family poverty rates are among the highest in these countries. Conversely, adjustment via the labour market enables these countries to maintain high fertility rates.

◆ **Southern Europe: more limited support**

In the other countries, fertility and women's workforce participation rates are generally lower. They are especially low in the countries of southern Europe, where poverty rates are also higher. These countries are characterized by a "deficit" of policies, whichever aspect is considered. The volume of cash benefits for families is very low. Parental leave is very long, but unpaid or poorly so. Portugal stands out from the rest of this group with slightly shorter parental leave, more targeted cash benefits for low-income families, and much higher enrolment of under-threes in formal childcare: 23% in Portugal, versus less than 7% in Italy and Greece. Spain has almost the same level of childcare enrolment, but much longer, unpaid parental leave.

The other countries, those of Central and Eastern Europe, hold an intermediate position, except for France and Hungary, where indicators are far higher than average for all forms of family support. The length of parental leave in terms of full-time equivalent average wage is longer than in most countries in continental Europe. Above all, cash benefits for children are far less targeted on low-income families than in the other countries. The investment in childcare services is also significantly higher than average, but enrolment of under-threes is much higher in France (29%) (3) than in Hungary (7%).

◆ **The French model: substantial support...**

France is thus in a fairly unique position in relation to its European neighbours [2]. First, total spending on families is comparatively high at 3.8% of GDP when tax breaks are included, and ranks France third among the

(3) That figure does not include all forms of childcare. Although there is no estimate of total coverage, the estimated theoretical capacity is around 44% of children aged under three.

OECD countries, where the average is 2.4%. In addition, the childcare enrolment rate for children aged under three is much higher than in most continental countries. This can be attributed chiefly to near-universal access to preschool from as early as two or three years of age. Second, the total volume of financial support for families with children is higher than in the Nordic countries when tax breaks for children and childcare are included. However, these transfers mostly benefit the most affluent families. The combination of high overall financial support, early attendance at preschool and a long school day ensures fairly continuous support for working mothers throughout their children's early life. Support is also given to parents who "choose" to stop working to look after a child aged under three.

These wide-ranging forms of support in France are anchored in a longstanding history of family policies that serve many objectives [3]. Support for disadvantaged families and income protection for all families have been key aims since family policy was first introduced in the early twentieth century. Sustaining the birth rate is also a long-established objective, which justifies large transfers to families with more than two children, regardless of the family's initial income. The 1970s saw a "welfarization" of family policy, with the introduction of support more targeted on single-parent households and of housing allowances linked to family status. Support for the work-family balance became a dominant agenda in the 1980s; it brought an increase in the number of places at daycare facilities and financial support for families that opted for private child minders.

◆ ... which both increases and decreases female employment

However, family support in France is now influenced by a highly ambivalent environment, where budget constraints, the advent of mass unemployment and "pro-family" movements all favour support for mothers who stay at home to look after their young children. The *Allocation Parentale d'Éducation* (APE) parental leave allowance was introduced in 1985 to assist parents of three children who stop working to take care of the youngest child aged under three. It was extended to parents of two children in 1994. In 2004 the *Prestation d'Accueil du Jeune Enfant* (PAJE) extended the scope of the previous allowance, by enabling parents to stop working for up to six months after the birth of the first child. France, like other countries such as Finland, Norway and Austria, therefore has a dual system, which supports not only working parents who use childcare but also mothers who decide to leave the workforce to look after their children. However, fairly specifically to

France, the combined effect of all forms of support tends to encourage mothers to remain in full-time work after the birth of the first child, then to stop work or reduce their working hours after subsequent children are born. This unique combination of incentives explains partly why the full-time employment rate of women with a young child is relatively higher than in other continental countries, but decreases sharply with the birth of subsequent children: while roughly 50% of mothers with one child work full-time and fewer than 20% do not work at all, fewer than 25% of mothers of three or more children work full-time while more than 40% do not work at all [4]. This is also probably one of the factors contributing to the relatively high and stable fertility rate in France [5]. In the light of this reality, the general reform of public policies has two main aims: to increase the contribution of family policy to poverty reduction, and to raise the female employment rate by limiting incentives to leave the workforce and by developing childcare services that cost less than a place in a daycare centre.

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ABSTRACT

Most developed countries are introducing a system of support for families or expanding their existing one. Investment by OECD countries in family support rose from 1.6% of GDP on average in 1980 to 2.4% in 2003. One of the aims of family policies is to increase fertility while raising women's workforce participation. The amount invested and the forms of family support vary considerably between countries. The main differences concern parental leave and childcare services for working parents of children aged under three. The northern European countries are the most generous, both in terms of childcare support and total investment. The Anglo-Saxon countries tend to target their investment on preschool-age children (3-6 years) and low-income families. France stands out with relatively high and diversified forms of support for families, but which offer contrasting incentives in terms of the work-family balance: French policies tend to encourage women to remain in full-time work when they have one child, but to leave the workforce or reduce their working hours when their family size increases.