Chapter 2: The relative generosity of the EU-15 member states’ child policies

Objective

In order to investigate the influence of social policies on parenthood choices, we have analysed those state interventions that are likely to affect women’s fertility decisions:
- public childcare and early childhood education
- child allowances, tax deductions, etc.
- policies regarding maternity
- opportunities to take parental leave

Methodology

This chapter is based on a detailed and in-depth collection and analysis of available accurate quantitative and qualitative data covering the former 15 European countries. These data have given rise to an extremely rich data base which we have consequently used in order to build synthetic indicators.

Based on a large number of underlying criteria which describe the systems in place we have aggregated information in order to compute summarising indicators that measure each EU-15 member state’s generosity in each of the three fields of family-friendly policies: public childcare, birth leaves and child tax and cash benefits. Based on their respective scores, countries were then ranked to allow for a better comparison.

Taken together, the three country rankings shed important insight into the way public policy facilitates today’s families’ choices as to time allocation, labour participation, leisure, etc. Note also that in evaluating a country’s efforts we have particularly paid attention to the implications for gender equality that result from the existing support schemes.

Results are confronted to existing welfare state typologies.

The analysis of public child care systems in Europe distinguishes between children aged 0-3 and 3-6 respectively, taking into account the availability of places, the quality of the services and their cost.

The analysis of child cash allowances for working families distinguishes between different income levels and puts forward the particular features of the different systems in terms of the variation of benefits according to family type and the child’s rank in the family.

The analysis of tax advantages is broken down according to criteria such as the level of parents’ income, family size, etc.

The systems of maternity leave are studied focusing on the wage replacement rate and the conditions involved in the take-up of this leave.

An objective outline of the systems of parental leave that are implemented throughout the 15 countries are studied. Note, however, that, in our opinion, these systems should be assessed very cautiously given the negative effects they entail for female employment.
Principal results

We find that our methodology of looking into a very wide range of different elements that are likely to affect parenthood choices and summarising this information into synthetic indicators as well as the fact that we essentially use very precise quantitative data or quantify qualitative information produces results that are considerably more subtle than those put forward by less targeted and less detailed studies that risk giving a false picture of the real-life situation of working mothers throughout Europe.

The country classification derived from the childcare indicator presents many similarities with some of the welfare state typologies, in particular those established by Gornick, Meyers and Ross (1997) and Letablier (1998). The same cannot systematically be said about the rankings based on our other indicators.

While the Nordic countries are characterised by public childcare arrangements of the highest quality, in particular Denmark and Sweden, they drop to the middle of the ranking when the generosity of their system of cash benefits is considered and to the very bottom even when tax benefits are analysed. These countries have clearly chosen to support working families with children by means of an individualised tax system and a major emphasis on direct transfers. As regards maternity leave, the three Nordic countries do not share a common behaviour: Finland comes out second, Sweden in eleventh position and Denmark twelfth. They are all characterised by very developed systems of parental leave that are at the heart of their huge problem of labour market segregation. The reality of women’s employment and fertility choices thus turns out very different than the splendid image of the Nordic countries that is usually put forward by welfare state typologies.

The relative positions of France and Belgium, two countries that are also included in the top group in the ranking of Gornick, Meyers and Ross and in our childcare indicator, follow different paths as far as the other dimensions are concerned. Belgium is respectively ranked sixth, sixth, second and tenth on the childcare, cash benefit, tax benefit and maternity leave indicators. France is ranked fourth above Belgium in the childcare classification and especially first in the birth leave index. However, it is important to keep in mind that the French system has a major drawback: it grants no cash benefits to the first child in the family. Its scores then contrast sharply on the cash and tax benefit indicators: France is in the thirteenth position in terms of cash support compared to its third place when tax benefits are concerned. It holds true that both countries have very heterogeneous systems that offer a mix of different types of public support to working parents although it should be pointed out that in France intervention through the tax system plays a very important role despite all the flaws of such a type of support in terms of redistribution. In sum, note that in general both countries’ systems appear as very generous (France more than Belgium thanks to child care and birth). However, they are also very hybrid in that multiple tools are combined in providing support to working parents.

The countries of the South of Europe are frequently grouped together at a low, if not the lowest, position in the different typologies. Italy is nevertheless distinguished from the others, for example in the classifications by Korpi (2000) and Gornick, Meyers and Ross (1997). Our indicators would suggest to do the same given that Italy can be found in fifth position in the childcare ranking, in first place when countries are ranked according to the generosity of their tax benefits and eighth when the system of maternity and paternity leave are considered (although behind Portugal and Spain for this latter). We therefore agree that it is wrong to amalgamate simplistically Italy on the one hand and Greece, Spain and Portugal on the other.
Moreover, if these latter countries obtain very bad scores as regards their childcare and cash benefit systems, the same does not hold true when instead their tax benefits or maternity leave schemes are analysed. Indeed, in the ranking based on tax support, Spain comes in fifth and Portugal eighth whereas with respect to birth leave, Portugal holds the third place and as such is outnumbered only by Finland and France.

The United Kingdom and Ireland are usually to be found very close to the groups of Southern European countries. Note, nevertheless, that the living standard is much higher in the UK and that we would therefore expect it to perform better. Ireland and the UK obtain very low ranks in terms of childcare and maternity leave systems and can be found in the middle of the rankings based on the generosity of family cash and tax benefits together.

We would especially like to draw attention to the case of Luxembourg. This country is ranked in the third group by Gornick, Meyers and Ross, a position we do not believe can be justified given that, although Luxembourg deserves a middle place with respect to childcare and maternity leave arrangements, its system of family cash and tax benefits is by far the most generous in Europe. Therefore, this country can and should not be ranked alongside the UK, Ireland, Portugal, Spain and Greece.

Another special case is that of Austria. This country tends to get close to the countries of the first group (SE, DK, FI, FR and BE) because of the high scores it obtains in terms of family cash and tax benefits and the organisation of its maternity leave scheme. These two countries are nevertheless penalised by their poor score in term of child care policies towards infants.

The Netherlands and Germany have very different profiles that are nevertheless both very mediocre. The Netherlands are more generous than Germany concerning maternity leave but have a worse position in our ranking based on public child care.

A combination of their scores on the indicators related to childcare, birth leave and cash and tax benefits yields a single final indicator by which countries can be ranked. We used two methods to compute a synthetic indicator for each of the two age groups considered for each country. First, we used the methodology applied by the UN to construct the Human Development Index (HDI) and rank countries according to their score on this index. Second, we compared this ranking of countries to the one obtained using a software called Decision Lab. The DL method accounts only for countries’ relative position without considering the level of generosity on the different sub-indicators whereas the UN method ranks countries according to their relative position and the size of the scores they obtain.

Sweden and Denmark on the one hand and France and Finland on the other hand come out differently depending on the method used: as far as the linear scaling technique (UN method) is concerned, Sweden’s and Denmark’s very high scores on the two child care dimensions compensate for their bad ranks in terms of birth leave and especially in terms of cash and tax benefits whereas according to the Decision Lab method, their positions in these latter two fields do not compensate for their respective first and second place on the child care indicators. France and Finland are favoured by the Decision Lab method because on average they are better ranked in all fields. Despite these differences, all four belong to a top group and what is more, both methods rank the other countries in exactly the same way.

- In the first group we find the Northern European countries, France and Belgium, and also Luxembourg and Austria. In this group, the first four countries clearly prefer good child care provisions over child cash and tax benefits while the opposite holds true for the latter
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three.

- A second group, quite distinct from the first, includes by Germany, Italy, the Netherlands and Portugal. Italy offers generous tax relief as well as a good system of maternity leave and of child care for children aged 3-6 but it scores badly in terms of cash benefits and child care for infants. The same holds true for Germany although it relies more on cash benefits than on tax relief while the Netherlands and Portugal are ranked in the middle everywhere.

- Finally, as expected, public policies towards children in the UK and Ireland, as well as in Spain and Greece, are very limited, targeting just some particular groups.

As we have shown, our final classification may rank countries in the same group although they perform very differently in the separate policy fields. Indeed, we have observed some substitution effects between cash and tax benefits on the one hand and either child care provisions or birth leave on the other hand.

To conclude, we believe the value of our study to lie in the extreme richness of our data set which provides very detailed and accurate quantified information on all relevant dimensions of child policies and allows for the construction of all sorts of indicators. Our final indicator is all-encompassing because of the richness of our underlying dataset, we effectively avoid those reductionist amalgams that persist through some of the much less detailed typologies.