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**Work/care policies in European welfare states:  
continuing variety or change towards  
a common model?**

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## Abstract

This paper investigates work/care policies in fifteen European welfare states during the last two decades in a comparative perspective. The main question is how certain work/care arrangements are supported through public policies of different welfare states and whether this has changed over time. In particular the development of leave regulations and working time policies, the provision of childcare, child allowances and types of taxation schemes which favor the reconciliation of work and care are analyzed based on a comprehensive data collection. Although an ongoing trend towards the support of the dual-earner model is clearly visible in the data, countries still differ in the current extent of work/care reconciliation policies and the pace and timing of political reforms. Moreover, hardly any country fits an ideal type of an entirely coherent policy. Different countries prioritize certain instruments over others, irrespective of the notion they have of any specific work/care arrangement.

## Zusammenfassung

Dieser Artikel analysiert vergleichend Maßnahmen zur Vereinbarkeit von Familie und Beruf in fünfzehn europäischen Wohlfahrtsstaaten. Die zentrale Frage lautet, inwiefern Vereinbarkeitsarrangements durch wohlfahrtsstaatliche Leistungen unterstützt werden und ob und wie sich diese Leistungen in den letzten zwanzig Jahren verändert haben. Basierend auf einer umfassenden Datensammlung werden die Entwicklungen in den Elternzeit-, Elterngeld- und Arbeitszeitregelungen, der öffentlichen Kinderbetreuung, des Kindergeldes sowie der Steuersysteme, die die Vereinbarkeit von Familie und Beruf fördern, untersucht. Obwohl ein länderübergreifender Trend in Richtung des Zweiverdienermodells in den Daten sichtbar wird, bestehen weiterhin Unterschiede sowohl im aktuellen Entwicklungsstand der Vereinbarkeitspolitik als auch beim Reformtempo. Auffällig ist zudem, dass das Maßnahmenbündel in nahezu keinem Land kohärent ist. Unabhängig von den selbstgesteckten Zielen geben die Länder bestimmten Politikinstrumenten Vorrang gegenüber anderen.

Keywords: work, care, reconciliation, policies, gender, Europe, comparison



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# I. Introduction<sup>1</sup>

In the last decades women's labor force participation has been on the rise in European welfare states. A change in family and employment structures as well as in attitudes towards gender equality has contributed to this development. Yet, due to care responsibilities many parents, mothers in particular, struggle with the problem of combining employment and the family. Against the background of ageing societies, where a diminishing workforce will have to support an increasing number of elderly people, an increase of the number of contributors to the social security systems is seen as necessary by both International Organizations such as the European Union (EU) or the Organization for Economic Coordination and Development (OECD) and national policy makers. Hence, in most countries policies have been introduced that help parents to reconcile work and care; yet, they vary significantly with respect to their generosity, the focus and the goals which they aim at. In recent years, these policies have been subject to a number of reforms. So far, a comprehensive account of these changes has not been undertaken. How and to what extent have policies directed at families with young children changed? Which work/care model do they support? To what extent do countries differ with respect to their approaches?

This paper has three aims: First, to provide a comprehensive picture of the nation-specific policy context of working and caring parents in fifteen European welfare states, i.e. the so called EU15.<sup>2</sup> Second, to show whether or not we can identify differences and similarities in the approaches among the countries, and whether or not the countries have converged to a common model throughout the last two decades. Third, to identify patterns of reform in terms of coherence and timing.

Following an overview of the existing literature and debates (II.1), I will introduce the policy instruments that constitute the policy field (II.2) and discuss the requirements for measuring policy change (II.3). Subsequently, I discuss empirical evidence on the impact of the instruments on the gender division of

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<sup>2</sup> EU15 includes Austria, Belgium, Germany, Denmark, Spain, Finland, France, United Kingdom, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Sweden.

work (II.4). Finally, the design and evolution of work/care policies since the beginning of the 1990s until 2008 are described in more detail (III). A final section concludes (IV).

## II. Work/care policies from a cross-national perspective: models, instruments and indicators

### II.1 Work/care models and degree of state support

My main research question is what kind of work/care arrangement is supported through public policies and whether and how this has changed in national welfare states. This implies looking both at work/care models, i.e. the arrangements couples<sup>3</sup> find to combine work and care, and the degree of state support, i.e. the extent to which the state sustains one (or more) model through policies.

The engagement with work/care models in the welfare state literature came as a response to the increase of female labor market participation rates which started in the late 1960s and 1970s<sup>4</sup> and the male-bias of mainstream welfare state analysis in general. Not surprisingly, since the increase in women's labor force participation started in the Nordic countries well before than in any other developed capitalist democratic country, the first books and articles were published by Scandinavian feminist scholars, who dealt with shifts in the division between the public and the private, and with patterns of organizing care (Hernes 1987; Siim 1987; Leira 1993). Feminist welfare state researchers have criticized in particular the neglect of the relationship between the family and the state as providers of welfare (Lewis 1992; Orloff 1993; Lewis 1997; Saraceno 1997). The critiques trace back to the old "difference versus equality" discussion which is based on critical engagement with the citizenship theory advanced by feminist scholars (e.g. Pateman 1989; Lister 1997). As a response to the insight that women do not fully participate as citizens in the public sphere due to their (socially constructed) responsibilities in the private realm, feminists outlined two

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<sup>3</sup> Certainly, also lone parents are affected by policies which support one or another work/care model. Therefore, the analysis will be sensitive to the impact of policies on work/care arrangements of lone parents as well (cf. also Bäckman and Ferrarini 2010).

<sup>4</sup> Even though, as Crouch (1999) has noted, arranging caring responsibilities and employment has been an issue for families, and mothers in particular, since the differentiation of production and reproduction spheres in the process of industrialization.

perspectives. The “difference” line of argument holds that women differ from men because of their unique responsibilities or predisposition for care work. Citizenship should therefore be re-conceptualized so that women's unpaid care work forms the basis for their social rights in the same way as does men's paid work. The equality perspective argues that women need to be on par with men in order to attain full citizenship. This would mainly be achieved through women's full participation in the labor market.

Even though both perspectives aim to improve women's status in society, they call for very distinct arrangements. One way is to strengthen women's economical and social position by recognizing care work, i.e. the birth and upbringing of children, as a basis for the eligibility to social rights (traditional *male-breadwinner model*<sup>5</sup>). The other way is to promote employment for both sexes. This can be achieved through policies that aim to commodify or socialize caring responsibilities, so that caregivers are able to work (Korpi 2000). In this egalitarian *dual-earner model*, both men and women are freed from caring obligations during the day in order to pursue a continuous and full-time employment. There are also mixed forms between the male-breadwinner and the dual-earner model, such as the one-and-a-half-earner model in which the family consists of a (male) main earner and a (female) part-time worker who is also responsible for care and housework. The market version of the dual-earner model, i.e. when services are not provided publicly but privately, may lead to class inequalities, as only the better-off are in a position to pay for good-quality childcare. Some critics have maintained that the dual-earner model represents an androcentric view, because it induces women to adopt men's life pattern. An egalitarian *dual-earner/dual-carer* model, by contrast, embraces both responsibilities (Gornick and Meyers 2008). Similar to the dual-earner model, this dual-earner/dual-carer model implies policies that support a flexible work/care balance and the provision of care services. In addition, in order to overcome the prevailing gender-specific division of work, in this latter model incentives are provided for men to utilize such policies, e.g. well-paid care leaves (cf. Häusermann 2006).

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<sup>5</sup> Male-breadwinner families are characterized by a gender division of labor where men earn a salary outside the home, while women are responsible for unpaid home and care work. Ideally, the welfare state covers men with employment-related social protection schemes while women are – at most – entitled to derived rights via marriage.

The attempt to systematically integrate gender into welfare regime analysis has led to typologies that distinguish countries in terms of their commitment to the *male-breadwinner* model. Lewis and Ostner (1995), for example, analyzed the labor market position of women, their social security and tax position, and the provision of child care to develop a typology that distinguished between weak, moderate and strong male-breadwinner countries (Ostner and Lewis 1995). Yet, the gender-sensitive approach to welfare state regimes has in turn evoked criticism regarding its analytical distinction between “unpaid and paid work” that aimed at capturing the gender dimension of welfare states (e.g. Jenson 1997; Leira and Saraceno 2002). The critics argue that, owing to the increased state intervention into the family in terms of organizing care, care work can no longer be equated with unpaid work. Not only the provision of services implies that many carers are paid for their work and time; with parental leave schemes and care allowances, care work within the family can be paid work as well.

State intervention into the family may take different forms and degrees. Based on Leitner’s (2003) gender-sensitive typology along the *familialism-defamilialisation* continuum<sup>6</sup>, Saraceno and Keck (2010) differentiate into a model of *familialism by default*, i.e. a setting without public provision of care or financial support, *supported familialism*, i.e. financial support for the family to perform its function, *optional familialism*, i.e. a model where the choice is given between financial support to provide care within the family or the use of public or private services, and *defamilialization*, i.e. a model in which a large part of care is provided outside the family. It thus becomes clear that the state may support different kinds of arrangements either implicitly, by not providing alternatives, or explicitly, through specific measures. Furthermore, the same kind of work/care arrangement, in particular the male-breadwinner model, may be the result both of explicit forms of state support, or of the lack of it. The examples of Germany, the

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<sup>6</sup> The de-familialization/familialism dimension was first expressed by McLaughlin and Glendinning (1994), Lister (1997) and Saraceno (1997) to indicate the degree to which social policies grant individuals resources and rights independent from their family membership. It was later also used by Esping-Andersen (1999). Focusing exclusively on the degree to which policies shape and acknowledge care work, Leitner argues that familialistic policies are those policies that oblige (and enable) the family to meet the care needs of a family member and which reinforce the care recipient’s dependency on their family. De-familialization means taking away caring obligations and reducing the dependency on family members. Based on the policy output indicators “time rights”, “direct and indirect cash benefits” and social rights associated with care giving, she identifies four “real world variations of familialism”: explicit familialism, optional familialism, implicit familialism and, finally, de-familialization.

UK and Italy illustrate this. In Germany, social policies together with the tax system have long provided incentives and thus actively encouraged the *male-breadwinner* model; both in Italy and the UK such policies were absent or weak. In these countries, the *male-breadwinner* model existed because it was tacitly assumed that women would do house and care work. Furthermore, family law in Italy prescribes financial obligations for an extended period of time and range of family members. Thus, in Italy the family is assigned responsibilities, but is little supported by income transfers (Naldini 2003).

The work/care models have to be understood as ideal models; they do not exist in the pure form. Thus, they do not provide static classifications in which countries may be exactly placed, but rather a “flexible framework through which change may be conceptualized” (Crompton 1999: 202f.). Since my interest is to assess to what degree work/care instruments actually support the apparently cross EU widespread goal to support women both to have children and to work for pay, here I will focus on those policies which address, more or less coherently, this aim. The following sections will briefly conceptualize the essential work/care policy instruments and unfold how to measure change in this policy field. Subsequently, I will characterize each policy’s contribution to the reconciliation of work and care and discuss each with respect to the broad nature of the incentives and disincentives for women and men to work and care. Since most European countries aim at the increase of women’s labor force participation, one would expect that their policies have changed toward the dual-earner or at least one-and-a-half-earner model. Therefore, I am interested in seeing whether or not countries have coherently moved toward this model.

## II.2 The instruments

Child-rearing entails *direct* and *indirect* costs. Direct costs arise due to higher costs of living. The state may therefore provide child allowances and direct cash benefits in order to ease the child-rearing “burden”. Indirect costs may include opportunity costs for parents in the form of reduced income and altered career prospects. Mothers in particular often work reduced hours or exit the labor market in order to care for children. A work/care model based on the expectation that mothers are (also) in the labor market must address the double issue of how to grant care and how to allow both working and caring. Work-care reconciliation

policies are intended to address both issues, counteracting the trade-offs between employment and child-rearing.

Jane Lewis (2009: 83) conceptualizes policies which favor the reconciliation of work and care and which may be regulated, financed, and/or provided by the state, as encompassing:

- Time: The regulation of working time and the provision of time to undertake informal care (leave regulations)
- Services: Childcare that is directly provided by the state, or provided by the independent sector or employers
- Money: Cash to buy formal care, cash for carers while they are on leave

While the components 'time' and 'services' are rather straightforward, 'money' requires additional clarification. First, in Lewis' conceptualization cash transfers reduce direct costs of childcare. But there are also other cash benefits that influence the reconciliation of work and care. Means-tested child allowances, for example, might increase the indirect opportunity costs for parents, because payoffs from employment can be disadvantageous for some families (Saraceno 2003). If income from employment is just above the threshold which entitles to the means-tested family allowance, it is not beneficial for one of the parent to be additionally employed. These kinds of cash benefits should thus also be taken into account. The tax system also may, under the label of family support, provide tax deductions for dependent family members and, consequently, incentivize (usually wives) to refrain from employment. Second, carers on leave who receive cash benefits may use them for different purposes – not only as a compensation for self-provided care work, but possibly also to buy formal care. Hence, it is not a question of either/or. Rather, cash for carers on leave does not necessarily mean a support of mothers to stay at home and care full time. In fact, in some countries it is possible to work part-time for pay during the parental leave. Third, I propose that, even though time to undertake informal care and cash benefits for carers while they are on leave are often distinct entitlements, they should analytically be treated together because it is the interaction of both dimensions that matters for the decision of parents to work *and* care, how to divide those tasks between them and whether to buy formal care on the market.

### II.3 How to measure policy change

Before we can analyze policy change, we must first answer the questions: What type of change are we interested in? How can we measure it (Green-Pedersen 2007)? Hall (1993) views policy change as a process of policy learning. He points out that “policymaking as a process usually involves three central variables: the overarching goals that guide policy in a particular field, the techniques of or policy instruments used to attain those goals, and the precise settings of these instruments” (Hall 1993: 280). A change of, or within, the program does not happen out of thin air, but rather will be initiated only if the status quo is considered a problem. Hence, an actor perceives and defines something as a problem and has an idea of the direction of change and the expected outcome; there is thus an *intention* which comes before the reform.

The issue of how to measure policy change has been discussed intensely among scholars interested in comparative welfare state research (cf. Alber 1996; Clasen and Siegel 2007). The reason is that the claims based on empirical research range from “paradigm shifts” to “adjustments at the margins”, in part even for the same phenomenon (see e.g. Alber 2000; Green-Pedersen 2007: 15). Scholars have pointed to the fact that findings and interpretations depend on the operationalization of the possibly variable qualities of welfare state programs plus the identification of appropriate data (Clasen and Clegg 2007). Many studies lack an operational definition that spells out the basis of the criteria on which assessments are made. To be sure, an unambiguous conceptualization is difficult to elaborate and there will always be debate about the theoretical and pragmatic choices made.

There are basically three types of indicators that are most widely used in comparative research on social policy and welfare state change: social expenditures, social policy institutions and social rights. These indicators are applied to the analysis of the change of transfer-oriented social security schemes such as pensions, health or unemployment insurance schemes. Yet, the field of work/care policies differs from these in some important aspects, as it combines rights, transfers and services.

The use of social expenditure data is problematic for two reasons. First, the distinction between the generosity of benefits and the social need for benefits is not clear-cut. High outlays on child allowances could be ascribed either to

generous allowances or to a high number of children (or both). We can handle this problem by taking into account the number of persons receiving child allowances (if we have the data). Yet even then, we cannot be sure about any qualitative changes within the field of child allowances. There could, for instance, have been a shift from universal coverage to means-tested benefits but at the same time an increase of the amount. In both cases, social expenditures would stay the same. Second, expenditure data are associated with a 'time-lag' problem. This refers to the fact that many reforms are designed to have a gradual rather than an immediate effect. This is especially true for the pension schemes, but a time-lag also occurs in work/care policies. There is potentially a long way from the political decision to increase the number of childcare places or the quality of childcare and the actual implementation and impact. Consequently, many legislative changes are not immediately reflected in expenditure data (Green-Pedersen 2007).

The second approach focuses on institutional characteristics of social policy programs and, consequently, refers to the output perspective. Scholars such as Alber (1995; 1996), Ferrera (1996a) and Keck and Saraceno (2010) suggest to carefully examine eligibility criteria, the duration of benefits, and the scope or coverage of a given scheme. Only in this way, they argue, can we avoid mixing up developments that are due to context changes and those developments we are interested in, i.e. changes in the objectives and institutional frameworks of policies. An example for the context sensitivity is an unemployment insurance scheme that links benefits to earnings. Here, the average benefit will decrease even with constant legislation if an increasing proportion of the unemployed come from lower earnings strata. Such a decrease could not be interpreted as an indication of curtailment (Alber 1996). Similarly, a decrease in expenditure in a given field due to a change in private choices is not to be understood as retrenchment (Starke 2008). For example, a drop in the use of parental leave cannot be considered a cutback in entitlement, unless it is the direct consequence of state action, such as the repeal of an obligation that employers guarantee the return to the prior job position.

A third approach includes the recipient and stresses measures of what is called 'welfare state generosity' or the 'social rights' approach (e.g. Clasen and Clegg 2007; Scruggs 2007). Only by looking at how rates of replacement, take-up or coverage have developed, can we fully understand the role of the state in

providing individual opportunities and resources. However, this approach entails the same problems as social expenditures, because such indicators might also illustrate developments that are out of government's reach. For instance, a relatively low childcare coverage rate may indicate either low engagement of the state (supply) *or* different care preferences by parents (demand). Hence, a systematical tracing of a policy field's developments cannot rely upon one approach alone, but requires the inclusion of both the institutional and the generosity indicators.

In sum, in order to have a comprehensive picture and to identify micro level changes I will study the evolution of the program characteristics such as entitlement, duration and benefit levels and measures of generosity such as replacement or coverage rates. As work/care policies comprise rights, transfers and services, the criteria have to be specified for each policy separately.

Yet, as I have mentioned above, tracing the development of program features and measures can only tell whether more or less benefits are available or who is entitled and who is not. If we stopped here, we could only be able to conclude whether or not governments reform welfare state programs. To quote Esping-Andersen's famous statement that "it is difficult to imagine anyone struggled for spending *per se*" (1990: 21) and since I am interested in the underlying motives - why do some welfare states have expanded work/care policies in the direction of work-care conciliation and others not - I need to understand the direction of the (non-)reforms as well. In other words, the goals of policies have to take centre stage. Policy makers have a certain goal in mind, for example to have more fathers be on parental leave and care for their children. When it comes to reforming or introducing policies, policy makers make a decision based on the outcomes they would prefer and on the assumptions they make on the effects a policy may generate towards this end. This requires the assessment of the actual incentives or disincentives for a desired behavior, for example incentives in parental leave schemes which may encourage fathers to take leave.

For that reason, I discuss in the next section the policy instruments in light of empirical evidence of their impact on the division of work and care in the household and the gender-specific (dis)incentives they provide. To what degree does a country support families with children and to what extent does the design

of a policy support a male-breadwinner or a dual-earner model? In doing so, I expect to be able to assess the overall degree of policy support in a country and to distinguish reforms that aimed at maintaining the status quo from those that led to a shift in work/care policies. Change or non-change has of course a different meaning depending on the starting position.

## II.4 The impact of work/care policies on the gender division of work: some evidence found in the literature

### II.4.1 Time: leave regulations and working time flexibility

To judge the impact of *leave schemes* is a complex task. Leave options by definition declare the employee's right to return to her/his previous or a similar position within the company. The available evidence shows that, in general, leaves strengthen women's labor force attachment (cf. Ruhm 1998). However, long leave periods may lead women to postpone their re-entry into the labor market, in particular if it does not make financial sense from a household perspective<sup>7</sup> to use expensive childcare rather than taking a longer leave (Rubery et al. 1999). A too short leave, on the other hand, may have the consequence that women leave the labor market without the option to return because they might not want to put their – very small – infants into childcare (if at all available) or decide not to have children at all.<sup>8</sup> Thus, the life course effects of both extended interruptions and too short breaks are strongly negative for female labor market participation – and, as some authors argue, in consequence also for birth rates (Ondrich et al. 2003; Pylkkänen and Smith 2003; Ziefle 2004; Lalive and Zweimüller 2005; Schönberg and Ludsteck 2007). In addition to duration effects, the amount of the payment leads to gender-specific take-up rates. Fathers' take-up of leave seems to be positively related with high wage replacement rates (de Henau et al. 2006; Moss and Korintus 2008: 110).<sup>9</sup> A low flat-rate sum does not provide an incentive to

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<sup>7</sup> I am aware of the fact that decisions concerning care and employment are usually made by the couple, not the woman alone. However, the issue will be discussed from a mothers' point of view owing to the fact that in reality it is them who take up (the longest part of the) leave.

<sup>8</sup> The effects of a leave scheme also seem to depend on the women's education and position on the labor market. For example, the negative impact of a too short leave on fertility is rather true for the better educated women, while low-educated women with low-paid jobs more likely leave the labor market than the better-educated women (for a discussion of the empirical evidence cf. Saraceno 2011b).

<sup>9</sup> All in all, however, scholars studying fathers' take up of leave are rather pessimistic about achieving gender equality through fathers' entitlements (Ekberg et al. 2004; Hobson et al.

fathers who are the main breadwinners in the household to use parental leave. It may also disincentive higher earning women to take long leaves. In that case, therefore, it is mostly the lower salaried women who interrupt their employment careers (Spiess and Wrohlich 2008).

*Flexible working-time arrangements* are another important condition for men and women to reconcile employment and care work. Part-time work, but also individualized flexible working hours belong to that category. Seen from the perspective of promoting mothers' employment and gender equality, part-time work regulations are however a two-edged sword. They enable parents who do not want (or are not able) to put their children into full-day care institutions to combine employment and care work. On the other hand, it might contribute to a crystallization of gender-specific working arrangements, with all the likely consequences of career interruptions and working fewer hours (lower salaries, less chances of job promotion, lower pension wealth, etc.), in particular in combination with other policies, e.g. the availability of part-time only childcare services (Jaumotte 2003: 21f.).<sup>10</sup> Scholars have thus argued that flexible working hours should be universally available, not only for parents, in order to make non-standard ways of working hours more acceptable. In the case of a universal right, employers might not be as reluctant in hiring parents or young women or men (mothers or fathers-to-be), because each employee at any age could ask for a part-time job. Another important element is the degree to which part-time work includes the rights and benefits associated with full-time employment. Moreover, it is obvious that the right to reduce working time should be accompanied with the right to go back to full-time employment. Otherwise one could not call it flexible working time arrangements.

#### II.4.2 Services: the provision of childcare

It is by now widely acknowledged that any successful work/care reconciliation strategy that intends to increase female labor force participation,

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2007). Independent of remuneration, there seems to be a limit beyond which men are reluctant to share care work – or, as Ellingsaeter argued, women do not want to share parental leave with men (Ellingsaeter 2006).

<sup>10</sup> Another critical view focuses on employer-driven flexibility and needs. When part-time employment is used by employers for more flexible and efficient production patterns, it opens the way for cost reductions, where employers could save on wages, benefits and training costs (Lind and Rasmussen 2008).

birth rates and gender equality, is dependent upon available and affordable *publicly provided or financed childcare provision* (Anderson and Levine 2000; Hofferth and Collins 2000; Büchel and Spieß 2002; Jaumotte 2003; Blome et al. 2009). Childcare services represent the most direct way for governments to reduce the indirect parental opportunity costs associated with childrearing. Yet, the decision of parents to rely on publicly provided childcare depends on the *availability*, the *affordability* and the *quality*. In an analysis of variation between countries these three dimensions of childcare need to be assessed. As childcare institutions for children who are older than three years of age are quasi universally available in most countries<sup>11</sup> (OECD 2006; Bahle 2008), what seems to make the difference are care options for infants and toddlers (children aged 0-3). If a parent discontinues employment until a child is three years old and able to attend childcare, this long break has negative consequences for the subsequent employment career (Ondrich et al. 2003; Pylkkänen and Smith 2003; Ziefle 2004; Lalive and Zweimüller 2005; Schönberg and Ludsteck 2007). Hence, the more full-time, low-cost and good-quality childcare places for children aged under 3 exist, the more will this situation lead to an increase in maternal employment.

#### II.4.3 Money: child allowances and type of taxation

*Monetary benefits* are not part of work/care policies per se.<sup>12</sup> Yet, the design of child and tax allowances or deductions might affect the mother's decision whether to care for children herself or to use childcare in order to return to the labor market. High marginal tax rates play a role when evaluating the tax system, particularly in the case of joint taxation. The average tax rate on the second-earner's earnings, defined as the proportion of these earnings that goes into paying increased household taxes, is relevant for the decision to participate or not in the labor market: the higher it is, the higher is the probability of a married woman to withdraw from the labor market (Smith et al. 2003). Some authors have demonstrated that systems where the family rather than the individual citizen is the unit of taxation yield such high marginal tax rates for the second earner, since the income obtained by the spouses is added up and then divided between the

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<sup>11</sup> Even though they may be part or full-time. This makes a difference. Moreover, as Saraceno (2011a) notes, caring and supervision needs of children do not end when they reach school age. However, work/care arrangements are decided when a child is born and the early years have long term consequences.

<sup>12</sup> Note that I treated cash transfers for carers while they are on leave in the section on time rights.

partners, as in Germany, or among all family members, as in France (Rubery et al. 1997). The marginal tax rate for the second earner is especially high if there is a large differential between the primary and the secondary income. This effect may occur also in the case of tax allowances for dependents and if child allowances are granted on the basis of a means-test (Saraceno 2003; OECD 2007c). According to Dingeldey (2000), joint taxation, rather than encouraging wives' full withdrawal from the labor market, supports their choice to work part time. Individual' or 'separate' taxation schemes, by contrast, are more neutral with regard to wives' labor force participation and *de facto* more friendly towards the dual-earner model. However, as critics often point out, the complexities of national tax schemes make such a clear distinction between joint and individual taxation and their effects almost impossible. The impact of a tax system depends on the individual income level and the progressivity of the system. In joint taxation schemes, the more progressive a system is and the higher the income of the primary earner, the more likely will additional labor supply yield a relatively lower income.

#### II.4.4 Summary of dimensions

For the purpose of examining the change of work/care policies the following dimensions will be investigated (see also Table 1 for an overview):

- Maternity and parental leave: both total duration and the period for which loss of earnings is financially compensated, payment level, which may vary from a flat rate amount to earnings-related benefit, and the gender division of entitlement to parental leave.
- Flexible working time: the right to reduce working time in order to care for children and the conditions that apply to the entitlement.
- Childcare services: the availability of childcare provided to children aged below 3, the flexibility of childcare facilities in terms of opening hours, their cost to users and their quality.
- Child allowances: Basis of entitlement: household means-test or universality
- Type of taxation: Separate or joint taxation and the option of income splitting for married partners.

Table 1: Dimensions of work/care policy change

Core program	Program characteristic	Definition
Maternity leave	Duration of leave	Weeks of benefit payable for fully insured mother (before + after childbirth)
	Single replacement rate	After tax benefit for a mother divided by previous earnings
	Eligibility criteria	Is previous (e.g. health care) insurance or employment required to qualify for benefit or citizenship/residency?
Parental leave	Duration of leave	Weeks of guaranteed saving of workplace / weeks of guaranteed job return for fully insured parent
	Duration of paid leave	Weeks of benefit payable for fully insured parent
	Single replacement rate	After tax benefit for a parent divided by previous earnings
	Gender division	Weeks reserved for fathers
Flexible working time	Entitlement	The right to reduce working hours
	Full social rights	Does part-time work include the rights and benefits associated with full-time employment?
Childcare services	Coverage rate	Percentage of children aged under three provided with a place (no. of places/no. of children aged <3)
	Membership category	Social right for a child or requirements concerning the employment situation of parents
	Flexibility of service	Number of opening hours per day
	Affordability	Fees in % of average wage
	Quality of services	Child-to-staff ratio for children <3
Transfers	Basis of taxation	The basis of taxation for a couple: separate or joint
	Entitlement to child allowances	Entitlement based on a means-test or universally available

Source: Own compilation.

### III. Work/care policies and how they have changed over time

#### III.1 Time: leave regulations and working time flexibility

##### III.1.1 Regulations for parents to use leave for childcare

*Leave facilities* are an important element of work/care policies, particularly when children are very young. They must be differentiated between *maternity*, *paternity* and *parental leave*. As the terms indicate, the first two programs are about sex-specific rights while the third concerns both parents. While the introduction of the first maternity leave schemes dates back around the turn of the 19<sup>th</sup> century

when, in the context of industrialization, some European governments<sup>13</sup> introduced unpaid leaves for mothers for reasons of health and children's well-being, paternity and parental leave have a more recent history.

In all countries under examination maternity leave is available to all officially working women for a comparatively short period (a few months) and is paid at a high rate (cf. Table A.9 in the Appendix). Paternity leave not only is more recent, it is also less widespread. In some countries, e.g. Italy, it has long been possible in exceptional circumstances (e.g. serious illness or death of the mother) to pass unused periods of maternity leave to fathers, but fathers as such are not entitled to a leave around the birth of a child. More recently, in some countries fathers are allowed to take off some days around the time of birth in the name of gender equality in parenthood and of acknowledging some care responsibilities also to fathers. Where such a scheme exists, the period is usually two weeks at most (European Commission 2005; Moss and Korintus 2008: 79ff.).

Due to the EU directive 96/34/EC<sup>14</sup>, parental leave is now granted in all countries in the study and open both to mothers and fathers. Yet, countries differ with respect to the payment which parents may receive during this leave. In some countries, parents are entitled to a – more or less generous – earnings-related benefit. In others, parental leave may be either unpaid or paid at a low flat rate. Moreover, the leave may either be an individual right or a family right. In the first case, both the father and the mother have an individual non-transferable right. In the second case, it is left to the partners to choose which of them uses the leave (cf. below for further discussion).

The following Figure 1 gives an overview of the cross-country differences and the development over time of both maternity and parental leave provisions.<sup>15</sup>

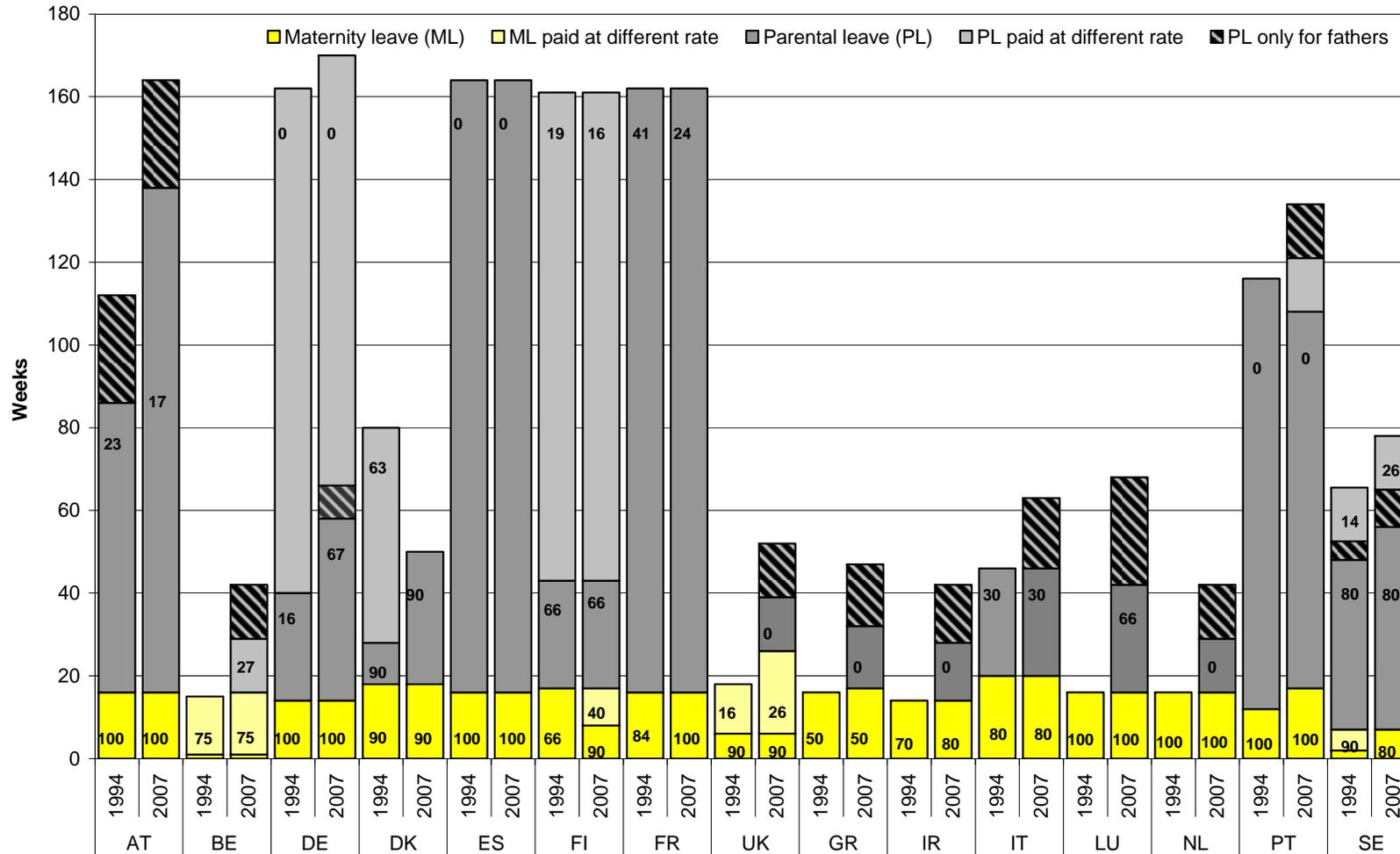
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<sup>13</sup> The first (unpaid) scheme was introduced in Switzerland in 1877, Germany followed in 1878 and Austria in 1884 (Gauthier 1996: 51f.).

<sup>14</sup> Directive 96/34/EC has set minimum standards regarding the duration (three months after the birth of a child for both female and male employees) and recommended to include rules regarding flexible use and the continuation of social security contributions. The entitlement might be dependent on previous work experience.

<sup>15</sup> As paternity leave is used mainly simultaneously to maternity leave and thus does not prolong the overall duration of leave, we do not consider paternity leave in our indicator.

Figure 1: Maternity and parental leave provisions, 1994 and 2007



Notes: The bars show the entitlement to leave in weeks. The yellow parts of the bars are weeks dedicated only to the mother (maternity leave) and the grey bars illustrate the maximum of parental leave in weeks. Shaded parts of the bars indicate the share of parental leave which is dedicated to the father only. The numbers in the bars present the replacement rate of the payment allocated to the beneficiary. Both maternity and parental leave are separated if replacement rates differ within the entitlement. The parental leave replacement rate always refers to the shaded part which indicates the father's share of parental leave, too. Taking Finland in 2007 as an example, the figure demonstrates that Finnish mothers are entitled to a 17 weeks' duration of maternity leave of which the first 8 weeks are remunerated by 90% and the remaining 9 weeks by 40% of previous wage. The ensuing parental leave may be taken for 144 weeks of which the carer in the first 31 weeks is entitled to 66% of previous wage and receives on average 16% of previous wage in the remaining 113 weeks. The total number of weeks in which mothers may be on leave sums up to 161 weeks.

In some countries the monthly benefit is designed as an earnings-related wage replacement, in others parents receive a flat rate. In the latter cases I calculated a replacement rate by dividing the flat rate amount by net average monthly earnings of a single person (data provided by the European Data Service).

Note that in France only parents of a second child are entitled to parental leave.

Source: see sources of Appendix Tables A9 and A10

Maternity leave provisions have hardly changed over the period of observation, but for the progressive inclusion (also due to the EU directive) of workers who before were not entitled to a leave, such as some kind of part timers and self employed. The length varies between 7 weeks in Sweden and 26 weeks in the United Kingdom. Countries differ with respect to the division of this time before and after childbirth, i.e. some countries oblige mothers to stop working two months before childbirth, others leave it to the mother to decide when to use the leave (cf. Table A.9 in the Appendix). Mothers are granted an earnings-related payment which amounts to between 66 per cent (in Finland) and 100 per cent of previous wages.

Parental leave regulations vary substantially between the countries both in terms of duration and payment. Before the EU directive 96/34/EC was approved, there were several countries without any parental leave regulation: the Benelux states, United Kingdom and Ireland. Except for Luxembourg, these countries together with Greece are also the ones with the least generous provision after the implementation of the directive. Each parent may go on leave for 13 (or 14 in the case of Ireland) weeks, but will not be remunerated. Only in Belgium parents are entitled to a flat rate sum that amounts to about one third of the previous wage. Another cluster of countries is that where a long leave combined with low payment is granted: Austria, Spain, Finland, France and Portugal belong to this category. Germany used to be part of this cluster, too. Since it has changed the provision in 2007, however, this country moves in the direction of the third cluster, which is characterized by medium to long leave and comparably high replacement rates. Sweden is the prototype of this cluster, but also Luxembourg belongs to it. Denmark and Italy both do not fit any of the clusters: both countries allow parents a leave of equal to or less than ten months<sup>16</sup>, yet the former grants a generous payment of 100% of previous wages, while the latter remunerates only 30 per cent of previous wages and only for six months overall for the couple.

Note that countries also differ regarding the inclusion of maternity leave into the overall period. In Germany, the eight weeks of maternity leave which are reserved to the mother for the period after childbirth are subtracted from the total paid leave entitlement of mothers. German mothers are hence entitled to a total of

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<sup>16</sup> Italian parents are only entitled to six months each. If the mother uses six months and the father uses at least three months he is entitled to one more month.

52 weeks of paid leave after childbirth (8 weeks of maternity leave plus 44 weeks of parental leave). In Italy, mothers are entitled to 20 weeks of maternity leave plus additional 26 weeks of parental leave. The total paid leave for mothers differs between the two countries only by about one and a half months. But German mothers (and fathers) receive a higher compensation during parental leave (67 per cent of previous wages).

Increasingly, parental leave schemes provide incentives for fathers to take up parental leave by giving them non-transferable rights in the form of either use-or-lose portions of shareable leave or individual entitlements. In most countries, regulations were adapted following the EU Directive 96/34/EC (cf. footnote 14). Parental leave is a family entitlement, i.e. to be divided between parents as they choose, in Austria, Denmark, France, Finland, Italy and Spain. An individual entitlement is granted in Belgium, Greece, Ireland, the Netherlands, Luxembourg, and the United Kingdom. In Italy, parents may share the leave, and the total duration may not exceed 10 months – except when a father uses at least three months. In this case, he is entitled to an additional month and the maximum time increases to 11 months. In Sweden and Germany (as of 2007) the total leave period can be shared between the parents, except for a reserved period of two months for each parent which is lost if not used. In order to increase the incentive to use at least the reserved period, the Swedish and German leave is comparatively highly paid (cf. Figure 1 above).

Another condition for making leaves supportive of an early return to employment, thus reducing career penalties, is the possibility to combine the leave with part-time employment. Countries such as Belgium, Germany and France do not oblige parents to take up parental leave on a full-time basis. French parents are permitted to work up to 80 per cent of full working hours and German and Belgian parents may take up leave on a half-time basis. Italian parents may take the leave in bits and pieces, even a day at the time, thus configuring a sort of vertical part time.

In order to estimate the impact of leaves on mother's labor force participation one should have data on take-up rates, but information on this is scarce. As a substitute, Plantenga and Siegel (2004) developed an indicator of 'effective' parental leave by weighing the duration of parental leave by the level of

payment. The underlying assumption is that the take-up of leave will increase with the payment level (Plantenga and Siegel 2004; European Commission 2005). It is a questionable indicator, though, because a long leave with low benefits may add up to the same number of 'effective' parental leave weeks as a shorter duration with a high pay. Take-up will however differ between the two cases, and, from a mother's career chances' standpoint, the latter case would be more favorable. Another problem concerns Plantenga's and Siegel's reference to the minimum wage when calculating the replacement rates, since, particularly in countries where the minimum wage is very low, it may present as generous measures that are actually well below average wages (Saraceno and Keck 2010).

According to the literature, a leave promotes gender equality in work and care, while granting the child adequate parental time, when it has the following characteristics: a duration of about 12 months<sup>17</sup> and a compensation of at least 2/3 of previous wage (Waldfogel 1997; Gornick and Meyers 2003; Ziefle 2004). Hence, I developed a measure to mirror the theoretically 'most effective parental leave' in terms of mothers' employment more adequately (for technical details cf. Blome and Müller 2009). It assumes an 'optimal duration' of between 48 and 56 weeks including maternity leave and is weighted according to the pay the parents receive. Both shorter and longer leave regulations are penalized because they are either insufficient or imply adverse lock-in effects. The 'penalty' for shorter-than-optimal durations is the larger the smaller the duration and the replacement rate is. For longer-than-optimal leave regulations the penalty increases with the duration and the replacement rate. The indicator is shown in the following table for each country and three points in time. The higher its value the more the parental leave scheme supports the dual-earner model and in any case mothers' labour market attachment. Thus, a theoretical value of 1 would imply an optimal duration and a 100 per cent replacement rate.

The table demonstrates the countries' differences in their approaches, but also illustrates the, sometime substantial, changes in parental leave provision that have taken place in a number of countries. Looking at the development of the mean, we find the general tendency of convergence towards the dual-earner support.

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<sup>17</sup> This length is also acknowledged as optimal for children's well-being according to Galtry and Callister's review of research on the effects of parental leave (Galtry and Callister 2005).

Table 2: Empirical values for leave indicator (and rank order)

Country	1995		2000		2007		1995-2007	
	Value	Rank	Value	Rank	Value	rank	change	rank
Austria	0.40	(5)	0.43	(5)	0.33	(9)	-0.07	(15)
Belgium	0.25	(11)	0.34	(8)	0.34	(8)	0.09	(4)
Germany	0.31	(8)	0.33	(10)	0.75	(2)	0.44	(1)
Denmark	0.61	(2)	0.59	(3)	0.90	(1)	0.29	(3)
Spain	0.28	(10)	0.28	(11)	0.28	(11)	0.00	(14)
Finland	0.40	(5)	0.41	(6)	0.41	(6)	0.01	(9)
France	0.30	(9)	0.33	(10)	0.31	(10)	0.01	(9)
United Kingdom	0.16	(15)	0.15	(15)	0.23	(13)	0.07	(5)
Greece	0.17	(14)	0.17	(14)	0.17	(15)	0.00	(14)
Ireland	0.21	(13)	0.21	(13)	0.24	(12)	0.03	(6)
Italy	0.52	(3)	0.52	(4)	0.52	(5)	0.00	(14)
Luxembourg	0.35	(7)	0.76	(1)	0.72	(3)	0.37	(2)
Netherlands	0.35	(7)	0.35	(7)	0.35	(7)	0.00	(14)
Portugal	0.21	(13)	0.21	(13)	0.21	(14)	0.00	(14)
Sweden	0.69	(1)	0.68	(2)	0.70	(4)	0.01	(9)
Mean	0.35		0.38		0.45		0.10	

Source: Cf. sources to tables A9 and A10 in the Appendix; own calculations.

In 2007, the most 'effective' leave regulation is found in Denmark, followed by Sweden and Germany, while countries like the United Kingdom, Ireland and Spain are the least supportive of working mothers. Not all countries have changed towards the dual-earner model, however. Instead, a turn in the other direction has been chosen by Finland when the government introduced an additional minimally remunerated care leave of 133 weeks to allow one parent to care for his/her child at home. In Denmark, on the other hand, the additional care leave that existed until 2002 was abolished.

### III.1.2 Flexible working-time arrangements

Flexible working-time arrangements, such as part-time work, but also individualized flexible working hours, are another important condition for men and women to reconcile employment and care work. The European Union once again played a role by stipulating the principle of non-discrimination of part-time work in terms of working conditions in the EU part-time directive 97/81/EC

(Leiber 2005). Often part-time arrangements are settled at the level of the firm, but some countries have national legislation. According to a report by the European Commission (2005), two forms of part-time<sup>18</sup> legislation can be distinguished with regard to the right of workers to ask for it: legislation that applies to all employees and legislation that focuses specifically on working parents. Only Germany and the Netherlands fall under the first category. Since the 2000 reform, German employees who worked for at least 6 months in a firm with no less than 15 employees have the right to request a part-time job. A similar right has been enacted in the Netherlands in 2000. Here, workers in firms with at least 10 employees may ask to reduce working hours (cf. for more details Bosch et al. 2008; Lewis 2009). In Denmark, a law was enacted in 2002 making sections of collective agreements unlawful if they in any way were obstacles to the creation of part-time jobs (Lind and Rasmussen 2008). Interestingly, in Sweden, one of the countries with the highest part-time employment rates, employees do not have a statutory right to reduce working hours.

Five other countries introduced legislation that gives working parents the right to reduce their working hours. They differ as regards the target group and the period for which they might ask for part-time work. In Austria, parents of children born after 1 July 2004 have a right to work part-time until the child reaches the age of 7 and the right to return to full-time work thereafter. It is limited to companies with at least 20 employees, however, and the applicant must have been employed with the same employer for at least 3 years. In Greece, the age limit of the child is 4 and a working mother (or father if she does not make use of it) is entitled to work two hours less per day until the child turns 2 and one hour less when children are between 2 and 4 years old. Finnish parents may request part-time work until their children have completed second school year; in Portugal, parents of children up to age 12 may make use of part-time work, and in the United Kingdom, parents with a child under six years of age, who have at least 26 weeks service with their current employer, can request flexible work (European Commission 2005). Italian parents of newborn babies may take two hours of a day

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<sup>18</sup> In the European context, it is important to keep in mind the cross-country differences in what constitutes part-time. The official definition as put forward by the ILO or Eurostat is that "part-time employees are persons whose usual hours of work are less than the normal working hours" (<http://stats.oecd.org/glossary/detail.asp?ID=1863>, access date 10 July 2009). Yet, part-time workers in Sweden might be employed for 30 hours a week while in Germany or the Netherlands a part-time worker might work less than 20 hours a week.

for “feeding the child” until this turns 1. In addition, workers in shift work may be exempted from night shift if they have a child under 3.

Other countries are worth mentioning because they have introduced innovative working-time arrangements such as the career-break scheme in Belgium. The basic idea of the measure is that every employee – with the consent of his or her employer – can reduce working time (or stop) for a certain period of time. However, the right to reduce to part-time or the complete suspension is granted for only one year over the whole career.<sup>19</sup> An extension is possible only by a collective labor agreement.

Another important element is the degree to which part-time work includes the rights and benefits associated with full-time employment. This has been excluded explicitly from the scope of the EU Directive, even though it recommended this practice.<sup>20</sup> Moreover, it is obvious that the right to reduce working time should be accompanied with the right to go back to full-time employment – otherwise one could not call it a flexible working time arrangement. However, there are countries where this is not the case.<sup>21</sup>

Italy is another interesting case. Here, a law concerning part-time work already existed since 1984. Yet the law (*legge 863/1984*) was inspired by a negative evaluation of part-time work and aimed at protecting workers against this atypical form of employment. For example, it allowed collective agreements to determine caps for the share of part-time workers in a company, or prohibited overtime hours for part-time workers. In 2000, a decree-law (*decreto legislativo 61/2000*) abandoned these rules and introduced short-term financial incentives to recruit

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<sup>19</sup> A 1/5<sup>th</sup> working-time reduction with duration of 5 years over the whole career is also available.

<sup>20</sup> Research has shown, however, that there are partly significant differences between full-time and part-time wages. Bardasi and Gornick (2008) investigated female part- and full-time workers in six OECD countries, and found a part-time wage penalty of 11.5 percent in Canada, 20.8 percent in the US and Italy, 10 percent in UK, and 9 percent in Germany, along with a 2.7 percent advantage in Sweden.

<sup>21</sup> After parental leave, German parents are entitled to return to a full-time position (Cf. <http://www.bmfsfj.de/bmfsfj/generator/BMFSFJ/Service/rechner,did=16318.html>, access date: 03.11.2009). In Sweden, even though a right to part-time employment does not exist, the government has proposed a bill in 2006 about a right to full-time employment, not least in reaction to findings that pointed to the rather high share of involuntary part-time working women (cf. Hellmark 2006). The bill was not approved.

employees on a part-time basis. Moreover, the principle of non-discrimination was included in a broader sense than prescribed by the Directive and included similar rights with respect to social security and access to vocational training (Leiber 2005).

In sum, the crucial question is how to promote the expansion of part-time work in a way which is not to the detriment of career prospects and offers adequate social protection. Our country sample does not include any country that fulfills all requirements. Germany and the Netherlands may, however, be singled out for providing a universal right to work reduced hours, even though in the case of Germany this entitlement is not accompanied by the right to return to a full-time job (except for parents who work part time while on parental leave).

### III.1.3 Summary of the comparative account of parental leave and flexible working time arrangements

The overview of leave regulations and working time arrangements has confirmed the varied picture in our fifteen countries. There is seemingly no correlation between countries that support the dual-earner model via the leave scheme and those that have quality part-time provisions. The exception is Germany. Here we find some consistency, even though it is striking that the apparently high support for working mothers is not accompanied by the right to increase working hours after a period of part-time work.

## III.2 Services: the provision of childcare

There is a wide variety of care options for the under-3s. Rostgaard (2000: 9f.) differentiates among (1) group care in centres with full-time services provided during normal work hours, such as the day nurseries<sup>22</sup>; (2) play groups<sup>23</sup>, which are often set up outside the educational system for children between 2 to compulsory school age. Children attend part of the day, sometimes only a few days of the week. Some are set up so that parents or other carers are obliged to

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<sup>22</sup> National terms for day nurseries are e.g. Vuggestue (DK), Krippe (DE), Escuela Infantil 0-3 (ES), Crèche collective (FR), Asilo nido (IT).

<sup>23</sup> National terms for play groups are e.g. Deltidsgruppe/Öppna förskolar (SE), Playgroup (UK), Peuterspeelzaal (NL).

stay there with the child; (3) care not organised in centres but at the child's or carer's home, such as family day care<sup>24</sup>. Most family day carers take care of more than one child, normally 3-5 children, operating on a full day schedule. In recent years, a number of countries have conceptualized and integrated this third kind of care solution as part of the national day care system (e.g. the French concept of *assistantes maternelles* and the German *Tagesmutter*). Note, however, that due to differences in legal regulations and competencies, the availability, affordability and quality of publicly provided childcare institutions may vary across regions within a country.

### III.2.1 Availability: coverage rates and flexibility of public institutions

To capture the availability of publicly provided or financed childcare, coverage rates are calculated by dividing the number of available places by the number of children of the relevant age group. As previously noted, this kind of data is hard to obtain. Moreover, it is possible that the public care situation in a country is over- or underestimated because countries sometimes additionally report market-based forms of childcare, while they on the other hand not always report all relevant public care forms, e.g. the use of family day care. The situation is further complicated by the fact that the definition of "public" provision of childcare is not always clear. Some countries directly finance childcare services, others fund programs for employers or tax measures for parents; others subsidize privately provided services; some provide all of these forms of subsidies (European Commission's Expert Group on Gender and Employment Issues (EGGE) 2009).

Countries also differ in whether they publish data on places available or enrolment rates. This makes a difference when a significant proportion of places are part-time: counting children attending will tend to overstate by implication the volume of available places. An additional difficulty is that enrolment rates might overestimate the time children spend in the facilities. As it is exemplified by Eurostat (2004: 29), "[...]whereas in Italy, data on childcare facilities relate to children enrolled, in Belgium, in both the French and Flemish Communities, data

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<sup>24</sup> National terms for family day care are e.g. Child minder (UK), Dagpleje (DK), Familedaghem (SE), Tagesmutter/Pflegenester (DE), Crèche Familiale (FR), Assistante maternelle (FR), Gastouder (NL), Ama (PT), Perhepäivähoito/Kolmiperhehoito (FI).

relate to all children who attend the childcare arrangement for at least one day during the year. This means that in Belgium more children who attended facilities only occasionally during the year are likely to be counted than in Italy.”

Since the 2000s, national statistics throughout Europe increasingly put an effort in providing reliable and comparable data on childcare. Still, however, the cross-country and time comparison should be handled with caution. The use of the available data requires a conversion to common standards in order to compare nation-specific constellations of childcare arrangements (cf. the variety of facilities above). In 2003, the European Survey on Income and Living Conditions (EU-Silc) survey was launched. This survey, which is by now conducted in all EU member states, provides comparable annual data on the use of formal childcare services “defined as pre-school or equivalent, compulsory education, centre-based services outside school hours, a collective crèche or another day-care centre, including family day-care organised/controlled by a public or private structure” (European Commission’s Expert Group on Gender and Employment Issues (EGGE) 2009: 29). Most studies on childcare rely on this source. Yet, as the definition shows, the figures entail all forms of childcare, do not distinguish between public, publicly financed and private care, are based neither on enrolment nor on coverage, but on survey data, collected for different purposes (and therefore involving estimate problems and large deviation standards). Therefore they provide neither a reliable estimate of enrolment nor a reliable comparative indicator of each state’s effort in providing for childcare.

The following table illustrates the development of coverage rates for children aged 0-3 in fifteen European welfare states based on national statistics. Note, that the comparability leaves much to be desired.<sup>25</sup> Whenever possible, data on the number of publicly provided places are reported. Where this data is not available, despite the above-mentioned shortcomings survey data on the use of childcare (EU-Silc) will be drawn upon.<sup>26</sup> The main difference between 1994 and

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<sup>25</sup> In some cases, international statistics provided by the EU or the OECD were drawn upon. However, these reports also use national sources, and are sometimes not coherent with each other, for example whether to provide coverage or enrolment rates. I therefore prefer national statistics if available.

<sup>26</sup> In order to test the validity of EU-Silc data for conclusions about the public provision of childcare places, I cross-checked EU-Silc data and data provided by national statistics for those countries I have information of both sources. Except for two cases (Austria and

2000 and 2006 lies in the inclusion of family day care in the later data. In some cases, it is therefore not clear whether we really see an expansion or whether the increase is owed to differences in what is included.

Table 3: *The development of child care coverage rates for the age group 0-3<sup>1</sup> (1994-2006)*

Country	1994	2000	2006	Change
Austria	3.0	7.7	10.8	7.8
Belgium	30.0	30.0	30.0	0.0
Germany	7.5	10.0	13.7 <sup>5</sup>	5.2
Denmark	48.0	64.0	63.0	15.0
Spain	5.5	8.9	18.7	13.2
Finland	21.0	22.0	26.0	5.0
France	23.0	43.0	45.0	22.0
United Kingdom	2.0	26 <sup>3</sup>	33.0	31.0
Greece	3.0	3.0	10.0	7.0
Ireland	2.0	15.0	18.0	16.0
Italy	6.0	7.4	11.4	3.9
Luxembourg	<sup>2</sup>	14.2	22.0	-
Netherlands	8.0	9.5 <sup>4</sup>	16.5 <sup>4</sup>	7.0
Portugal	12.0	12.0	33.0	11.0
Sweden	41.0	41.0	42.2	1.2

Notes: 1- Number of publicly provided/subsidized places as percent of children in the age group 0-3 years; 2- data not available; 3- England only; 4- for children under 4 years; 5- German childcare statistics changed in 2006. Coverage rates are no longer reported, but enrolment rates. In addition, the figure now includes child minders.

Sources: For 1994 data: Randall (2000), the figure for Italy refers to 1991, for Belgium, Ireland, Greece, France, Portugal and the UK to 1993. The source for Germany is Statistisches Bundesamt (2004), for Sweden Skolverket (2005), and for Spain the Instituto Nacional de Estadística (2010).

For 2000 data: Germany and Greece (OECD 2001); France (Eurostat 2004), Austria (Statistik Austria 2011), Spain (Instituto Nacional de Estadística 2011), figures for Belgium, Portugal, Finland (Eurostat 2004) and Ireland (OECD 2008a) refer to 2001, the Netherlands (Centraal Bureau voor de Statistiek 2006), figures for Denmark and United Kingdom refer to 1998 (OECD 2001); Italy (Fortunati 2002), Luxembourg (Service central de la statistique et des études économique (STATEC) Luxembourg 2010).

For 2006 data: Denmark (Danmarks statistik 2007); France (Bailleau 2008); Greece, Finland, Ireland, Portugal and United Kingdom (EU-Silc) the Netherlands (Centraal Bureau voor de Statistiek 2008), Belgium (Meulders and O'Dorchai 2008), Spain (Instituto Nacional de Estadística 2010), Sweden (Skolverket 2010); Austria (Statistik Austria 2011) and Italy (Istituto degli Innocenti di Firenze 2009).

France), EU-Silc always gave about 10 percentage points higher figures. This makes sense because EU-Silc also includes information on the use of privately organized childcare places. In two cases, the difference between national statistics and EU-Silc was more than 20 percentage points. In the one case, the Netherlands, many children attend playgroups (cf. below) together with their parents, who obviously are not able to be gainfully employed at the same time.

With all their limitations, the figures in Table 3 give an impression of the development between 1994 and 2006. In 1994, there was a sharp divide between countries that provided many places for children under 3 (Nordic countries and France and Belgium) and German-speaking, Southern European as well as Anglo-Saxon countries, where less than 10 percent of infants and toddlers were in a public childcare institution (except for Portugal). More than 10 years later, the situation has changed. First, we witness an overall increase in coverage rates. There is however still variation separating Northwestern from Continental-Southern European countries. Austria, Germany, Luxembourg, Greece and Italy still provide comparably few places. On the other hand, United Kingdom, the Netherlands, Portugal and Spain have considerably increased their provision.

As Kamerman and Kahn (1981: 120) pointed out, childcare facilities do not constitute a realistic choice unless they are quantitatively sufficient, well distributed geographically, and accessible to all population groups. We take from Table 3 that the first condition is not met by all nations. Moreover, there are huge within-country differences. In general, more urbanized areas provide more places than more rural areas, but there is also substantial variation between the regions. For instance, in Germany coverage rates range from 2 per cent in many West German states to up to 56 per cent in the East German Saxony-Anhalt. Also in France, a wide spectrum exists and even in Sweden access to childcare depends, though to a much lower degree, upon the region a family lives in. Childcare provision in Italy is comparatively low almost anywhere, but particularly so in the South, where it is similar to most South-West German states (Blome et al. 2009: 220).

Countries differ in the commitment to childcare as a social right. Only in three countries do parents have a guaranteed place for each under 3 years old child. In Finland, all children starting from the age of 10 months have a right to a childcare place since 1990; in Sweden since 2001, children who are older than one year and whose parents study, are (un)employed or on parental leave have a right to be cared for in a daycare facility<sup>27</sup>; Danish children aged 9 months to 6 years are

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<sup>27</sup> Before 2001, only children of working or studying parents were entitled to a childcare place (Skolverket 2000).

entitled to a place in a daycare facility.<sup>28</sup> The fact that enrolment is far from 100 per cent suggests that not all parents decide to put their child(ren) into public facilities, but find other care solutions.<sup>29</sup> In 2008, Germany adopted a law that introduced a care right for children who are older than 12 months, to be implemented from 2013 onwards.

Countries also vary in terms of opening hours. In some countries, childcare institutions open only half-day or interrupt during lunch. In others, children attend childcare institutions just some days of the week. Needless to say, this situation merely encourages the take-up of part-time employment. Opening hours' data on care services for 0 to 3 years old children is hardly available. We therefore have to rely on information on pre-primary education which is provided by Eurybase (European Commission 2009). The following Table 4 illustrates the situation in 2007/2008. Estimating the change over time is unfortunately not possible. The numbers refer to the average hours of operation of a facility. This should not be mistaken for the actual daily caring time, but rather be understood as a measure of flexibility.

In the majority of European countries, public services generally provide extensive opening hours that take account of the needs of working parents. Full-day provision (including morning and afternoon sessions) is the norm in the Nordic countries, Belgium, Spain, France, Italy, and Portugal. Some countries offer only part-time subsidized provision or close during lunch. This is the case in Germany, Luxembourg, Ireland, the Netherlands and United Kingdom. In the latter cases, parents bear the costs for additional care services privately, or, as it often happens in Germany and Luxembourg, rely on the extended family.<sup>30</sup>

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<sup>28</sup> In Denmark, the age threshold for access to childcare was increased from 6 to 9 months in 2005. As of 1998, the admission to a place is no longer based on a concrete assessment of (employment) needs, but it is rather stated that all children have equal access.

<sup>29</sup> That not 100% coverage is reached in those countries could be due to other factors, too. In Denmark, for example, parents who decided to take a one year leave in addition to parental leave, did not enjoy the right to a childcare place before the child turned 3 years old (Ministry of Social Affairs 2000).

<sup>30</sup> In East Germany full-day care is more common.

Table 4: Childcare flexibility

Country	Usual hours of operation <sup>1</sup>	Remarks
Austria	n.a.	Great variation between regions and facilities, the maximum opening hours are 7 a.m. to 7 p.m. Only 42% of day nurseries open until 5 p.m.
Belgium	Up to 12	At least 10 (French part) or 11 (Flemish part) consecutive hours between 6.30 am and 6.30 pm for a minimum of 220 working days a year
Germany	n.a.	Great variation between regions and facilities: generally morning sessions (4 hrs) without lunch, Only 8.3% of children between 0 and 3 years old received full-time care (more than 7 hours) in 2008
Denmark	10	Some special daycare institutions open all day and night
Spain	7	This includes lunch breaks, rest or nap periods and recreation. This timetable can be extended for reasons related to employment. Children are not allowed to remain in school for more than 9 hours per day.
Finland	full-time	
France	full-time	Great variation between institutions, <i>crèches collectives</i> open for 11 hours, <i>école maternelle</i> for 5 hours plus flexible arrangements with <i>assistantes maternelles</i>
United Kingdom	10	Minimum required by government funding: 2.5 hours/day. Day nurseries are typically open all day from 8am until 6pm. Parents (especially those in employment) may choose to pay fees in addition, so that their child can stay for longer than the 2.5 hours/day offered through government funding.
Greece	9	
Ireland	4	
Italy	8	Three weekly timetable models can be offered: minimum 25 hours service only in the morning; 40 hours service; maximum 48-49 hours service
Luxembourg	6	Usually closed for two-hour lunch and closed on Tuesday and Thursday afternoons
Netherlands	10	Regarding day nurseries, parents can only opt for blocks of 5 hours (morning and/or afternoon). Children attend play groups usually only twice a week for 2 or 3 hours each
Portugal	10-12	Minimum 8 hours
Sweden	12	

Sources: Country reports from Eurybase (European Commission 2009); Fuchs (2006), Statistisches Bundesamt (2009). Data for Luxembourg as cited in Gornick and Meyers (2003).

### III.2.2 Affordability

Parents have to pay not only for private forms of care. While free education for older children (usually from the age of 3) is guaranteed in school settings in a majority of countries, parents of younger children usually have to contribute to the fees of publicly provided or subsidized care services. Research in particular on the US and the UK have shown that costs matters for female labor supply and, thus, for the decision of parents to use childcare services (Blau and Ferber 1992; Ribar 1995; Viitanen 2005). The theoretical assumption is that since child care costs increase the mother's reservation wage, high child care costs may lead to a lower labor force participation of women with children. For Germany and Italy, such effects have also been found. Wrohlich (2004) and del Boca and Vuri (2007) show that, when subsidies to child care facilities are cut and private child care costs increase, the labor force participation rate of mothers decreases. The opposite direction, namely increasing state subsidy of child care costs, shows that labor force participation of mothers rises and average working hours increase. Parents, and particularly mothers, in fact, take into account the costs of childcare relative to the net gain from employment.

Most childcare services are (partly) subsidized<sup>31</sup>, so parents do not pay full costs. The OECD computed childcare fees for a two-year old child who attended accredited early-years care and education services in 2004. According to their calculations, the average fee for two children<sup>32</sup> amounts to about 22.1 per cent of average wage, but fees range from 7.6 per cent of the average wage in Sweden to almost 50 per cent in countries such as the United Kingdom and Ireland (cf. Table 5). Since all countries except Sweden provide some sort of subsidies or tax reliefs for parents using childcare outside of the home, I also report *net* childcare costs for parents. This indicator is calculated by subtracting any childcare benefit, rebate

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<sup>31</sup> There are basically two ways to subsidize childcare services and countries can differ in the weight they put on either way: support provided directly to families and allowing them to choose the types of childcare services they will purchase, or subsidies provided to various approved service providers. An example of demand-side subsidies are tax credits or vouchers; an example of supply side subsidies are subsidies provided to private producers who meet certain specific requirements, e.g. aspects of quality (Cleveland and Krashinsky 2004).

<sup>32</sup> Fees are the gross amounts charged to parents of two children (aged two and three), for one month of full-time care, i.e. after any subsidies paid to the provider but before any childcare-related benefits for parents. Average wage refers to the gross earnings of an average worker (AW) as calculated by the OECD (OECD 2007b: 186ff.).

and tax reduction from the fee. Table 5 reports net childcare costs in relation to the average wage (column 3) and for dual full time earners with an overall wage income at 167 per cent of the average wage (column 4).

Table 5: *Childcare costs and affordability, 2004*

Country	Childcare fees <sup>1</sup>	Net childcare costs <sup>2</sup>	Childcare costs in % of the family net income <sup>3</sup>
Austria	19.1	19.1	14.9
Belgium	31.6	4.7	4.2
Germany	16.0	9.1	8.4
Denmark	11.4	8.4	7.8
Spain	n.a.	n.a.	n.a.
Finland	9.2	9.2	7.2
France	16.8	14.8	11.3
United Kingdom	47.8	43.1	32.7
Greece	8.9	6.6	4.7
Ireland	49.6	44.6	29.2
Italy	n.a.	n.a.	n.a.
Luxembourg	19.1	8.5	5.7
Netherlands	22.7	13.5	11.5
Portugal	27.8	5.9	4.2
Sweden	7.6	7.6	6.2

Notes: 1- For two children attending accredited care services, in % of average wage; 2- Out-of-pocket childcare cost for two children attending accredited care services, in % of net average wage. Childcare benefits, rebates and tax reductions are deducted; 3- Out-of-pocket childcare cost for a two-earner couple who earns 167% of average income and use full time care for two children aged two and three. The family net income is the sum of gross earnings plus cash benefits minus taxes and social contributions.

Source: OECD (2007b)

Unfortunately, OECD data for Italy is not available. From a study by del Boca and Vuri (2007) we take that the costs of public child care depend on family size, family income, and family composition, since – in public provided or subsidized services – it is defined on the basis of a sliding scale. Furthermore, fees vary enormously across municipalities, thus national averages are meaningless. In the Northern Italian city Monza, parents who earn 23300 Euro per year<sup>33</sup> have to

<sup>33</sup> This is a rather low household income, though. The OECD calculation of the average wage of a single person is 22662 Euro in 2005 (OECD 2007b). When there are two earners, income is higher and therefore also the fee is substantially higher (and it is more difficult to get a place in a public service).

pay 172, 30 Euro per month for a public childcare institution (504 Euro for a private institution and 1120 Euro for an individual child minder). This is about 9 per cent of the parents' income (Sabatinelli 2007; Toto 2007). But the proportion increases almost three times in the case of attendance to a private service.

For dual-earner couples, average net childcare costs amount to about one tenth of their average earnings. In most countries, parents receive some form of subsidy. In those cases, net childcare costs go down. The saving for parents can be estimated by looking at the difference between column 1 and column 2. The level of difference depends on the country-specific policies with respect to tax reductions and childcare benefits or rebates. In countries where these direct or indirect transfers do not exist, or are very reduced (Austria; Denmark, Finland, France, Greece, Sweden), and fees are high, there is no incentive for a second earner to take up employment and it is difficult also for a single parent (mother) to do so, although lone mothers in many countries receive additional subsidies either in the form of lower fee or in that of higher transfers. As a result of a combination of high fees and low care-linked transfers, in Ireland and the United Kingdom parents have to spend about one third of their earnings to buy care services, followed at a distance by Austria with 14 per cent.

In Germany, parents may deduct costs of childcare from their taxable income. As of 2006, dual-earner and working lone parents of children aged 0-14 can deduct two thirds of the costs up to the limit of 4000 Euro per year. This applies also to single breadwinner families, but only for 3 to 6 year old children. In Italy it is possible to deduct from taxable income only up to 360 euros for documented childcare costs (Sabatinelli 2007).

### III.2.3 Quality

Quality of care is important for parents. The extent to which parents engage in the labour market arguably depends on their trust in the care that their children are receiving.<sup>34</sup> Generally, good quality care is composed of a favorable child-to-

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<sup>34</sup> Trust in the quality of childcare is one important factor for the engagement of parents in employment. Another factor refers to acceptability, that is, the question whether children should be cared for in a public institution or by a child minder at all. Parents who think that children under school age suffer when their mother is working will not put their children in childcare, no matter how good the quality might be.

staff ratio, i.e. how many children are cared for by one caregiver, well-trained personnel in terms of education and empathy, and curriculum design (Gornick and Meyers 2003; OECD 2007a). However, these dimensions and in particular their change over time are particularly difficult to measure. It is, for example, tricky to determine what exactly empathy constitutes of. Curriculum objectives, on the other hand, likely depend on the embeddedness of childcare institutions in the education system. Countries that focus on early childhood education, i.e. where institutions are part of the national schooling system and overseen by the national Ministry of Education will have a different focus than countries with a predominantly pedagogical orientation of care services.<sup>35</sup>

For comparative purposes the only meaningful indicator left is child-to-staff ratios that give a quantitative indication of the carer's time and attention available for each child. For the illustration of this data I have to rely on secondary sources that unfortunately do not provide detailed information on the calculation of the indicator. It is not always clear

- whether the figure reflects the number of persons who are engaged in caring for children aged under 3 years old or for children of all age groups,
- whether the number of persons employed in a public childcare institution reflects the number of persons who are in charge of care or includes facility managers, cooks, etc.
- which care scheme is taken into account, e.g. both day nurseries and family day care

The following Table 6 should therefore be read with caution. It provides the compilation of data collected by Gornick and Meyers (2003) for the year 2000 approximately and by the OECD for 2006. Where available, information on primary sources is reported.

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<sup>35</sup> Based on an analysis of the background reports and country notes from the OECD *Starting Strong* Project using Bennetts (2005) curriculum coding scheme, Jensen (2009) divides countries into two categories: following either a readiness-for-school-curriculum tradition or a social-pedagogical-curriculum tradition. Examples of the former tradition which is characterized by an emphasis on focused cognitive goals; for example, mathematical development, language and literacy skills are Belgium, France, Ireland, Italy, the Netherlands, Portugal and the United Kingdom. Examples following the social-pedagogical-curriculum tradition characterized by an emphasis on overall development including social competence and emotional well-being are Austria, Denmark, Finland, Germany and Sweden.

Table 6: Child-to-staff-ratio for children under the age of three, approximately 2000 and 2006

Country	Approx. 2000	Approx. 2006
Austria	n.a.	8.7:1 <sup>2</sup>
Belgium	7:1	7:1
Germany	Generally, 3:1 <sup>1</sup>	n.a.
Denmark	Ranges from 3:1 (crèches) to 6:1 (age-integrated centres)	3.3:1
Spain	n.a.	n.a.
Finland	Ranges from 4:1 or 5:1	4:1
France	Ranges from 3:1 in family day care to 8:1 in day nurseries	Ranges from 5:1 in family day care to 8:1 in day nurseries
United Kingdom	3:1 for youngest, 4:1 for 2-3 year olds	3:1 for youngest, 4:1 for 2-3 year olds
Greece	n.a.	n.a.
Ireland	n.a.	3:1 for youngest, 6:1 for 2-3 year olds
Italy	n.a.	7:1
Luxembourg	6:1	n.a.
Netherlands	4:1 for youngest, 6:1 for 2-3 year olds	4:1 for youngest, 6:1 for 2-3 year olds
Portugal	n.a.	11:1 <sup>3</sup>
Sweden	varies locally, on avg. 6:1	5.5:1

Notes: 1- Own calculations based on the child and youth services statistics (Kinder- und Jugendhilfestatistik) 2002 result in a child-to-staff-ratio of 3.8:1. However, it was only possible to calculate the ratio for those institutions that concentrated on children aged under three. Other institutions which provide care services for both children under and over three years of age are not included. Moreover, in this statistics only available places are reported, not the number of enrolled children. It might be that – due to the usual provision of part-time places in Germany – the number of places underestimates the real care situation. In 2006 the statistical definition changed. As of 2006, number of enrolled children are reported; 2- Age range 0-5; 3- Age range 0-6.

Source: Gornick and Meyers (2003), OECD Family database

Despite all data uncertainties, the figures in Table 6 provide a hint about cross-national variation. Due to the rather poor data situation, a comparison over time is difficult. For those countries where data is available, the child-to-staff ratio seems unchanged. One care worker per three children can be found in Denmark, the UK and Ireland (but only for the youngest) only. A rather high ratio of more than 7:1 is found in Austria, Belgium, France, Portugal and Italy (note, however, that the figures for Austria and Portugal refer to a different age range).

#### IV.2.4 A comparative overview of childcare

We see a rather mixed picture of the childcare situation and development in the fifteen European welfare states:

1. The scope of publicly provided or subsidized childcare provision has increased over the last 12 years, yet there are still cross-country differences: While countries such as Portugal, Spain, Ireland and the United Kingdom provide more places than in 1994, Austria, Germany, Greece and Italy still come in last. Moreover, at least in Austria and Germany, the institutions often open only for a couple of hours during the day. One should however keep in mind the German government's decision to ensure a right to a childcare place for children aged 0-3 from 2013 on. Here we should expect a considerable increase in coverage rates in the next couple of years.
2. Childcare is affordable in most of the countries. For dual-earner couples, average net childcare costs amount to about one tenth of their average earnings. In high-cost countries such as Ireland and the United Kingdom or in those where the relief through taxes and benefits is not as high (e.g. Austria; Germany, Denmark, Finland), second earners might be however rather discouraged from taking up employment. Furthermore, where public or publicly subsidized childcare is scarce, the price of market services may be too high for low income families/women, worsening the trade-off between working and caring full time.
3. Childcare quality, measured as child-to-staff ratio, also varies between the countries. A rather high ratio of more than 7:1 is found in Belgium, France and Italy, a low ratio exists in Denmark, the UK and Ireland.

I argued above that full-time, low-cost and good-quality childcare places for children aged under 3 are the ingredients of a broad support of mothers working. This constellation is found only in Denmark, Sweden and to some degree also in France, Belgium and Finland. Missing data for the situation in the beginning of the 1990s do not allow assessing the intensity and direction of overall change. Taking into account only coverage rates, we see a change towards supporting mothers working in Spain, United Kingdom and Portugal (and Germany because of the new law).

### III.3 Money: Child allowances and type of taxation

#### III.3.1 Child allowances

Child allowances are a periodical payment to a household with dependent children to help with the cost of raising children. Contrary to parental leave benefits, child allowances are in general paid for many years and until the child reaches a certain age, i.e. between 16 and 18 years in most countries (with higher age thresholds for children in education, military service, etc.). The benefit is not designed as a wage replacement or the like, but rather as a compensation for the additional costs which come up when raising a child. In most countries, child allowances aim at balancing inequalities between families with and without children. There are cross-country differences in terms of level and degree of universality. As noted in section II.4.3, child allowances based on a household means-test may reinforce a high marginal tax rate for a second earner and thus present an adverse incentive for mothers to take up employment.

Three of the fifteen countries follow a different approach than the rest regarding child support. In Italy, a 'household allowance' (*assegno per il nucleo familiare*) was established in 1988, which is an entirely means-tested measure for low-income households. As part of the social security scheme, this allowance is limited to dependent employees and pensioners. In addition, it is targeted to households both with and without children. Due to the means-test in this country, child allowances for a dual-earner family add up to only a very small amount and many dual-earner households do not get it at all. Also Portugal and Spain employ a means-test for child allowances, reserving them to poor households. Germany and Greece, on the other hand, have abolished the means-test they had applied to child allowances in 1990. In 2005, a new scheme, in addition to the universal child allowance and the substitutive tax deduction, and based on a household income-test was introduced in Germany (*Kinderzuschlag*). It aims at preventing low income working parents from having to apply for unemployment benefit or social welfare benefits only because of the maintenance of their children. This scheme intends to uphold the benefit of staying in employment rather than applying for social assistance.

### III.3.2 Tax system

Earnings are an important part of the incentive for mothers to work, yet their influence is mediated by tax policies. Taxation of families can be separate or joint. In a joint taxation system, usually a quotient is applied, i.e. the taxable income is the sum of the incomes divided by a factor. This form of “income splitting” exists in Germany, Portugal and in France. In Germany, the quotient is two, independent of how many people live in a household<sup>36</sup>, while in France the number of household members is taken into account. In addition, it makes a difference whether employees have to pay social security contributions or whether social security is tax-financed. In the first case, since social security contributions are generally based on individual, not the household income, any additional income (up to a ceiling) will induce additional payments to the government. In the case of a tax-financed social security system, by contrast, tax exemptions for children may apply and reduce the overall burden.

Since the beginning of the 1990s, national taxation schemes have not changed fundamentally (except for Belgium, cf. Table 7). More essential changes have taken place before the 1990s when the Nordic countries, Italy, Austria and the Netherlands switched from joint to separate taxation. As pointed out in section II.4.3., joint taxation is associated with a reduced incentive for the partner with lower earnings to increase earnings because s/he will be faced with higher marginal tax rates under a progressive taxation scheme (OECD 2001). This effect can be reinforced in the case of income splitting, particularly when there is a substantial income unbalance between partners.

It has to be noted that while the systems in Italy, Austria and the Netherlands are classified as separate taxation systems, they provide a number of family-based tax measures. The Italian tax system, for instance, allows a tax credit for dependent spouses who earn an income below a certain limit. Together with the type of taxation (joint or separate) these additional benefits explain why in most EU countries a second income is effectively taxed more heavily than the income of primary or single earners even in countries with separate taxation (Dingeldey 2000; Jaumotte 2003).

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<sup>36</sup> Portugal only allows unrestricted income splitting if the second earner earns at least 5 % of total household income. The pure male-breadwinner model is thus not supported.

Table 7: Type of taxation system 1990-2007

Country	1990	1999	2006
Austria	Separate	Separate	Separate
Belgium	Joint	Separate	Separate
Germany	Joint	Joint	Joint
Denmark	Separate	Separate	Separate
Spain	Optional	Separate (Joint)	Optional (Joint)
Finland	Separate	Separate	Separate
France	Joint	Joint	Joint
United Kingdom	Separate	Separate	Separate
Greece	Separate	Separate	Separate
Ireland	Joint	Optional/Joint	Optional/Joint
Italy	Separate	Separate	Separate
Luxembourg	Joint	Joint	Joint
Netherlands	Separate	Separate	Separate
Portugal	Joint	Joint	Joint
Sweden	Separate	Separate	Separate

Sources: OECD (2001; 2008b)

One way to illustrate the extent to which the state benefits families and encourages a certain family model is to compare the payments to the state as a percentage of gross earnings of a couple with two children with different earning compositions; one following the male-breadwinner model, the other following the dual-earner one. Table 8 shows the tax and social security contribution rates for these household types and the difference in payments between the two models. .

Table 8: Average payments to government in per cent of gross household earnings, at different earning distributions of couples with two children with income equal to 200% of average worker earnings, 2001 and 2008

Country	2001					2008					
	Male-breadwinner family (1)		Dual-earner family (2)		Difference in net transfers to government: male-breadwinner and dual-earner couples <sup>1</sup>	Male-breadwinner family (1)		Dual-earner family (2)		Difference in net transfers to government: male-breadwinner and dual-earner couples <sup>1</sup>	
	Income tax	Social security	Income tax	Social security		Income tax	Social security	Income tax	Social security		
					((1-2)/1)*100						
Belgium	30.3	14.1	28.9	14.0	3.2	31.0	14.0	27.3	14.0	8.4	
Denmark	38.8	10.6	32.1	12.2	10.4	37.9	9.5	30.1	10.9	13.2	
Germany	16.8	14.1	16.2	20.5	-19.2	16.9	13.5	16.3	20.4	-20.6	
Ireland	22.4	4.1	17.9	5.2	13.0	21.6	4.3	13.6	5.3	26.8	
Greece	7.8	15.9	0.3	15.9	31.6	12.0	13.7	1.7	16.0	31.2	
Spain	15.6	5.1	12.0	6.4	11.1	16.9	5.0	10.9	6.4	21.1	
France	13.0	11.4	12.7	13.5	-7.2	12.2	12.9	12.1	13.7	-2.6	
Italy	23.9	9.4	17.7	9.2	19.3	26.1	9.7	17.8	9.5	24.0	
Luxembourg	14.2	11.7	10.9	11.7	13.0	16.2	12.1	13.5	12.1	9.8	
Netherlands	28.8	8.3	10.5	20.0	17.8	31.6	11.6	15.7	21.9	13.2	
Austria	22.9	13.5	13.3	18.1	13.7	24.8	12.8	15.9	18.1	9.6	
Portugal	12.5	11.0	9.5	11.0	12.8	13.4	11.0	10.8	11.0	10.6	
Finland	35.6	6.6	27.1	6.6	20.2	34.0	6.3	25.4	6.3	21.3	
Sweden	39.0	3.8	25.4	7.0	24.4	38.8	3.8	24.0	7.0	27.3	
United Kingdom	25.8	5.8	16.3	8.3	22.4	26.0	6.1	16.4	9.2	20.2	

Notes: The male-breadwinner family is defined as a couple with two children and with one income of 200 percent of the average wage (AW). The dual-earner family also has two children, and two incomes of 100 percent of AW each. 1- The percentage change of total payments (tax and social security contributions) from male-breadwinner to dual-earner model.

Sources: OECD Social and Welfare Statistics, accessed on 28 June 2011 (<http://stats.oecd.org/Index.aspx>)

Three findings should be highlighted:

- There are huge cross-country differences in the amount of total payments families have to pay to the state, ranging, for example, in 2008 from about 22 per cent in Spain to almost 50 per cent in Denmark for a male-breadwinner family.
- Dual-earner couples where the partners equally contribute to the family's income, pay less taxes than couples in which only one of the partners earns this income in all countries, except Germany and France. This is due to the splitting systems in these two countries, which redistribute the taxable income among family members. It can also be ascribed to the social security system which applies contribution ceilings for high incomes, i.e. any additional income above the ceiling is not liable to social security contributions. Hence, a couple in which only one partner has a considerable income benefits both from the tax and from the social security system. This is different in the other countries, and the equal share of incomes pays off particularly in the Nordic countries Sweden and Finland, but also in Italy and Greece
- The situation has not changed much between 2001 and 2008. In most countries, the difference in net transfers has become larger which means that dual-earner couples increasingly pay less taxes and social security contributions than male-breadwinner families. However, the figures are rather small and we cannot speak of a trend toward a privilege of dual-earner couples.

The table however also demonstrates that the simple assumption that separate taxation is associated with higher incentives for a second income and vice versa does not hold. Belgium, which changed its taxation scheme in the 1990s towards separate taxation, charges one of the highest tax and social security contribution payments (similarly to Denmark). On the other hand, joint taxation does not automatically lead to a discouragement of a second earner, as the example of Portugal shows. Other factors such as the progressivity of the taxation scheme need to be taken into account.

### III.3.3 Money: a comparative overview

The fifteen European welfare states show a mixed picture of their support through monetary benefits. This area is also that which has experienced the least change over time. A change may be observed only in Belgium, which switched from joint to separate taxation, in such a way, however, as to not offset the tax penalty for the second income, and in Germany and Greece where the means-test for the child allowance was abolished.

Monetary benefits seem the policy that has the least impact on work/care arrangements and strategies. In particular, the impact appears to be not neutral with regard to the option between the male-breadwinner and the dual-earner arrangement only in presence of household means-tested child allowances and of a taxation system that substantially increases the tax rate for a second income. Both factors might be an adverse incentive for taking up a second, particularly full, income, thus supporting the male-breadwinner or also the one-and-a-half-earner model. On the contrary, the majority of the countries in the sample appear to have a combined system of universal child allowances and tax system, that, at the same level of household income, is more favorable to couples where partners not only both work, but earn the same income.

## IV. Trend towards the dual-earner model, but differences in reform tempo and intensity

Work/care policies in Europe is a field which is characterized by a wide variety in the design and scope of the instruments. Not only do countries pursue quite different ways, but the most recent assessment of the situation in the years 2007 and 2008 shows also that there is never any absolute coherence between policies within a country. Except for Sweden, we find no systematically coherent dual-earner or male-breadwinner support model. Rather, the countries prioritize certain instruments - e.g. income transfers rather than taxation - over others, apparently irrespective of the specific goal they have with regard to work/care arrangements. This makes it very difficult to cluster them.

When we look at how the policies have developed over time, however, we observe a trend towards supporting the dual-earner model. Changes have taken

place both in time policies and childcare services that increasingly encourage both partners in a couple to be in paid employment – or better encourage wives and mothers to be in work, at least part time, assuming that men are already there. Only the monetary benefits lag behind. These are, however, not the most relevant items for the reconciliation of work and care. Countries differ, however, with respect both to the extent to which they support the reconciliation of work and care for families and the reform pace.

- a. The most active countries in our time period are Germany and Denmark. In both countries, in part substantial reforms towards the dual-earner model have been enacted. The two countries however differ greatly in the starting point. The dual-earner model prevailed in Denmark already before the 1990s, and public support for it was extended in the observation period. In Germany, by contrast, the system shift was more radical. Starting from a strong (West-German) policy orientation favorable to the male-breadwinner model, the new parental leave scheme and support of early childcare shifted the focus towards supporting dual-earner households and working mothers. A full transformation to the dual-earner model is prevented by the maintenance of the taxation scheme.
- b. Small to moderate changes have taken place in most of the remaining countries such as Belgium, Spain, United Kingdom, Ireland, Luxembourg, the Netherlands, and Portugal. In these countries, steps were taken towards the dual-earner model, or at least a tendency towards it can be revealed. For these countries, the most reform-resistant policy area is the parental leave regulation, while in part substantial efforts were put into the expansion of childcare services.
- c. A third category is composed of countries where hardly any change occurred at all. Yet, one must differentiate between countries with a rather high base level with regard to policies supporting the dual-earner model - i.e. where substantial reforms might not have been necessary (France and Sweden) – and countries where a change would be vital if the aim were to support dual-earner households and particularly working mothers: Italy and Greece. The latter countries leave room for action, in particular when it comes to the

most important instruments: leave regulations and childcare services.

- d. Fourth, there are countries with an incomplete transformation. These are countries which have extended dual-earner oriented policies but also pursued an adverse direction in one or more policy areas, i.e. which have enacted reforms that are more supportive of the male-breadwinner model. Austria and Finland belong to this category. Both countries have introduced measures in the parental leave scheme that encourage the gender-specific and long use of time out of employment. At the same time Austria invested into childcare places and both countries introduced flexible working hours for parents.

While there is a trend towards supporting the dual-earner or at least the one-and-a-half-earner model, much less accentuated, if at all, is the trend towards the dual-earner/dual-carer model. Wives and mothers are expected and encouraged to enter the labor market to a much larger degree than fathers are encouraged to enter the area of child care. Although there have been innovation in this field, with the de-gendering of parental leave and, in some country, the introduction of specific incentives for fathers to take up some parental leave, this innovation, although symbolically important, is much more reduced in scope. Here, too, cross country differences may be found, with countries which strongly incentive fathers, while others assume a neutral stance.

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## Appendix

Table A.9: *Maternity leave regulations 1994, 2000 and 2007*

Country	Duration, weeks before + after childbirth <sup>1</sup>			Single replacement rate (in %) <sup>2</sup>		
	1994	2000	2007	1994	2000	2007
Austria	8+8	8+8	8+8	100	100	100
Belgium	(1+6)+8	(1+6)+8	(1+5)+9	(82+75)+75	(82+75)+75	(82+75)+75
Germany	6+8	6+8	6+8	100	100	100
Denmark	4+14	4+14	4+14	90	90	90
Spain	16	16	16	100	100	100
Finland	5+12	5+12	5+(3+9)	66 <sup>3</sup>	66 <sup>3</sup>	90+(90+40)
France	6+10	6+10	6+10	84	100	100
United Kingdom	(6+5)+7	6+8	6+20	(90+20)+20	(90+26)	(90+26)
Greece	8+6	8+8	8+9	50	50	50
Ireland	4+10	4+10	2+12	70	70	80
Italy	8+12	8+12	8+12	80	80	80
Luxembourg	8+8	8+8	8+8	100	100	100
Netherlands	16	4+12	4+12	100	100	100
Portugal	4+8	4+12	5+12	100	100	100
Sweden	7+0	7+0	7+0	80	80	80

Notes: 1- Figures in brackets indicate different payments during the phase before or after childbirth. For example, during the first month in Belgium 82% of previous income is paid, but in the remaining 14 weeks only 75%. 2- In those cases where a flat rate amount is granted, we converted the amount into a replacement rate by dividing the flat rate amount by net average monthly earnings of a single person. Data provided by the European Data Service. 3- According to the European Commission (2005), the entitlement varies between 42 and 82 percent; beneficiaries receive on average 66%.

Sources: European Commission (1995; 2000; 2007), European Data Service  
[http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/earnings/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/earnings/database), accessed July 2009.



Table A.10: Parental leave regulations 1994, 2000 and 2007

Country	Duration, weeks for mothers + fathers <sup>4</sup>			Single replacement rate (in %) <sup>5</sup>		
	1994	2000	2007	1994	2000	2007
Austria	70+26	70+26	122+26	23	25	21
Belgium	0	13+13	13+13	n.a.	34	27
Germany	26+122	26+122	44+9+95	16+0	18+0	67+67+0
Denmark	10+52	10+52	32	90+63	90+54	90
Spain	148	148	148	0	0	0
Finland	26+118	26+118	26+118	66+19	66+17	66+16
France	146	146	146	41	30	24
United Kingdom	0	13+13	13+13	0	0	0
Greece	0	13+13	15+15	0	0	0
Ireland	0	14+14	14+14	0	0	0
Italy	26	26	26+13	30	30	30
Luxembourg	0	26+26	26+26	0	73	66
Netherlands	0	13+13	13+13	0	0	0
Portugal	104	104	13+13+91	0	0	0
Sweden	41+4+13	41+4+4	41+8+13+9	80+80+14	80+80+12	80+80+26+0

Notes: 1- Including the wives and other dependents of insured men. 2- Including the self-employed. 3- Only for employees who work in firms with more than 100 employees. 4- Excluding maternity (and paternity) leave weeks. Father's weeks are italicized. 5- Replacement rates are either stated by law or were calculated by the author by dividing the flat rate amount by the average wage (AW) of a single worker, data provided by the European Data Service.

Sources: European Commission 1995, 2000, 2007; Social Security Worldwide <http://www-ssw.issa.int/sswen/lpext.dll?f=templates&fn=main-hit-h.htm&2.0>, accessed July 2009; European Data Service [http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/earnings/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/earnings/database), accessed July 2009.



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