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*Joris Ghysels & Wim Van Lancker*



University of Antwerp  
Herman Deleeck Centre for Social Policy  
Sint-Jacobstraat 2  
B – 2000 Antwerp  
fax +32 (0)3 265 57 98



The unequal benefits of family activation: an analysis of the social distribution of family policy among families with young children

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### **ABSTRACT**

In the last decades, measures to reconcile work and family life arose in response to new societal needs stemming from the generalization of dual earnership. However, dual earnership has not been adopted evenly across various social groups in European societies. Consequently, concerns about the distribution of the benefit of those policies arise: does this new orientation entail a loss of redistributive power of the welfare state? We address this question by focussing on the interaction of three types of family measures and their overall distributional effect in Europe with the Belgian region of Flanders as case in point. We develop a fine-grained analysis to reveal the budgetary impact of the variation in use and generosity, and find that the redistributive effect of child benefits is largely undone by subsidized childcare and parental leave benefits. As such, our analysis supports concern about a reduction of the redistributive character of the 'new' welfare state.

Keywords: social distribution, family policy, childcare, parental leave, child benefits, dual earnership

Corresponding author:

Joris Ghysels  
Herman Deleeck Centre for Social Policy  
Faculty of Political and Social Sciences  
University of Antwerp  
Sint-Jacobstraat 2 – B-2000 Antwerp (Belgium)  
[Joris.Ghysels@ua.ac.be](mailto:Joris.Ghysels@ua.ac.be)

## 1. Introduction

Family policy is a field where the growing concern for paid employment has been particularly well-advertised over the past decades. During the twentieth century, most of the policy measures taken were merely income oriented and had no activation element whatsoever. Montanari (2000) and Ferrarini (2006) have extensively documented how western welfare states crafted a variable combination of direct benefits and tax deductions to make society share in the monetary costs of child upbringing. In the last decades of the twentieth century these passive measures were complemented by measures to reconcile work and family life. The latter were a response to new needs in society stemming from the generalization of dual earnership (Bonoli, 2005). However, it has also been documented elsewhere (Cantillon et al., 2001) that dual earnership has not been adopted evenly across various groups in society. Especially among the low skilled dual earnership is relatively rare in most European countries.

Consequently, the growing interest in new and more active policy measures regarding families gives rise to some concern about the distribution of their benefit. If social policy is increasingly oriented towards dual earner families and distinct categories of the population are not belonging to this category, does the new orientation entail a loss of distributional power of the welfare state? In this article, we address this question in a twofold way. First, we illustrate the uneven use of various measures of family policy in Europe. We elaborate on childcare service use and complement the cross-national comparison with a brief overview of figures on parental leave and child benefits. In a second part of the analysis, we go beyond a simple comparison of policy access and elaborate on the distribution of public funds. We develop a fine-grained analysis for the Belgian region of Flanders to illustrate the interaction between family measures and their overall distributional effect and discuss potential lessons for others EU member states.

Finally, two more clarifications apply. First, we limit our empirical analysis to families with at least one child below three. We do so to obtain cross-national comparisons between relatively homogeneous groups. Starting at the age of three, the role of the educational system becomes very diverse in European countries and a reliable reconstruction of the use of public funds much more complex. Second, we focus in our analysis on no more than three policy measures (public support for childcare services, parental leave benefits and child benefits). Obviously, family policy entails much more than these and especially the income tax system may play an important role in the support of families with children. Yet, the interplay between taxes and benefits has already been documented, as we mentioned above, and, moreover, our focus is on the relative importance of 'new' and 'old' policy measures for which the three examples at hand are perfectly suited, as the results below will show.

## 2. Theoretical considerations

The theoretical starting point of this article is the concern, expressed by Esping-Andersen, that “taken together, globalization, new technologies and the service economy seem to herald one inescapable necessity: less equality” (Esping-Andersen, 1999: 96). The responsiveness of social policy to the new social needs stemming from the generalization of dual earnership and the massive entrance of women in the labour market led to the recalibration of welfare states (Hemerijck, 2009). Policies to reconcile paid work with family obligations were developed or further expanded and, consequently, a shift in social expenditures from ‘old’ to ‘new’ policy measures took place. We hypothesize that these newly developed policies entail a loss of distributional power of the welfare state for two reasons. First, policies addressing new social needs are more service-oriented and it has been shown earlier that services are less redistributive than cash transfers (Esping-Andersen and Myles, 2009). Second, these policies are often installed to enable both men and women to engage in paid labour (Cantillon, 2010). Taking childcare for example, it is quite obvious that childcare provisions will benefit first and foremost those already participating in the labour market. As such it can be expected that middle and higher incomes will be the greater beneficiaries.

Within sociology and social policy research, the discussion of new social needs (often coined ‘new social risks’) and its associated policy shift started to gain attention in the late nineties and has nowadays become an important research topic (Esping-Andersen 1999; Taylor-Gooby 2004; Bonoli 2005; Huber and Stephens 2007). However, only few empirical studies have considered these topics with quantitative data (e.g. Tepe and Vanhuysse, 2010; Ray et al., 2010) and the relationship with growing (income) inequality has been disregarded altogether.

The standard approach to measuring welfare state redistribution is to compare the income distribution before and after taxes and transfers (e.g. Kakwani 1986; Korpi and Palme 1998; Bradley et al., 2003). However, this approach is not very useful in the case of new social policies because it is difficult to take into account the role of services (Esping-Andersen & Myles, 2009)<sup>1</sup>. Few attempts have included broad categories of services and assigned a per capita value across households as if the use is equal across societies (Marical et al., 2008). Others have applied recent OECD disaggregated macro-level expenditure data to assess the shifting share of government efforts for specific policy domains, such as family policies (Castles, 2009). However, because we explicitly expect the use of new social policies to be socially differentiated, both approaches are inadequate.

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<sup>1</sup> More broader problems with the ‘standard approach’ have been identified, such as the counter-factual problem: to really estimate redistribution we would need to juxtapose the current distribution to a ‘blank’ distribution that was unaffected by social policy to avoid behavioural effects. See Esping-Andersen and Myles (2009) for further reading.

Instead, to assess the genuine distributional effect of family policies, detailed data on government spending (including tax deductions) for these policies is essential together with its allocation among households. The gathering of such data is however very complex and time-consuming and certainly not available for a European comparative exercise. Our article thus explores rather uncharted territory and enhances current knowledge by combining a broad and comprehensive overview of the social distribution of family policy in a large number of European countries complemented with a detailed study of the distributional effect of government spending for family policy for the Belgian region of Flanders. If government spending for these policy measures is disproportionately allocated to middle and higher income families, and thus biased against the lower incomes, we indeed have reasons for concern about the impact of family policies on the redistributive capacity of the welfare state.

### **3. The context: a three-some of work-family policies in EU countries**

In this first part of our analysis, we sketch the context in which our discussion of the social distribution of government efforts takes place and take a European perspective as the reconciliation of work and family has been a major topic on the European social agenda since the formulation of the Lisbon targets in 2000. In doing so, we picture an overview of the use of three types of family policy measures: childcare services, parental leave and child benefits. We are particularly interested in the social gradient of its use, because we hypothesise that its distribution is unequal.

#### **3.1. Childcare**

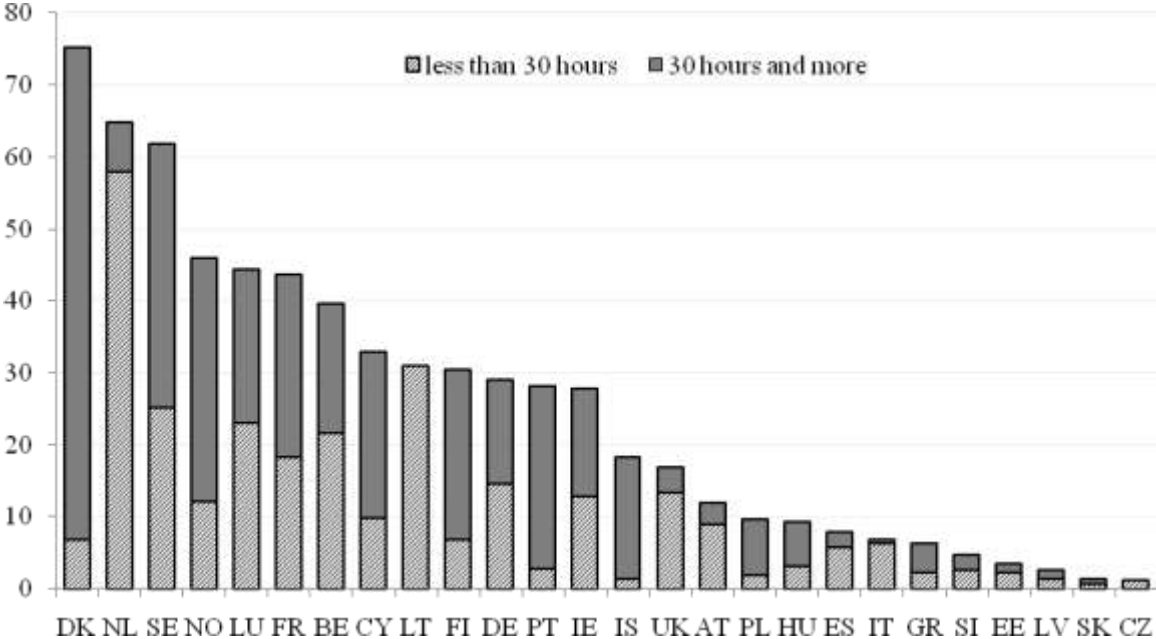
In 2002, at the EU-summit in Barcelona, member states adopted the following targets: "Member States should remove disincentives to female labour force participation and strive (..) to provide childcare by 2010 to: at least 90% of children between 3 years old and mandatory school age and at least 33% of children under 3 years of age" (European Council, 2002). As women are still the principal caregivers in European families, childcare is not only seen as an instrument to boost female employment and a means to reach the Lisbon agenda, but also a solution for the work-family conflict and a means to foster gender equality (Lewis, Campbell and Huerta, 2008). Furthermore, the Barcelona targets explicitly mention the existence of national patterns of childcare provision, pointing to a very diverse picture of European care arrangements.

However, it is unclear which social groups profit the most from the provision of formal childcare provisions. We therefore take a closer look at the social distribution of the use of formal childcare services in European member states based on recent EU-SILC data. When analyzing childcare

patterns in Europe, it is not enough to look at the figures of formal provisions alone. The choice for a certain set of care arrangements is a complex one, not only based on the availability and affordability of care services but also on the availability of informal care possibilities and family policies such as leave schemes. For instance, long periods of paid leave reduce the need for extensive childcare coverage and vice versa: leave schemes and preschool childcare provision can be seen as communicating vessels and should be taken into account simultaneously with employment patterns. Furthermore, it is easy to understand that if informal care is available, the odds are higher that less formal care will be used. In this manner, it is also important to take account of the historical legacy of family ideologies and the prevailing views on 'good mothering' in different countries.

Before embarking on a discussion of the descriptive results, some methodological issues have to be clarified. First, we make a distinction between formal care (which can be public or private) and informal care because the former is in most European countries in one way or the other subsidized by the government (by means of direct subsidies, income related parental fees, vouchers, tax credits et cetera). Formal childcare arrangements concern childcare at centre-based services, at day-care centres and by a professional child-minder while pre-school education is excluded. Informal care concerns all forms of care by grandparents, friends and relatives. Second, we do not measure the number of pre-school *children* in formal care services, but the number of *households* with at least one pre-school child using formal care because we are primarily interested in the social distribution among households. For instance, households with two young children attending childcare have the same weight as households with only one child in formal care. Third, the figures presented here concern the use of care arrangement by households with at least one child of pre-school age (0-2) whereby only the care use of the pre-school children is considered. For instance, a household with a young child not enrolled in care arrangements while an older child in the same household does receive formal care is not counted as 'using formal childcare'. Differences with official statistics thus can arise due to the methodology applied. Figure 1 summarizes the use of formal childcare services by households with a youngest child under three in Europe.

Figure 1 The use of formal childcare across European countries, household with a youngest child < 3, 2007, %



Source: EU-SILC 2007

*Prima facie*, there exists huge variation in the use of formal childcare across European countries. At the top of the list, one can find Denmark, The Netherlands and Sweden with well over 60% of the households using formal care. Norway, Luxemburg, France and Belgium follow at a distance with figures around 40%, followed by Cyprus, Lithuania, Finland, Germany, Portugal and Ireland where about 30% of households with a preschool child use formal childcare. Iceland, United Kingdom and Austria fluctuate between 10 and 20% while in the Mediterranean, the Baltic (with the exception of Lithuania) and the Eastern European countries the situation is even more “dramatic”: less than 10% of the households make use of formal care arrangements. Finally, in Slovak and Czech Republic formal care services are almost non-existent. All in all, these figures reflect the diverse childcare situation in Europe quite well<sup>2</sup>. However, as stated above, the choice for a set of care arrangements is a complex one and one has to take other elements into account to provide a full picture of childcare use in European households.

Table 1 shows the percentage of informal care use, the number of households with more than two adults living under the same roof and the employment rates for mothers with a youngest child of preschool age. In

<sup>2</sup> For some countries, however, the results seem rather odd and in contradiction with national statistics. This is due to the categorisation of formal care arrangements in the SILC survey. For instance, the figures for The Netherlands are very high but due to the inclusion of so-called playgroups into the ‘formal category’. The majority of children attending playgroups only do so for two daily periods of three hours per week which is reflected in the extremely high part-time childcare use. See Plantenga and Remery (2009) for further reading on this issue.

Sweden and Denmark, informal care is of little importance. The high number of formal (and mostly) fulltime care use in these countries reflects their commitment to guaranteed institutional care for every child since the 1960s and 70s. As a consequence, mothers with young children have high labour market participation rates. Finland followed the same egalitarian course until the introduction of a home care allowance in 1986 as a means of ensuring parental 'choice'. Cash benefits are provided for mothers who want to stay at home to care for their children. However, this "neo-familialisation" of care policies led to a drastic reduction of mothers' labour force participation and the reinforcement of gender inequalities (Mahon, 2002).

Some countries resemble each other. The continental welfare states Belgium, France and Luxemburg combine relatively high formal and informal childcare rates with high employment rates of mothers with young children whereas households in The Netherlands, Germany and United Kingdom seem to follow a part-time strategy: mothers are typically employed part-time corresponding to a high part-time use of formal childcare (Plantenga and Remery, 2009). In these countries, the development of non-parental care did not take off until the nineties, with the exception of Eastern Germany where preschool childcare was seen as a means to socialize children and to ensure full employment in line with the communist ideals. To date, a large gap between East and West continues to exist (Kreyenfeld, Spiess and Wagner, 2000). Furthermore, the pace of the developments in these countries differed considerably, given the differences in formal care use.

The Mediterranean countries behave alike, with the typical exception of Portugal. On the one hand, Spain, Greece and Italy follow a 'familialist strategy' (Naldini 2003): for the majority of households care is provided inside the family or by relatives and not within formal care structures which are underdeveloped: around 7% of the households make use of formal care in these countries. Not unexpectedly, employment rates for mothers with preschool children are rather low and fluctuate around 55% (with a majority working fulltime). On the other hand, Portugal unites Nordic-like fulltime female employment rates (almost 80%), relatively extensive formal care provisions (28%) and a fair share of informal care use (27%).



Table 1 Care arrangements in European countries, households with a child &lt; 3, 2007

Code	Country	% Non standard families *	% Formal care use for children < 3yrs			Informal care use Total	Female employment rate		
			Total	% < 30h	% +30h		Total	PT	FT
DK	Denmark	4,58	75,24	9,03	90,97	0,85	67,61	26,21	73,79
NL	The Netherlands	3,14	64,86	89,30	10,70	52,83	74,92	86,96	13,04
SE	Sweden	4,55	61,92	40,64	59,36	2,62	77,38	41,82	58,18
NO	Norway	6,45	45,99	26,17	73,83	6,96	72,50	24,91	75,09
LU	Luxemburg	6,79	44,44	51,91	48,09	33,81	66,81	49,38	50,62
FR	France	7,41	43,7	41,61	58,36	20,17	62,06	40,63	59,37
BE	Belgium	10,03	39,59	54,60	45,40	31,43	69,47	45,73	54,27
CY	Cyprus	13,59	32,89	29,83	70,17	42,73	66,94	7,96	92,04
LT	Lithuania	27,3	31,02	100	0	12,41	69,54	3,08	96,92
FI	Finland	7,26	30,39	22,37	77,63	4,1	35,44	22,14	77,86
DE	Germany	5,74	29,12	50,32	49,68	78,19	35,24	77,03	22,97
PT	Portugal	23,5	28,18	9,82	90,18	27,20	79,88	10,62	89,38
IE	Ireland	12,4	27,72	46,26	53,74	16,93	54,35	47,21	52,79
IS	Iceland	11,82	18,23	7,17	92,83	4,80	61,81	25,21	74,79
UK	United Kingdom	10,16	16,92	79,16	20,84	35,64	49,97	67,31	32,69
AT	Austria	14,89	11,9	74,62	25,38	26,74	27,28	66,60	33,40
PL	Poland	40,57	9,6	18,72	81,28	30,18	54,60	15,70	84,30
HU	Hungary	27,46	9,3	33,30	66,70	39,44	21,00	10,09	89,91
ES	Spain	11,61	7,96	40,64	59,36	23,30	56,00	26,38	73,62
IT	Italy	11,37	6,84	90,82	9,18	34,07	55,55	33,20	66,80
GR	Greece	10,9	6,38	36,17	63,83	41,49	55,95	19,36	80,64
SI	Slovenia	25,85	4,76	53,59	46,41	50,50	82,30	8,84	91,16
EE	Estonia	28,85	3,51	62,24	37,76	40,58	35,94	20,49	79,51
LV	Latvia	39,01	2,64	54,17	45,83	12,35	48,67	11,86	88,14
SK	Slovak Republic	40,81	1,39	42,24	57,76	21,88	62,15	3,97	96,03
CZ	Czech Republic	21,6	1,22	100	0	32,09	18,90	10,54	89,46

Source: EU-SILC 2007. Sorted by '% formal care use – total'.

\* Families with more than two adults living in the household.

The Central and Eastern European countries are often regarded as being homogenous. They have a historical legacy of communist rule with high female employment rates and extensive day-care provisions for preschool children (Haintrais, 2004). After the collapse of communism, it was expected that a common trend of refamilialization would be observed (Szelewa and Polakowski, 2008). However, our data points to divergence rather than convergence. Slovenia shows continuity with presocialist participation rates with more than 80% of mothers with young children (almost always fulltime) active on the labour market. However, as only 5% of households use formal care, the care responsibilities are fulfilled within the family (in 25% of the households more than two adults live under the same roof ) and by grandparents, relatives or friends (50%). Others, however, do show a return to familialization: Poland and Slovak Republic are characterized by large families, relatively low participation rates and almost no formal childcare availability. As a consequence, a fair share of the childcare is provided via informal channels. The same observations can be made in Hungary and Czech Republic, but in those countries only 20% of mothers with young children are active in the labour market. The Baltic states Estonia and Latvia behave rather similar. Almost no formal care use and very low participation rates. Young children

are taken care of at home with the help of the extended family or informal caregivers. Lithuania is a special case: more than two third of women with preschool children are full-time at work, while only one third is using part-time formal care services (and fewer households make use of informal care). This points to a greater role of the family in taking care of preschool children, reflected in the high number of non-standard families (27%).

In sum, European welfare states are characterized by diversity with regard to childcare arrangements and formal childcare use. However, the picture sketched above does not tell anything about the diversity of childcare use within the countries, i.e. the social groups using those policies. To disentangle this we divided the households in our sample into five income groups (Table 2). Overall, the pattern of care use is socially stratified: in almost all countries higher income households make far more use of formal care services than lower income households. Naturally, this findings should be interpreted in relationship with the labour market participation of the mothers in the different social groups. For instance, this is certainly the case in Belgium, where mothers living in low income households are more likely to be inactive than mothers in higher income brackets and this pattern is reflected in the social distribution of formal care use (Ghysels and Van Lancker, 2010). Nevertheless, the magnitude of the inequality in Belgium is striking: in spite of the high coverage of preschool childcare in general, 60% of the households in the highest income quintile make use of formal care services versus only 15% of the households in the lowest income quintile. Countries with similar coverage rates and unevenly distributed care use patterns are France, Finland and Ireland.

Furthermore, all countries with low rates of childcare coverage display a very unequal distribution among households with Latvia as the only exception. In contrast, Denmark and Sweden succeed in providing extensive care services while equalizing the social distribution of opportunities which reflects the inclusive childcare policies in both countries. In line with basic mathematics, equal access for all social groups has to be ensured to reach high overall levels of formal care use which is an important lesson in the light of the European ambitions set down in the Barcelona targets.

Table 2 Formal care use by income quintiles in European countries, households with a child < 3, 2007, %

Code	1	2	3	4	5	Ratio (Q5/Q1)
DK	68	76	78	87	74	1,1
NL	51	59	66	69	88	1,7
SE	63	64	68	61	53	0,8
NO	35	43	47	51	58	1,7
LU	22	26	48	41	66	2,9
FR	16	29	40	60	75	4,6
BE	15	18	42	59	61	4,0
CY	25	24	44	42	28	1,1
LT						
FI	18	20	30	46	45	2,6
DE	29	17	33	37	31	1,0
PT						
IE	8	18	23	46	48	6,4
IS	16	24	10	25	16	1,0
UK	10	5	18	26	25	2,4
AT	2	20	9	13	15	7,1
PL	3	3	5	10	23	6,8
HU	5	7	8	6	21	3,9
ES	2	5	8	8	16	8,6
IT	3	4	8	8	12	4,6
GR	1	5	2	6	17	14,5
SI	3	2	4	6	8	2,5
EE	3	2	2	0	9	3,2
LV	10	0	1	1	2	0,2
SK	0	2	0	0	5	
CZ	0	0	2	0	3	

Source: EU-SILC 2007. Cells with less than 50 observations are not shown.

Obviously, the social position of households can be measured in various ways and an evident objection against the use of income data for this kind of analysis refers to the underlying link between income, paid employment and childcare use. To the extent that employed parents rely on childcare services and that the employment of parents explains their position in the income distribution, the above table is showing the propensity to work of the parents rather than their genuine childcare use. Therefore, we add below a similar distributional analysis which uses the educational level (low, medium and high, resting on the ISCED 1997 typology) of the mother as an indicator of social position. The results are presented in Table 3 and, by and large, confirm the earlier observations of a social gradient in childcare service use: in all European countries (with the exception of Latvia), households with a higher skilled mother use more formal care than households with a lower skilled mother. Next to this, the clustering of countries turns out to be robust: countries with the highest provision of formal childcare services (Sweden and Denmark) have a very equal distribution of care use while in countries where the opposite is true

the social distribution is highly skewed towards households with a high skilled mother. The only exception to this rule of thumb is Latvia thus confirming its odd position in the ranking of European welfare states. As in the previous table, a very unequal social distribution of care use can be observed in Belgium, France, Finland and Ireland while others such as Norway, Cyprus and Luxemburg manage to distribute formal care services relatively equal among households.

Table 3 Formal care use by educational level of the mother in European countries, households with a child < 3, 2007, %

Code	Low	Medium	High	Ratio (High/Low)
DK		79	75	
NL	46	56	81	1,7
SE		64	61	
NO	38	45	52	1,4
LU	41	39	54	1,3
FR	18	38	61	3,4
BE	11	28	58	5,2
CY	31	30	36	1,1
LT		32	35	
FI	11	26	39	3,4
DE		25	37	
PT	25			
IE	11	20	48	4,4
IS	14	17	21	1,5
UK	11	13	26	2,5
AT	4	10	22	4,9
PL	3	6	21	6,8
HU	3	9	16	4,9
ES	6	6	11	2,0
IT	3	7	14	4,5
GR	0	5	12	
SI	3	5	5	1,7
EE	1	4	4	4,6
LV	8	1	3	0,3
SK		1	5	
CZ	0	0	5	

Source: EU-SILC 2007. Cells with less than 50 observations are not shown. Note: In the rare case that the educational level of the mother was not observed (mostly lone father households), the educational level of the father is used.

### **3.2. Leave schemes**

A second important aspect of EU concern for the reconciliation of work and family regards the provision of parental leave. Parental leave can be seen as a complement of childcare services, because it enables parents to engage in the care for their children themselves and thus lowers the need for external childcare services<sup>3</sup>. Nevertheless, parental leave shares with childcare service provision its orientation of activation. Leave rules foster parents' bond with the labour market by maintaining the contractual link between employers and employees even when they retreat temporarily from the labour market to take care of their children. In the descriptive analyses hereafter, we focus on paid leave because we want to reflect the use of public budgets. Yet, it should be clear that any type of remuneration is accounted for and that higher percentages do not necessarily mean higher government outlays, as the compensation rates vary greatly between countries (Jorens and Klosse, 2008; Ray et al., 2010).

The empirical data are drawn from the 2005 ad hoc module of the EU Labour Force Survey (EU-LFS). This module offers uniquely comparable information on the use of parental leave although its use also has some drawbacks. First no income data is available in the publicly available version of the EU-LFS. Therefore, our distributional analyses will be limited to the educational approach only. Second, household and child age data are not available for all countries, which limits the scope of our analyses as compared to the previous tables derived from EU-SILC. Nevertheless, the EU-LFS remains the most reliable source for cross-country comparisons of the use of parental leave opportunities, because the ad hoc module detects leave in great detail, while other data sources like EU-SILC do not reach enough detail to allow for meaningful comparisons.

Table 4 focuses on employed mothers, as they are the major users of parental leave. It maintains the country order of the former tables to facilitate comparison with the relative ranking of public childcare provisions. Unfortunately, data were only available for all countries if we widened our sample to women with at a child younger than 15. A table for the narrower sample of families with children below 3 on a selection of countries (not including Denmark, Sweden, Norway, Finland and France), however, does confirm the results of table 4. For lack of space, we omitted the table from this article.

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<sup>3</sup> However, this is not to say that parental leave regulations automatically result in lower childcare service use. If leave is taken in a part-time form, parents may still want to rely on childcare services during part of the week. To the extent that part-time parental leave motivates parents who would otherwise retreat from the labour market altogether to continue working, leave regulations may in fact stimulate the demand for childcare services rather than compress it.

Table 4 The educational distribution of remunerated parental leave among families with a working mother and at least one child below 15 (European countries, 2005)

Country	Educational level of the female partner			Ratio (High/Low)
	Low	Medium	High	
DK	3	9	13	4,8
NL	1	3	7	12,1
SE	26	36	41	1,6
NO		10	18	
FR	4	6	9	2,5
BE	3	8	9	2,9
LT		10	15	
FI	8	14	17	2,1
DE	3	6	9	2,7
PT	4	6	12	3,3
UK	2	3	4	2,0
AT	11	11	12	
PL	1	2	2	
HU	9	10	11	
ES	1	1	2	3,4
IT	5	12	13	3,0
GR	7	22	44	6,3
SI	1	4	5	
EE		7	5	
LV		9	19	
SK		4	6	
CZ	5	4	8	
RO	4	12	15	3,6

Source: EU-Labour Force Survey 2005. Cells with less than 50 observations are not shown, which causes the omission of Luxembourg in the table and of low-skilled mothers for several countries. Selection: women having a job at the moment of the interview and living together with at least one own or partner's child younger than 15. Note: Paid parental leave refers to all types of remunerated parental leave schemes, including both full-time and part-time leave and leave taken by either one or both parents during the last 12 months. No figures are shown for Bulgaria, Cyprus and Ireland, because no scheme of paid parental leave was in operation in 2005. The ratio of high to low skilled mothers is only shown if proven significant by a Bonferroni test (>99%).

The distributional picture shown in table 4 is quite homogeneous, despite the existing large differences in generosity of parental leave schemes. All significant differences between educational groups point in the same direction. Households with a low educated mother use parental leave opportunities to a lower extent than other households. As in our analysis of childcare services, a second observation also applies: some countries do not exhibit an unequal distribution at all. This is true for Austria, Hungary, Poland and Slovenia. Characteristics of the leave system do not offer an immediate explanation for the relative attractiveness of leave to low-skilled mothers in these countries, because the latter do not belong to

a homogeneous group concerning their leave scheme<sup>4</sup>. Leave is paid at a flat rate in Austria, while it covers 100% of the previous wage in Estonia, for example, or it covers a period of three years in Poland while no longer than one year in Slovenia (Jorens and Klosse, 2008).

We should reiterate that table 4 is limited to working mothers only. Hence, the well-documented educational gradient in labour force participation of mothers (Cantillon et al., 2001), is not the single driving force of the unequal distribution. On the contrary, the table reveals that even among the selective group of employed low skilled mothers, parental leave is not used to the same extent as among the high skilled (with the exceptions noted above). In analyses not shown, we enlarged the scope to all families with a child below three for those countries with data available. The incorporation of non-employed mothers did not alter the trends described above. We observed a similarly unequal distribution. Consequently, inequality in the use of parental leave is the cumulated outcome of unequal labour force participation and inequalities in the effective access to parental leave within the working population.

Compared with our analysis of the use of childcare services, Table 4 also shows that the Nordics do not always achieve equal distributions. While childcare use is hardly skewed against the low skilled in Denmark, Norway and Sweden (see Table 3), the use of parental leave clearly is.

### **3.3. Child benefits**

To finalise our European overview, we highlight in table 5 the structure of child benefits in the member states of the EU. One can immediately notice that not all countries have a universal system in place and, moreover, that even in countries who do, child benefits often vary according to the need of the family the child is living in. Benefits are typically different depending on the rank and age of the child and additional supplements are given for disabled children or single parent households. In other words, child benefit systems cover for the variable needs of children (Immervoll, Sutherland and de Vos, 2001) and can be expected to be socially redistributive or distributionally neutral, especially for the age range we are focussing on in this analysis because no effects of unequal educational participation comes into play<sup>5</sup>.

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<sup>4</sup> Jorens and Klosse (2008) build on the data gathered in MISSOC. This may not cover all the system characteristics that are relevant for the effective use of parental leave. They do not enlist requirements regarding previous work experience, for example, which may harm different educational groups in an unequal way if, as it is the case, they are not participating in the labour market to an equal extent. However, a detailed exploration of the reasons for unequal use transcends the scope of this article. We leave it for future work.

<sup>5</sup> When the educational system comes into play, child benefit systems tend to benefit the higher strata in society to a disproportional extent because of the longer educational participation of children belonging to these social strata.

Table 5 The variable structure of child benefits in European countries

Code	Universal	Variation with number of children	Variation with age of the child	Variation with income	Additional supplements
DK	•		•		•
NL	•		•		•
SE	•	•			
NO	•				•
LU	•	•	•		
FR	• <sup>A</sup>	•	•		•
BE	• <sup>B</sup>	•	•		•
CY	•	•			•
LT		•	•	•	
FI	•	•			•
DE	•	•			
PT		•	•	•	
IE	•	•			•
IS	•	•	•	•	
UK	•	•			•
AT	•	•	•		•
PL			•		
HU	•	•			•
ES			•		•
IT		•		•	
GR		•			•
SI		•		•	•
EE	•	•			•
LV	•				
SK	•				•
CZ			•		

Source: author's composition.

A: households are only eligible for child benefits if they have two children or more

B: allowances are associated with occupation status, but de facto it is a universal system with only slight differences for the self-employed

#### 4. Coupling private use to public budgets: an illustration

The above analyses suggest that the work-family reconciliation measures of more recent origin (childcare and leave systems) may have distributional effects that countervail the pro-poor or neutral design of long-standing income protection measures such as child benefits. Yet, the interaction between the measures and their overall effect cannot be derived from the separate analysis of the *use* of those measures only. For a complete picture, detailed information about the intensity of use and the corresponding private and public outlays is needed. As mentioned in the theoretical section above, such information is scarce and definitely not available for all EU member states in a comparable format. To enhance our understanding of the potential impact of elements that transcend simple measures of use, we are therefore forced to limit our geographical scope.



#### **4.1. Flanders as an illustrative case: data and method**

In the following paragraphs, we focus on one specific case, the Belgian region of Flanders (which covers about 60% of Belgian inhabitants) and develop a fine-grained analysis of the social distribution of publicly subsidized childcare services, parental leave and child benefits.

We rely on data from the Flemish Families and Care Survey (FFCS) of 2004-2005 rather than to continue with the data of the EU-SILC. The sample of the FFCS contains 1275 families with a child younger than three which allows for more precise estimates of the distribution of the relevant government outlays. In the Flemish subsample of EU-SILC only 125 families use subsidised childcare facilities which gives only four observations of care users in the lower income quintile. Evidently, projections of the distribution of public funding are not possible on such a narrow empirical basis.

The availability of a relatively large sample of families with young children was an important reason to choose Flanders as a case study in this article. Obviously results for Flanders cannot be generalised to the EU as such. Belgium, of which Flanders is the larger part and which is the base of most of its family policy, is a representative of the continental model of welfare states according to Esping-Andersen and is characterised as a state which was among the first to develop family policy by Pfenning and Bahle (2000). In the previous section we situated Belgium in a kind of upper middle group within the EU: it has a fairly well-developed formal childcare sector (table 1), a relatively large degree of inequality in childcare use (tables 2 and 3), a moderate use of parental leave with moderate inequality (table 4) and a universal system of child benefits (table 5).

In the following paragraphs we will go into some detail about the institutional characteristics of the three elements of family policy that we deal with in this article. This allows readers to contrast the results obtained for Flanders with the situation in their own country and develop working hypotheses about the potential results in other member states of the EU. Yet, we see no reason to be overly particularistic. The previous section illustrated how common the unequal distribution of the benefits of family policy is across Europe. Unless countries have, in their family policy, selective complements to the inequality producing main lines that were revealed in the tables above, it seems unlikely that they would diverge strongly from the results of reduced redistributive capacity we will derive below for Flanders. We will come back to some general lessons from the Flemish case in the concluding section of this article.

#### **4.2. Childcare**

Our analysis incorporates several system characteristics with a likely impact on the social distribution of the benefit of public childcare efforts. We take into account that in Flanders (a) not all formal childcare is

subsidized care; (b) the price parents pay for formal childcare varies with the income of their household; (c) parents are compensated for their monetary contribution through an income tax deduction; and (d) direct subsidies for childcare do not only stem from the Flemish regional budget but are supplemented by virtually all layers of government in Belgium (and even the European Union to some extent). In effect, our exercise consists of two parts. First, we compile information of the budgetary outlays of the underlying policy measures (budgetary year 2005). Second, we distribute the total budget over five income quintiles taking into account both the use or receipt of policy measures and their intensity (either number of hours or amount of the benefit).

In 2005, the federal and Flemish government spent about 130 million euros in direct subsidies on childcare for families with a child younger than three in the Flemish region through, respectively, the Fonds voor Collectieve Uitrustingen en Diensten (Fund for Collective Equipment and Services, FCUD) and Kind & Gezin (Child and Family, K&G). Besides these direct subsidies, we also have to take tax deductions for childcare into account. Microsimulation exercises with the MISIM-model provide an estimate of 61 million of government expenses for tax deductions for the year 2005. These concern tax reductions as a result of childcare expenses for children under 3 in the income year 2004 for families living in the Flemish region<sup>6</sup>. It is important to note that this includes only a portion of the actual public efforts for childcare because there exist numerous indirect expenses by other government bodies (e.g. municipalities). However, as our calculations account for more than 70% of the total public efforts for childcare (Cantillon et al., 2006), we assume that the expenses not accounted for are distributed in a similar way.

Subsequently, we divide the resulting amount of 191 million (direct subsidies and the estimated tax deductions) over the income deciles according to the childcare use of Flemish households. The allocation of direct subsidies to the households in our sample requires some additional explanation about pricing in the subsidised sector. In fact, the budget of 130 million euros reflect government subsidies to childcare providers net of parental contributions. Since the private contribution to childcare varies with the household income between €1.41 and €25.18 (per child per day), we cannot simply divide the total public budget over families but have to simulate every family's specific tariff to calculate the complementary subsidy given by the government. If families were to use subsidised childcare services to a similar extent over the whole income distribution, the distribution of public subsidies would be skewed towards the lower

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<sup>6</sup> The tax reduction related to cash expenditures for childcare services means that taxable income of the fiscal unit is reduced with the out-of-pocket costs of the childcare service, with a maximum though of €11.20 per day per child (for children younger than 3, extended to 12 years in 2006). Families who do not deduct childcare fees qualify for a lump-sum raise of the income tax exemption with €480 (for every child younger than 3 at the end of the income year).

quintiles, because in these quintiles parental contributions are relatively low and, hence, the profit of government expenditures relatively high. However, the use of public childcare is not uniformly distributed across income groups in society<sup>7</sup>. Below we will demonstrate to what extent the unequal distribution of use undoes the left-skewed distribution that we could expect from the tariff structure<sup>8</sup>.

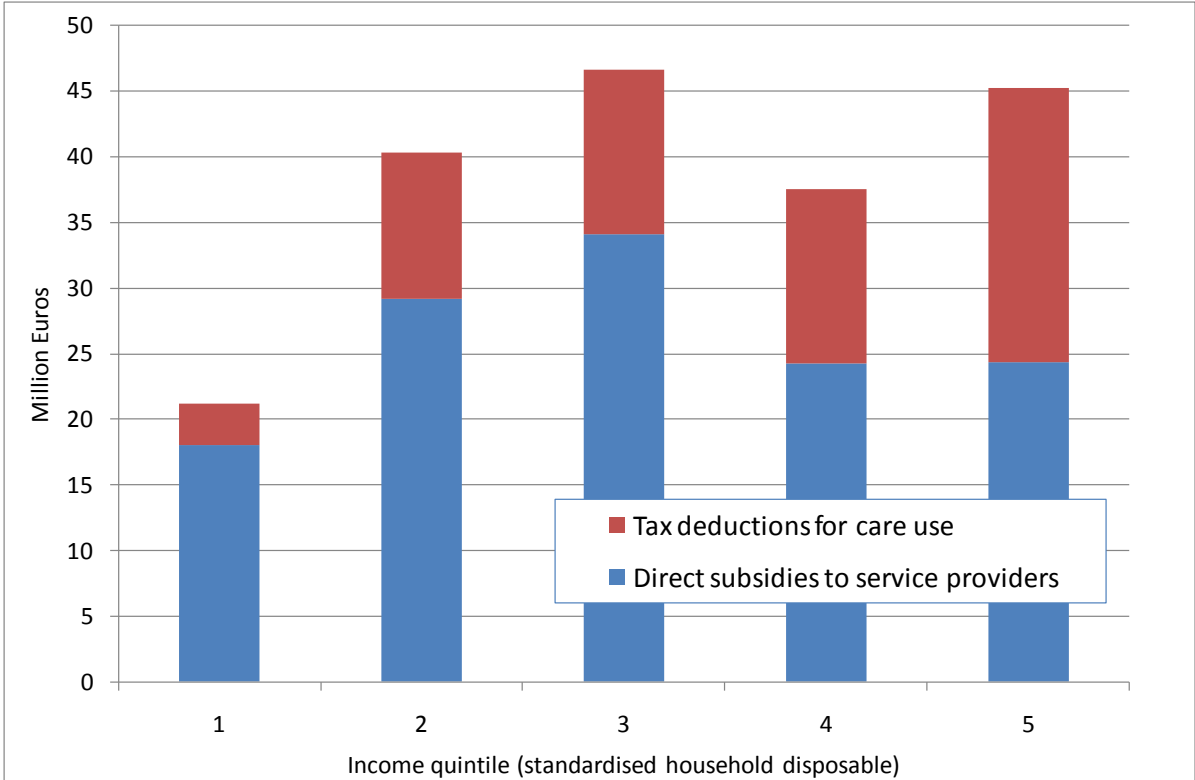
In Figure 2 we show the combined effect of direct subsidies for childcare and the private revenues from childcare tax credits. The very unequal distribution of the sum of these two sources of public childcare efforts is eye-catching. Barely half of the funds received by the higher incomes flow to the lowest quintile. This inequality can also be expressed in figures. The quintile ratio (Q5/Q1), for example, amounts to 2.1. In other words, households in the highest quintile profit more than twice as much of the public support for childcare than families from the lowest income quintile.

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<sup>7</sup> The figures of the table do not evidently apply to this section of the text because they refer to Belgium as a whole in 2007 and the latter analysis concerns only the region of Flanders in 2004. The exact distribution for Flanders is 31, 47, 63, 60 and 63%. This is overall higher than the Belgian average and especially less skewed towards the upper income strata. Nevertheless, use in the upper quintile is double as compared to the lowest quintile.

<sup>8</sup> We divide the direct subsidies according to the total number of children using subsidized care in a regular week. This results in a possible distortion of reality because it takes no account of differences in care intensity (e.g. part-time versus full-time use). Furthermore, as full-time work is relatively more common in the highest income deciles (Ghysels and Van Lancker, 2010) we can assume that not only the number of children in care is higher in the highest income regions, but also the average number of hours of care used per week. As a result, the distribution of public funds over income deciles based on the average number of children will overestimate the actual volume of care use in the lower income groups. In other words, the actual distribution will be more unequal than what our results demonstrate.

Figure 2 The social distribution of public funds for childcare services in Flanders, households with a child < 3, 2005



Source: FFCS, authors' calculations.

A second remarkable finding regards the large gains in tax credits for the highest income quintile. This reflects a combined effect of the design of the system of tax reduction and the variation of use between income groups. In Flanders (Belgium) childcare spending is deductible from the households taxable income and therefore implies a reduction at the highest marginal tariff. As a consequence, equal care use at the same price leads to a higher tax advantage for high incomes than for low incomes. In reality, higher income families use more childcare and thus combine a relative large amount of deductible days of childcare use with a reduction at the highest marginal tariff. In effect, the highest income quintile seems to undo the redistributive effect of the income related tariff structure through their tax deductions (compare the third to the fifth quintile).

This is different from households in the fourth quintile. They make plenty use of (subsidized) childcare but pay a relatively high parental contribution for those services. The latter is much less true for families in the third quintile. They enjoy the advantage of paying relatively low parental contributions combined with a high level of childcare use, which makes them the biggest beneficiaries of government efforts. Finally, the benefits from government efforts for families in the second quintile follow mainly from the low parental fees they pay. Compared to all higher quintiles, they make less use of care services but profit almost as much from government support as several higher income groups due to the high degree of subsidization of their childcare use. However, this exploration

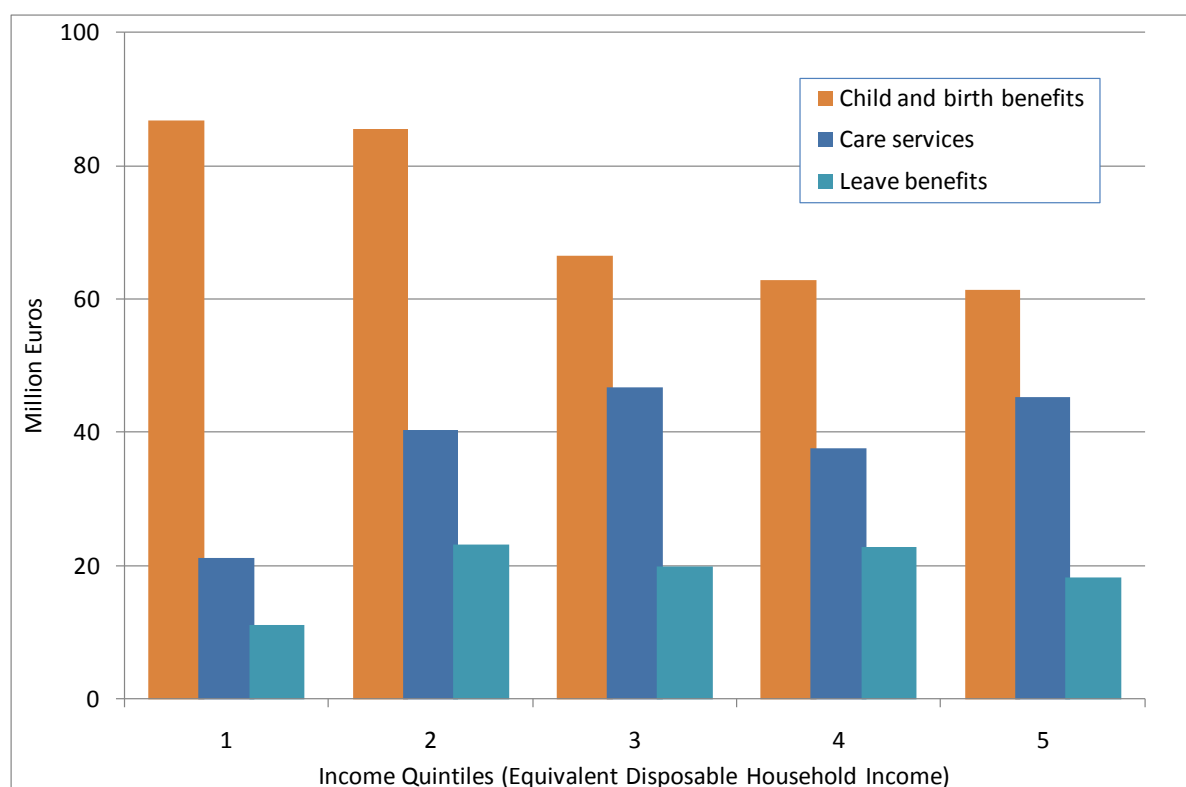
per quintile should not distract us from the most important observation: public childcare efforts are disproportionately less allocated to families in the lowest income quintile.

#### ***4.3. Child benefits and benefits related to parental leave***

Our two further policy areas of interest are child benefits and parental leave benefits. As in the case of childcare services, the public efforts for child benefits and monetary compensations to parents on leave stem from various sources. In 2005, government efforts for child benefits and parental leave amounted to 363 and 95 million euros respectively.

In Flanders, child and birth benefits consist of universal child benefits (with age and rank additions), additional child benefits for vulnerable families (e.g. single or unemployed parents) and benefits given at birth (or at the moment of adoption) by the federal state and the municipalities. Finally, the leave benefits contain the benefits given to parents when taking parental leave or the related Belgian scheme of career breaks (and its new 'time credit' variant). Since the career break scheme is not confined to parents with young children only, only the budget that can be attributed to parents with young children is used here. It should be noted that in both cases full-time and part-time leave is taken into consideration and that the benefit related to parental leave consists of a basic flat fee from the federal budget and an additional flat fee from the Flemish budget. Figure 3 unites the results of the distributional exercise for all three fields of family policy and highlights a clear contrast between the 'new' measures and the 'old' measures. While both the support for childcare services and leave benefits are disproportionately beneficial to the higher income groups, the opposite is true for child benefits.

Figure 3 The social distribution of public funds for childcare services, child benefits and parental leave in Flanders, households with a child < 3, 2005



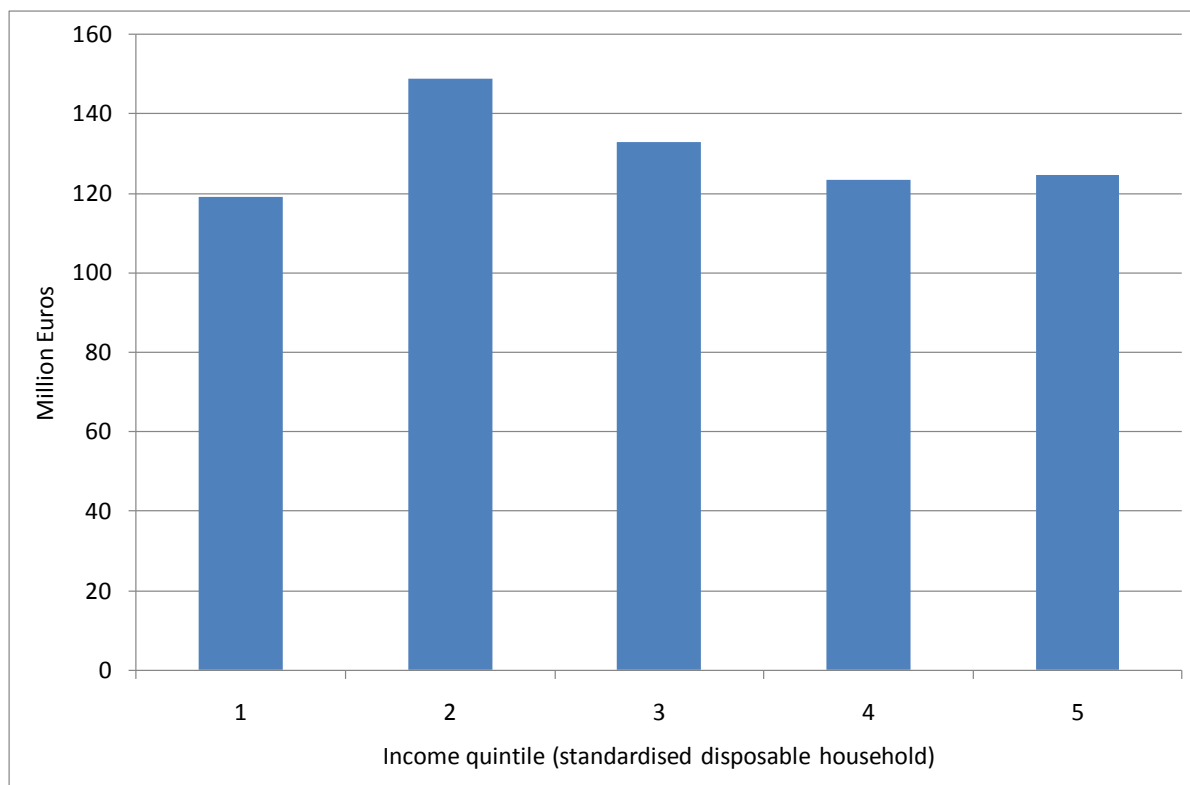
Source: FFCS, authors' calculations.

This distinction is clearly grounded in the design of the measures because childcare service use and parental leave are directly linked to active participation in the labour market, while child benefits are supplemented for vulnerable families. Moreover, the families in the lower income quintiles have significantly more and older children which adds to the difference in their average childcare benefit when compared with the upper quintiles.

Apart from the opposite distribution of 'new' and 'old' policy measures regarding children, it should also be noted that by the year 2005, the government outlays related to childcare services and parental leave accounted for a large part of the budget for child benefits (79%: 191 + 95 versus 363 million). In other words, outlays that serve less than half of the population (see tables 1 and 4) come close to the cornerstone of universal support for young families, child benefits.

Finally, Figure 4 shows the distribution of all three measures together. The unfavourable position of the lower quintile when compared with the upper quintile is no longer present, because the various effects cancel out each other. However, the second quintile is now the most benefitted. In fact, families in this income layer combine a fairly strong use of the 'new' policy measures with the advantages of the 'old' measures: they use childcare services, use their parental leave entitlements and have relatively many children for which they receive the relevant child benefits.

Figure 4 The total social distribution of public funds for childcare services, child benefits and parental leave in Flanders, households with a child < 3, 2005



Source: FFCS, author's calculations.

## 5. Discussion and conclusion

Our analysis started with an overview of the variation in design and implementation of three types of family policy measures in Europe. We showed that many member states have universal child benefits ('old' social policy), but that the use of childcare services and parental leave ('new' social policy) is unequally distributed among social strata defined by income and education. As such, our descriptive analysis provides illustration of the growing concern about the decreasing redistributive character of the activating welfare state.

However, this illustration provides no more than a sketchy picture. High proportions of use do not necessarily equal high government outlays, if, for instance, parental leave is hardly compensated or the subsidies to childcare institutions cover only a small part of the total costs of their services. Consequently, a complete analysis of the redistributive impact of family policy requires the coupling of the related government outlays with precise indications of the intensity of use of policy measures at the micro level.

We showed above that a combined analysis of the latter type for Flanders (Belgium) indicates that the socially selective character of parental leave systems and formal childcare services undoes the redistributive effect of

the child benefit system. Obviously, the levelling effect of 'new' social policy crucially depends on the relative weight of the policy measures. In Flanders the combined budget for childcare subsidies and wage compensations for parental leave account for 79% of the budget for child benefits for families with children below 3. If other countries had a large budget for universal child benefits and complemented the latter with relatively minor outlays for the new measures and/or succeeded in implementing new measures in a socially equal way, then they may have escaped from the redistribution reducing effect that we observed above for Flanders. A comparison of tables 2 and 4 indicates that only the Czech Republic, Slovakia and Slovenia combine an equally distributed use of care services and parental leave (though all at a comparatively low level of use). Consequently, it can be expected that the introduction of compensated parental leave and subsidised childcare services have reduced the redistribute character of family policy in most member states of the EU. However, detailed budgetary analysis is needed to substantiate this claim.

Furthermore, it should be stressed that the "recuperation" of social policy by higher income groups cannot be attributed simply to their higher labour force participation. If the disproportional share of childcare and leave use were to be explained by employment rates, advocates of activation would maybe welcome the outcomes shown. However, our analyses indicate that even among employed mothers an uneven distribution of parental leave persists and, hence, employment alone does not provide an adequate explanation for the inequality in the distribution of government outlays in the field of family policy.

In sum, our analyses support the concern about the reduction of the redistributive character of the new welfare state and call for more distributional analyses of government budgets for family policy to generalise our understanding of this issue across the EU.

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