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DISCUSSION PAPER 3

**A DISTRIBUTIONAL ANALYSIS  
OF FAMILY POLICY REGARDING  
CARE FOR YOUNG CHILDREN  
IN FLANDERS AND THE EU**

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## A DISTRIBUTIONAL ANALYSIS OF FAMILY POLICY REGARDING CARE FOR YOUNG CHILDREN IN FLANDERS AND THE EU

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**Abstract:** 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. In the last decades of the twentieth century these passive measures were complemented by measures to reconcile work and family life. 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? With this article, we address the research question in a twofold way. First, we illustrate the uneven use of various measures of family policy. We elaborate on childcare service use and complement the cross-national comparison with a brief overview of figures on parental leave and child benefits. Second, we develop a fine-grained analysis for the Belgian region of Flanders to fully grasp the interaction between family measures and their overall distributional effect.

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## 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? With this article, we address the research question in a twofold way. First, we illustrate the uneven use of various measures of family policy. We elaborate on childcare service use and complement the cross-national comparison with a brief overview of figures on parental leave and child benefits. Second, we develop a fine-grained analysis for the Belgian region of Flanders to fully grasp the interaction between family measures and their overall distributional effect.

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

In this first part of our analysis, we picture a EU-wide 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. In the second part of the analysis, we will go beyond a simple comparison of policy access and elaborate on the distribution of public funds. First, however, we want to set the stage. We sketch the context in which our discussion of the social distribution of government efforts takes places 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 so called Lisbon targets in 2000.

### 2.1. Childcare

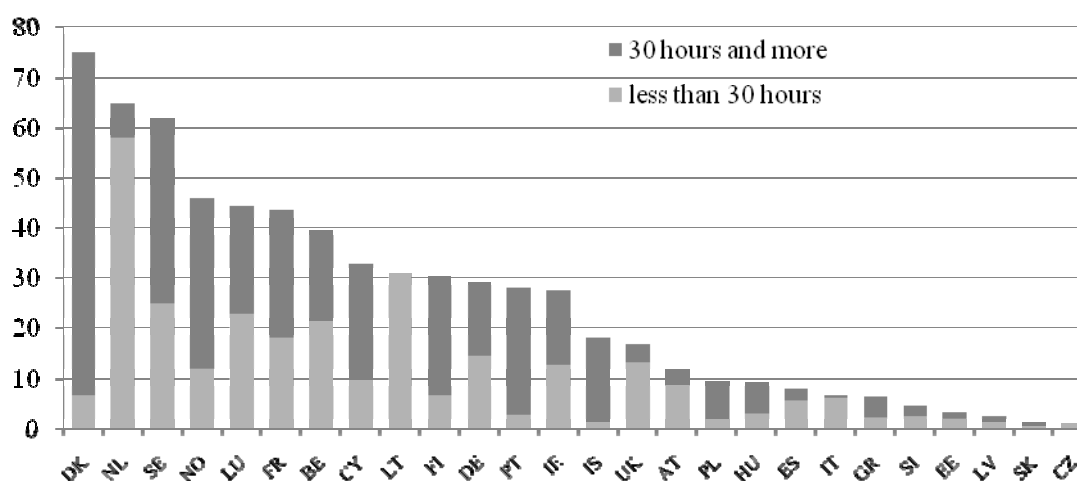
In 2002, at the EU-summit in Barcelona, member states adopted the following targets: “Member States should remove disincentives to female labour force participation and strive, taking into account the demand for child care services and in line with the national patterns of childcare provision, to provide 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. 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 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 etc). *Formal childcare arrangements* concerns 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. The reason for this is that we are only interested in the social distribution of households: the household is the unit of measurement. 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. Graph 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, households 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, but in order to provide a full picture of childcare arrangements, one has to take other elements into account<sup>2</sup>. 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 Sweden and Denmark, informal care is of little importance. The high number of formal (and mostly) fulltime care use in these countries reflects the government 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 and to date, a large gap between East and West continues to exist

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<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.

(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: only 7% of household make use of formal care. Accordingly, employment rates for mothers with preschool children 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, 2007**

Code	Country	% Non standard families *	% Formal care use for children < 3yrs			Informal care use	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; Number of households: 15.494; selection: households with a youngest child under three; weighted; 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 daycare 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 in the post socialist economies. Slovenia shows continuity with pre socialist 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 even less 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 say 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 (with for instance ensured access for children of the unemployed). 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 (European countries, 2007, families with at least one child < 3)**

Code	1	2	3	4	5	Ratio (Q5/Q1)
DK	67,73	75,64	77,97	86,81	74,49	1,10
NL	50,91	59,08	66,01	68,66	88,21	1,73
SE	63,16	64,26	68,24	60,93	52,81	0,84
NO	35,01	42,5	46,97	51,06	58,06	1,66
LU	22,32	25,74	47,96	41,41	65,61	2,94
FR	16,36	28,51	40,35	60,11	75,31	4,60
BE	15,14	17,6	42,14	58,54	60,59	4,00
CY	25,38	23,74	44,29	41,79	28,44	1,12
LT	17,56	38,12	33,6	23,92	40,38	2,30
FI	17,7	19,67	29,64	45,83	45,19	2,55
DE	29,29	17,26	32,61	37,1	30,6	1,04
PT	21,45	20,66	22,68	44,21	33,89	1,58
IE	7,54	18,27	22,57	45,73	48	6,37
IS	15,73	23,64	10,47	24,96	16,06	1,02
UK	10,43	4,69	18,08	26,2	25,32	2,43
AT	2,17	20,2	9,32	12,59	15,45	7,12
PL	3,33	2,6	4,99	9,83	22,61	6,79
HU	5,38	6,8	8,18	6,47	20,97	3,90
ES	1,84	4,59	7,52	7,52	15,88	8,63
IT	2,69	3,73	7,95	8,14	12,36	4,59
GR	1,17	4,88	1,55	5,81	16,94	14,48
SI	3,22	2,11	4,04	6,25	8,17	2,54
EE	2,73	1,85	1,82	0	8,68	3,18
LV	10,03	0	1,24	0,94	2,46	0,25
SK	0	1,9	0	0	4,86	-
CZ	0	0	2,42	0	3,28	-

Source: EU-SILC 2007; Number of households: 15.494; weighted; gray cells: less than sixty observations.

Obviously, the social position of households can be measured in various ways and an evident objection against the use of income data for our type of analysis refers to the underlying link between income, paid employment and childcare service 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 'true' childcare use.

Therefore, we add below a similar distributional analysis which uses the educational level of the mother as an indicator of social position. Three levels of education are distinguished: *low skilled* refers to all educational qualifications up to lower secondary school, *medium* refers to higher secondary school and post-secondary non-tertiary education and *high* to all types of tertiary education. These classifications rest on the ISCED 1997 typology, which is based on the content of the national educational programmes. The results are presented in Table 3 and, by and large, confirm our earlier observation of a social gradient in childcare service use.

Again we cannot but notice the unequal social distribution of care 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 the household(European countries, 2007, families with at least one child < 3)**

Code	Low	Medium	High	Ratio (High/Low)
DK	69,01	79,29	74,57	1,08
NL	46,35	56,22	80,5	1,74
SE	55,73	63,76	60,83	1,09
NO	37,67	45,05	52,33	1,39
LU	40,63	38,53	54,2	1,33
FR	18,05	37,58	61,33	3,40
BE	11,16	27,85	57,95	5,19
CY	30,8	30,02	35,87	1,16
LT	18,68	30,19	34,81	1,86
FI	11,26	26,3	38,47	3,42
DE	19,35	24,49	36,97	1,91
PT	24,95	31,26	34,79	1,39
IE	10,87	19,53	47,75	4,39
IS	13,98	17,3	21,24	1,52
UK	10,67	13,26	26,42	2,48
AT	4,4	10,26	21,61	4,91
PL	3,08	5,77	20,78	6,75
HU	3,33	8,99	16,19	4,86
ES	5,53	6,23	10,93	1,98
IT	3,12	6,84	14,01	4,49
GR	0	5,1	12,28	-
SI	2,92	5,04	5,01	1,72
EE	0,89	3,75	4,14	4,65
LV	7,63	0,59	2,62	0,34
SK	0	0,56	4,62	-
CZ	0	0,28	5,27	-

Source: EU SILC 2007; Number of households:15.465 (29 missings); Selection: households with a youngest child under three; if no mother was present in the household, educational level of the father is used.

## 2.2. 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, hence, lowers the need for external childcare services.<sup>3</sup> Nevertheless, parental leave shares

<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

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.

For empirical data we rely on 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.

In the 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 here and, hence, higher percentages do not necessarily mean higher government outlays, as the compensation rates vary greatly between countries (Jorens and Klosse 2008).

However, despite large differences in the generosity of parental leave schemes, the distributional picture shown in Table 4 is quite homogeneous. All significant differences between educational groups point at 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. The latter is true for Lithuania, Hungary, Slovenia, Estonia and Latvia, which are all countries with comparatively high proportions of parental leave use.<sup>4</sup>

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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.

<sup>4</sup> The MISSOC 2008 overview of Jorens and Klosse (2008) shows that these are all countries with generous parental leave schemes, both regarding the length of the period and the proportion of the previous wage covered by a benefit.

**Table 4 The educational distribution of the use of remunerated parental leave (European countries, 2005, families with a child < 5)**

Country	Educational level of the mother			Bonferroni post-hoc test
	Low	Medium	High	
NL	2%	6%	14%	L<M<H
LU				L,M<H
BE	7%	17%	19%	L<M,H
LT		30%	41%	
DE	4%	13%	13%	L<M,H
PT	8%	13%	23%	L<M<H
UK	3%	5%	8%	L<M<H
AT	46%	58%	54%	L<M
HU	79%	78%	78%	
ES	1%	2%	4%	L,M<H
IT	7%	18%	22%	L<M<H
GR	5%	15%	32%	L<M<H
SI		31%	32%	
EE		62%	51%	
LV		36%	37%	
SK		63%	61%	L<M,H
CZ	30%	58%	60%	L<M,H

*Source:* EU-Labour Force Survey 2005

*Selection:* Households having at least one child younger than 5

*Notes:*

Cells with less than 50 observations are not shown.

Remunerated 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.

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.

The Bonferroni post-hoc test asserts statistical significance between the educational groups at a level of >99% Data on Denmark, Finland, France, Norway, Poland and Sweden are not included because of lack of comparable data. No figures are shown for Bulgaria, Cyprus and Ireland, because no scheme of paid parental leave was in operation in 2005.

The unequal distribution of parental leave may in part be attributed to the lower labour force participation of low skilled mothers, which makes them ineligible for parental leave in most countries. However, if we limit our analysis to working mothers only, similar results are obtained. Table 5 shows the results of the latter exercise for the countries that were excluded from Table 4 because of data limitations. Please note that Table 5 does not include the full population of families with children and hence does not provide a complete picture of the distribution of the use of parental leave. However, it allows us to get an idea of its distribution in the Nordic countries and France. The table basically confirms our first conclusion following Table 4: low skilled mothers and their households are less likely to use parental leave opportunities than other mothers/households.

Compared with our analysis of the use of childcare services, the table 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.

**Table 5 The educational distribution of working women's use of remunerated parental leave (2005)**

Country	Educational level of the respondent			Bonferroni post-hoc test
	Low	Medium	High	
DK	3%	9%	13%	L<H
SE	26%	36%	41%	L<H
NO		10%	18%	L,M<H
FR	4%	6%	9%	L<M<H
FI	8%	14%	17%	L<H

*Source:* EU-Labour Force Survey 2005

*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.

*Notes:*

Cells with less than 50 observations are not shown.

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.

The Bonferroni post-hoc test asserts statistical significance between the educational groups at a level of >99%

For lack of space, comparable data on the Netherlands, Luxembourg, Belgium, Lithuania, Germany, Portugal, the UK, Austria, Hungary, Spain, Italy, Greece, Slovenia, Estonia, Latvia, Slovakia and the Check Republic are not shown. They are available from the authors on simple request. No figures are shown for Bulgaria, Cyprus and Ireland, because no scheme of paid parental leave was in operation in 2005.

### 2.3. Family benefits

To finalise our European overview, we highlight in the following table 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 have been developed to 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 among the families we are focussing on in this analysis, because no effects of unequal educational participation come into play.<sup>5</sup>

**Table 6 The variable structure of child benefits in Europe**

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			•		

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

<sup>5</sup> Previous analyses have shown that 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.

### **3. Coupling private use to public budgets: an illustration**

The above analyses suggest that the work-family reconciliation measures of more recent origin 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 analysis of the *use* of those measures only. For a full picture, detailed information about the intensity of use and the corresponding private and public outlays is needed. Unfortunately, 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. 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.

In the following analyses we will rely on data from the Flemish Families and Care Survey (FFCS) from 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 2007 only 125 families use subsidised childcare facilities, for example, which gives only four observations of care users in the lower income quintile. Evidently, projections on the distribution of public funding is not possible on such a narrow empirical basis.

#### **3.1 Childcare services**

Regarding childcare services, we incorporate in our analysis several system characteristics with a likely impact on the social distribution of the benefit of public childcare efforts. We take into account that (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 over 185 million in direct subsidies on childcare in the Flemish region through, respectively, the *Fonds voor Collectieve Uitrusting en Diensten* (Fund for Collective Equipment and Services, FCUD) and *Kind & Gezin* (Child and Family, K&G). For our purpose, we have to recalculate this budget for families with at least a child younger than 3 (Table 7). More than 130 million goes directly to these families, with a preponderance of pre-school care as this type of care is very time intensive. 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 the above 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, we assume that the expenses not accounted for are distributed in a similar way.

**Table 7 Direct subsidies to childcare services for families with a child younger than three (region of Flanders, 2005)**

Million (euro)	Children under three	Children older than three living in a households with children under three
Flemish Agency for Child and Family (“Kind en Gezin”)	99,636	20,923
Social security administration for Child Benefits (“Fonds voor Collectieve Uitrusting en Diensten”)	0,578	9,391
<i>Total</i>	<i>100,214</i>	<i>30,314</i>

<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 that 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).

Subsequently, we divide the amounts displayed in Table 7 and the estimated tax deductions over the income deciles according to the childcare use of the 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 amounts shown in Table 7 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, 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 quintiles, because in these quintiles parental contributions are relatively low and, hence, the profit of government expenditures relatively high. However, as we already noted in Table 2,<sup>7</sup> the use of public childcare is not uniformly distributed across income groups in society. Below we will show 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.

A second remarkable finding regards the large gains in tax credits for the highest income quintile. These reflect 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 for the same price leads to a higher tax advantage for high incomes than for low incomes. In reality, higher income

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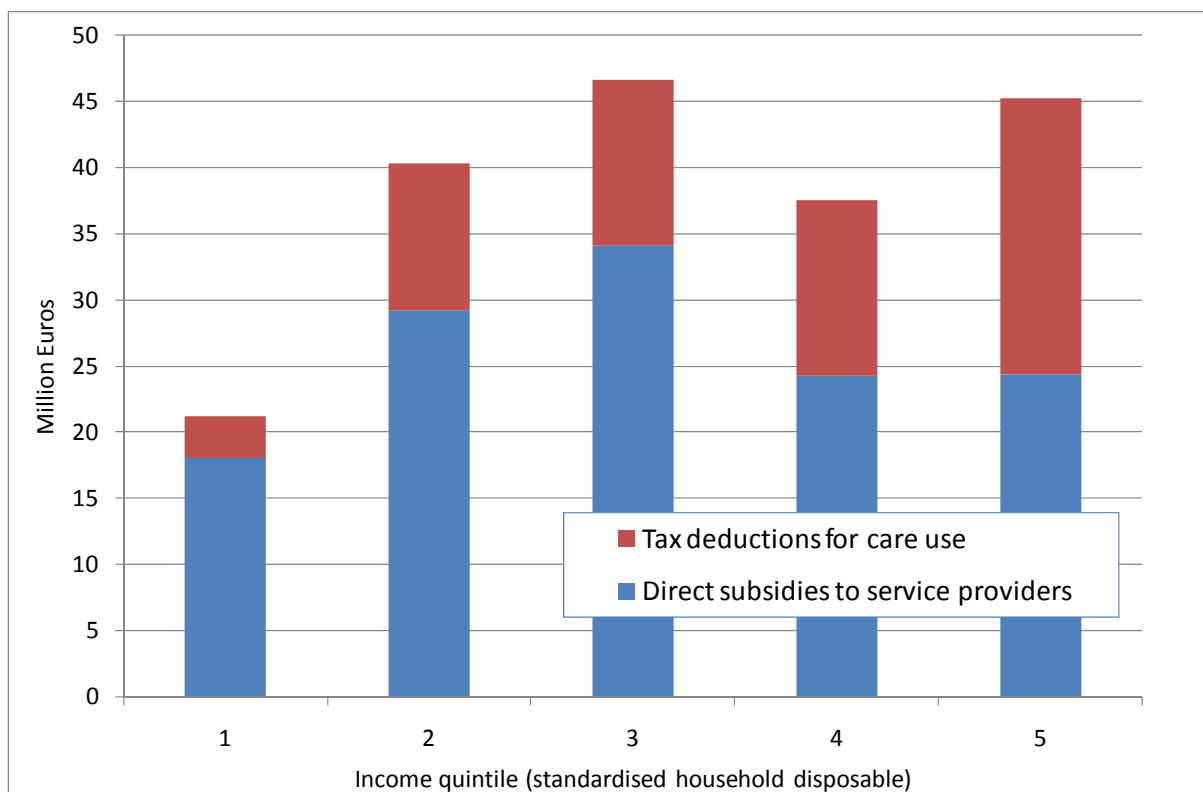
<sup>7</sup> The figures of the table do not evidently apply to this section of the text because they refer to Belgium as a whole in 2007 and the latter analysis concerns only the region of Flanders in 2004. The exact distribution for Flanders is 31, 47, 63, 60 and 63%. This is overall higher than the 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.

families use more childcare and, hence, 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.

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

**Figure 2 The social distribution of public funds for childcare services (Flanders, 2005, families with a child < 3)**



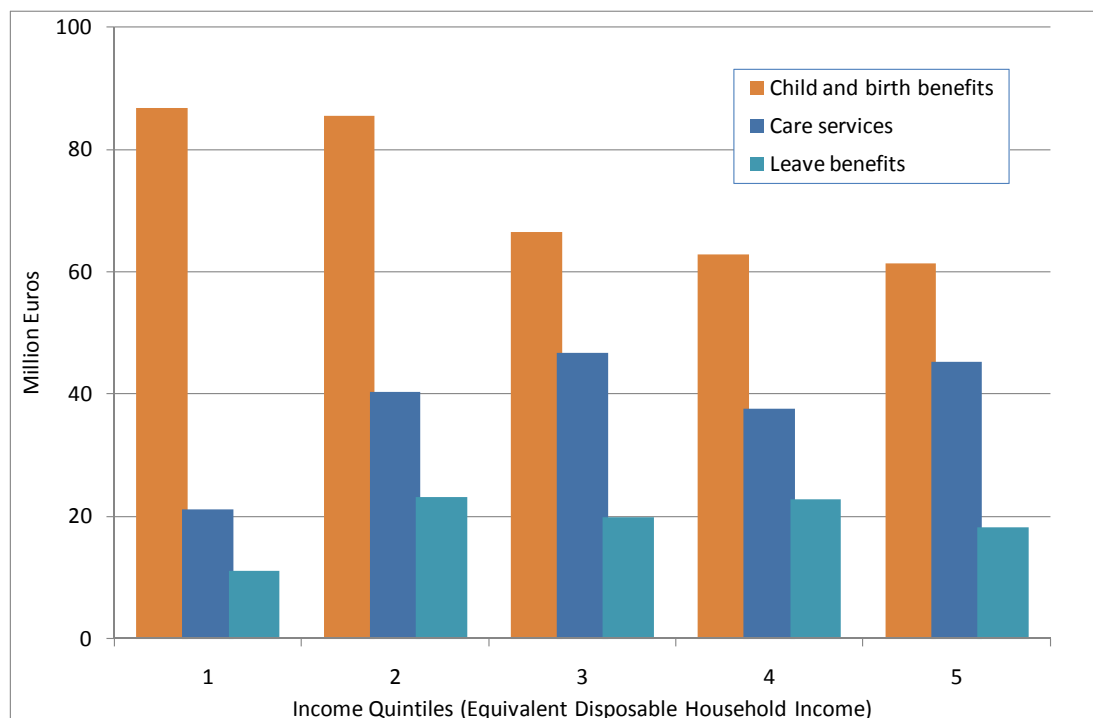
## Child benefits and benefits related to parental leave

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.

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.

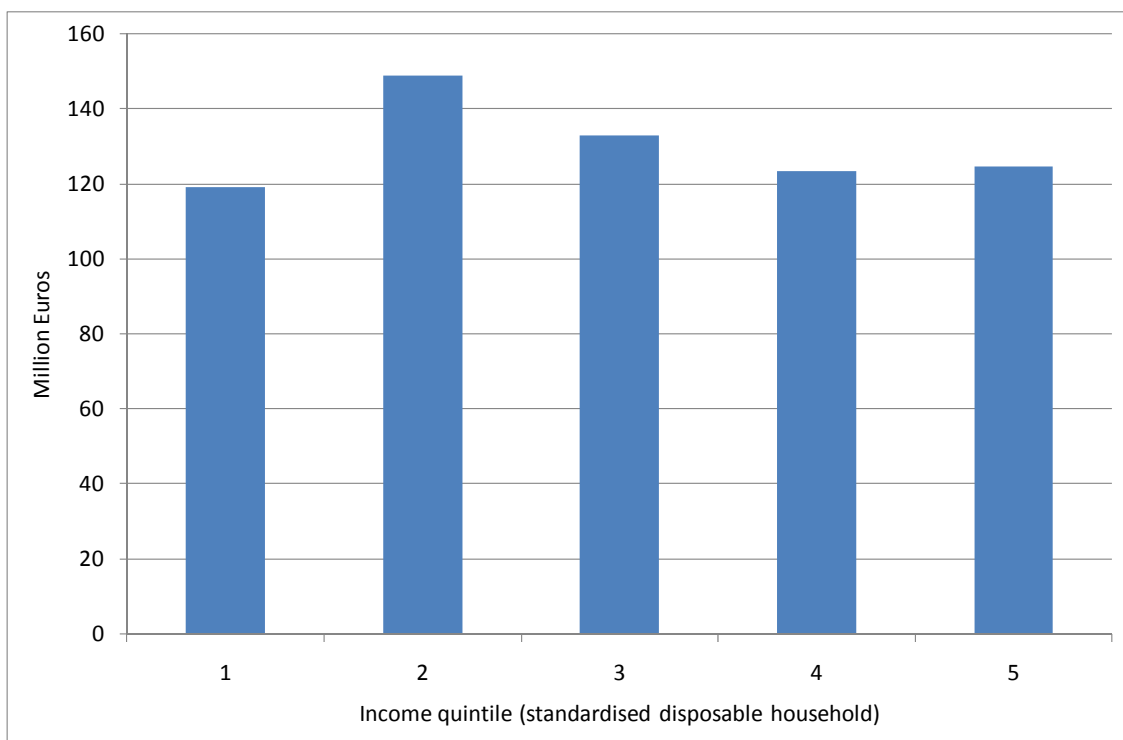
**Figure 3 The social distribution of public funds for childcare services, child benefits and parental leave (Flanders, 2005, families with a child < 3)**



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.

Finally, Figure 4 shows the distribution of all three sorts of measures together. The unfavorable position of the lower quintile when compared with the upper quintile is no longer present, because the various effects cancel each other out. 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 social distribution of public support for childcare services, child benefits and parental leave (Flanders, 2005, families with a child < 3)**



#### **4. 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 illustrated the difficulty of comparisons in this field, because simple measures of use of particular policy initiatives depend highly on developments of complementary policy measures and, more generally, the social context. If, for instance, informal childcare is widely available, it is evident that formal childcare use can be lower, even without a difference in the employment level of parents with young children.

In the second part of our contribution we therefore provide an example of a fine-grained analysis of the implementation of family policy for families with at least one child younger than three year old. The analysis reveals the budgetary and distributional impact of the combination of variation in use and selective generosity. In the case of the Flanders, it shows how the re-distributional effect of 'old' social security (child benefits) is largely undone by the implementation of new measures aiming at the reconciliation of work and family (subsidies for childcare services and parental leave benefits). As such, our analysis illustrates the concern about the reduction of the redistributive character of the new welfare state.

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