Family Policies in OECD countries : From (mixed) means to (balanced) ends?

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mixture

Abstract: This paper addresses the diversity of family policy models in terms of the balance between the different objectives and the mix of instruments involved in implementing such policies. Two key issues are examined here: the differences in the various family policy packages, and the extent to which the challenges of fertility, poverty and gender perspectives in the labour market explain these differences. Cross-country variations are investigated by analysing the most recent available data on child-related leave conditions, and on childcare services and financial support to families published in the OECD Family database. A factorial analysis is performed to characterise how the components of family support are packaged together in each country. A classification into five groups of countries is also derived from the data analysis. It only partially corroborates the previous cross-country classifications and the well-established categorisation into Welfare State regimes. The variations in poverty, fertility and maternal employment rates shape the balance of priorities in each country that provide the rationale for differences in family policy packages.

Key words: family policy; work and family life reconciliation; poverty; fertility; maternal employment; gender inequalities; OECD family database.

Introduction

The success of family policies is often summed up by the fact that, for more than 15 years, the OECD countries with the highest fertility rates have been those where a higher percentage of women work. The conflict observed until the mid-1980s between women's workforce participation and fertility now seems obsolete, and pro-family policies seem to strike a balance that is favourable to both women's employment and fertility. For this reason, family policies are on the political agenda of a growing number of Western countries, and are encouraged by international organisations like the OECD and the European Union. One argument in favour of such policies is that most countries face the common challenges of coping with long-term demographic trends and the mounting integration of European economies. One might thus expect a trend towards convergence of family policies, and greater similarity in the family policy packages of OECD countries. Several factors favour the persistence of cross-national differences, however. First, these policies are shaped by varying the balance between different objectives which are only partly congruent. Second, the historical backgrounds for the development of family policies are very diverse, and notably the complementary roles of the state, the family, the labour market and the commodities market in the provision of welfare. As a result, policy responses to this diversity may considerably vary from one context to another, and are subject to path-dependencies.

This paper addresses the diversity of family policy models by analysing the most recent available data published in the OECD Family database. The basic aim is to characterise how the components of support for families are packaged together in different countries, and to determine the extent of cross-country differences. For this purpose, a principal component analysis of family policy characteristics is performed from which clusters of countries are derived. Variations in the policy packages are interpreted in relation to the policy differences regarding fertility, poverty and female employment. The first section starts with a brief state of the art on family policy comparisons and argues that the definition of balanced objectives shapes the mix of the supporting instruments, and is thus a key issue in understanding cross-country differences and their potential reduction. The second section presents both the data and methodology used to assess the empirical diversity of family policy models. The third section describes the main categorisation into five country groups, whose borders are only partially congruent with previous cross-country classifications such as those derived, for example, from the well-known Welfare State typologies. Differences in poverty, fertility and maternal employment rates give some rationale to the identified differences in family policy design. Our fourth section discusses these results by arguing that the classification illustrates differences in both the degree of development and in the patterns of family policies that extend beyond the standard distinction between welfare regimes.

I. A narrowing range of family policy models?

There is fairly abundant literature highlighting the variety of family policy guiding principles and policy instruments. Most analyses conclude that family policies are basically more heterogeneous than indicated by the standard analysis of Welfare State Regimes. One reason is that family-friendly policies are driven by several but only partially congruent objectives. In particular, many studies have already stressed that family support is diversely connected to income maintenance or anti-poverty policies (Maître, 2005; Ritakallio and Bradshaw, 2006), to labour market and employment issues (Esping-Andersen, 1999; Thévenon, 2006), but also to care policies and gender equity concerns (Lewis, 1992, 2006; Bettio and Plantenga, 2004 ; McDonald, 2000 ; Neyer, 2006; Hantrais, 2007). To coordinate and prioritize those objectives, family policies are thus based on a set of compromises which vary widely from one country to another. These compromises shape their institutions, i.e. not only the design of specific instruments, but also the type and degree of consistency achieved in supporting people in their fertility and work-family balance decisions. This is reflected in the diverse mix of cash benefits, in-kind support or flexible working-time arrangements to support family welfare (Gornick *et al.*, 1997; De Hénau et al., 2006; OECD, 2007), and in the extent to which different kinds of family support are combined through the child-rearing years. However, the cross-country

differences in institutional design can be so progressive that their classification into broad categories of welfare regimes is not possible[1].

In contrast to these factors of heterogeneity, several arguments weigh in favour of a convergence of policies (Hantrais, 2007; Gauthier, 2002). First, most countries face similar challenges: the low fertility context and changes in family lifestyle have created strong motives for implementing family support policies; at the same time, employment, poverty, child well-being or gender equity concerns are also contrasting motives for setting up balanced support to help households in their work and childcare decisions. Second, practically all welfare states face budgetary constraints that oblige them to reduce unconditional spending and to refocus state intervention on more 'active' policies. Furthermore, growing economic and social integration may also be an important factor for coordination of social policies. In the European Union, the European Employment Strategy and the open-method of social policy coordination are key drivers of such converging processes. Beyond the European borders, the OECD also plays an important role in encouraging countries to recast their policies towards a more suitable environment for work-family reconciliation (OECD, 2002-2007).

The persistence of cross-country differences in family support policies may thus be open to question. More balanced objectives may result in a more mixed set of policy instruments, and some of the cross-country differences documented in the literature may be disappearing. However, "path dependencies" may cause differences to remain, even if their nature has changed. The following sections investigate the diverse objectives assigned to family policies, and how their combinations shape the set of family policy instruments. We argue that, although reconciling work and family life is a widespread dominant driver of policy development, different balances with the other policy issues are also achieved across countries.

I.1. Towards more balanced objectives?

The increase in female employment rates is undoubtedly the most common motive for recasting family support policies. Its central place in the EU Employment and growth strategy and in OECD recommendations illustrates its expected positive impact on economic growth and on the economic dependence ratio. One consequence is that countries are encouraged to develop policies to help women participate in the labour market continuously over the family life-cycle, and especially after the birth of children.

Tackling poverty and reducing income inequalities are also important issues to be addressed by family policies. While debated in all countries, this is clearly a central issue that has shaped the development of family policies in Anglo-Saxon and Southern European countries (Ferrara, 2005). In that perspective, family support may be targeted on low-income families, lone parents or families in other atypical situations. Transfers may also differ in the extent to which they are means- or work-tested, depending on the assumed connection between in-work and anti-poverty policies. The balance achieved between income support and work incentives thus varies widely across countries.

Policies also address the issue of children's well-being and development. Two elements are generally considered as beneficial for children (in addition to the eradication of poverty): time allocated by parents, and their enrolment in collective childcare and education (Kamerman *et al.*, 2003). Enrolment in preschool education is generally regarded as a key investment for child development, although norms differ regarding the age from which it is perceived as beneficial. There are also large variations in the extent to which both care and educational motives are combined to provide formal support either full-time or for a limited part of the week.

The impact of mothers' employment on child well-being is also a widely debated issue. On the one hand, parents' employment is encouraged to reduce child poverty, while on the other, mothers' employment can be perceived as detrimental to child development if they do not devote sufficient time to their children, or if the work-family balance is stressful. For that reason, opportunities to leave employment temporarily after a birth or to switch to part-time work tend to balance parents and

[1] This argument leads some researchers to implement non-standard ideal-type approaches derived fuzzy set analysis (Szelewa and Polakowski, 2008)

children's concerns. One crucial point, however, is the extent to which policies provide sufficient resources to parents for a "free" choice in the allocation of time to work or to care. The continuity of support over the family life-course and the complementarity between parental leave, childcare services, and working-time arrangements are decisive.

Gender equity is also a serious concern of family-friendly policies since stopping work or reducing working hours after childbirth can have severe consequences on women's wage progression and career development. Again, the scope of gender equity varies considerably from country to country. One basic difference lies in the extent to which policies are explicitly concerned by 'outcomes' or rather aimed at guaranteeing equal 'opportunities'. Differences are also important regarding the treatment of gender equality as an objective *per se* or rather as an instrument to foster other objectives. Thus, gender equity is not a key driver of policies everywhere, as it is, for example, in Nordic European countries, where it impacts the design of various institutions, including the provision of childcare services, parental leave, the tax system and working time regulations (Ellingsaeter and Leira, 2006).

Last but not least, the decrease in fertility rates is an issue for most OECD countries because of its long-term consequences on economic growth and welfare state sustainability. Fertility decline and the ageing process started many decades ago but they have become a central concern of international debate on social policy orientations in recent years, as revealed in Europe by the EC green paper on the policy implications of population ageing (European Commission, 2005). The gap between actual fertility and the desired number of children is seen as a window of opportunity for policy support (D'Addio, Mira d'Ercole, 2005). Rather than promoting large families, this support is intended to limit the postponement of family formation and the number of childless households. Specific household compositions can nonetheless be targeted.

The above-mentioned issues thus define a set of objectives common to most countries. The issue of employment and work-life balance underpins many recent policy reforms, but the way it is combined with the other dimensions of welfare still varies widely. The balance achieved depends on history, ideology and culture, and on political forces which influence the way these objectives are coordinated and perceived as complementary or as conflicting. In such a context, a key point is to consider how family policy instruments can influence the balance between the different objectives. This balance varies with time and across countries, and can be explicit or otherwise.

I.2. Towards more mixed instruments?

Household decisions relating to work and family involve three key resources: time, which can be allocated to work or to care for children or other family members subject to certain constraints; income, whose level influences not only time allocation but also the decision to have children; and childcare services, which can be used to free up more time, provided household income is sufficient. Family policies can apply three levers to change this set of resources and constraints and influence the behaviour of households. However, both the mix between these instruments and the way each is designed depend on the balance between the above-mentioned objectives.

Investments in childcare services are a first lever, but there are many cross-country variations. They may be designed to increase the use of childcare services, to promote their quality or to increase their affordability. These variations also derive from considerations on the extent to which these services are expected to contribute to child development and education or to facilitate the parents' working lives. The combination of these two issues has an impact on how access to childcare for under-3s is coordinated with parental leave schemes, and on the matching of service provision to parents' working life constraints.

The tax and benefits system is a second lever for public policy to influence household well-being and behaviour. Again, there are major cross-national differences in the degree to which child-related transfers benefit are targeted on low-income families or specific household categories (Bradshaw and Mayhew, 2006; Math et Meilland, 2007). Other complex variations concern the impact of the tax and benefits system on the financial returns from partners' employment (Immervoll and Barber, 2005).

The legislation on family-related leave, working time, and part-time work is a third component of the policy package. Variations in the attitudes of both employers and employees may explain the differences observed. Employers may be reluctant to extend parental leave because of the direct and indirect costs of employee replacement, while employees, for their part, have to balance their possible preference to care for their children with the likely negative effect on career development. The aggregate length of maternal and parental leave and the associated payment rates provide meaningful indicators of this balance and of the effectiveness of incentives provided to involve fathers in childcare and to foster gender equity. The prevalence of part-time work among parents and the sex-based differences also indicate how well the balance is achieved.

From the above developments, one might expect family policy instruments to be very mixed, given the variety of the objectives they are supposed to achieve. However, there may still be cross-country differences in the extent to which policies apply each of these levers, and organise their coherence. The literature sheds some light on these differences, pointing paradoxically to both greater and lesser diversity of family policy models: more diversity within the traditional categories of family policy regimes, leading to less heterogeneity between these broad categories.

I.3. Towards more heterogeneous family policy models?

Several studies have pointed up the diverse nature of family-friendly policies and the diverse ways they are anchored in employment, child development, poverty reduction or gender equity perspectives (see especially Meulders and O'Dorchai, 2007 for a survey). They showed that cross-country differences in the support of the work-family balance only partially coincide with the dominant classification of welfare state regimes. Gornick *et al.*, (1997), De Hénau *et al.* (2006) and Thévenon (2006) stated similarly that some of the continental countries (especially Belgium, the Netherlands and France) deviate from the conservative path and move in a direction that crosses different regime types (with a more liberal emphasis for the Netherlands, and more social democratic for France). Furthermore, the country groups can be further subdivided when considering the 'outcomes' in terms of female employment and fertility rates (De Hénau *et al.*, 2007). In short, Nordic countries, together with France and Belgium are found to provide relatively continuous support to mothers who decide to combine work with family life before child enrolment in the primary school system. In conservative-corporatist contexts such as Germany and the Netherlands, the support is weak or discontinuous and mothers are obliged to interrupt their career or switch to part-time work. The weakest support is provided in Anglo-Saxon countries, where women most frequently interrupt their labour market participation after a birth and switch to part-time work during the period of family formation. However, support progressively increases as children grow older. Gornick and Meyers (2006) also suggest that these policies have important and frequently overlooked implications for the economic well-being of families (including the well-being of children) since they are an important part of policies designed to tackle poverty reduction and to support child development.

Gauthier (2002) and Math (2004) are, to our knowledge, the only authors dealing explicitly with the evolution of family policy. Gauthier (2002) focuses on the changes from the 1970s to the end of the 1990s with regard to child-related leave and family-related benefits, but does not consider childcare services. He identifies four groups of countries that formed during the 1980s, rather close to the above identified groups, but notes increasing dispersion within some groups over the period. Continental countries again appear to be quite heterogeneous. Math reported major changes from 1990 to the early 2000s in the classification of EU countries in terms of levels of income support for households with children. As Ray (1997) did for the early 1990s, he attempts to explain the differences in 2001 by disentangling the effects of institutional design (such as given by characteristics of households in terms of gross income, number of children, etc.) from those of socio-demographic and economic variables. Basically, he found that the first set of variables is highly significant, while the influence of the second set is more uncertain and diverse. One interpretation is that cross-country differences are explained rather by the policy orientations than by structural determinants shaping inescapable "path-dependencies".

II. Research Strategy, Data and Methodology

The following analysis extends the findings from these previous studies with regard to several objectives. A first one is to map cross-country differences in family policy models and to update the categorisation of countries since family-friendly policies were introduced in several countries in the late 1990s. For that purpose, the most recent and harmonised data provided by the OECD Family Database are used to sum up the situation in the early 2000s, i.e. between 2003 and 2006 depending on topics and countries. A second aim is to include detailed information on parental leave entitlements, childcare services and tax and benefits systems, while only two dimensions were usually considered in the above-mentioned studies. To interpret these differences, we will also focus on their relations with policy issues like fertility, poverty and women's participation in the labour market.

A final aim is also to extend the geographical coverage of the analysis with respect to previous work by including representative countries from different OECD areas. The sample thus includes 28 countries: Anglo-Saxon (Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States), Nordic European (Denmark, Finland, Iceland, Norway and Sweden), continental European (Austria, Belgium, France, Germany, Luxembourg, the Netherlands and Switzerland), Mediterranean (Greece, Italy, Portugal and Spain), Eastern European (Czech Republic, Hungary, Poland and Slovakia), and Asian countries (Japan and Korea).

II.1. An exploratory approach through factorial analysis of the OECD Family Database

The comparison of policies is based on factorial analysis which identifies the most important discriminating variables for countries' family policy packages. Countries are clustered into separate groups of countries with relatively similar characteristics (see box 1). Here, we present briefly the scope and design of the dataset, without detailing all the variables, except for those which are non-traditional. A first dataset concerns provision of childcare and preschool education services with information on spending (total and per child), coverage and affordability of services for parents with 2 children (Table 1). Only very limited information on quality is included via the child to staff ratio of children in daycare below age 2 and in preschool.

A second group of variables describes the conditions of child-related leaves. We use nonetheless traditional information on their length, but also a measurement of the equivalent leave period as a percentage of a full-time pay at average earnings. This estimate, provided by the OECD Family database, gives a standardised criteria to compare the generosity of leave systems. "Home care" or "childrearing" allowances are included although they are not necessarily linked to employment protection. By contrast, "top ups" of state leave payments by employers are not included. The proportion of leave dedicated to fathers is also considered in order to take account of gender equity concerns.

Lastly, the third set of variables refers to the overall income support received by families through the benefits and tax systems. Thus, estimates of tax breaks are added to benefit payments to compare the scale of income support. Their inclusion is important to avoid any bias in cross-country comparison, especially in countries like Belgium, Germany, France where tax breaks for families are relatively large. The tax and benefits systems are also compared in terms of the degree of targeting on low-income families. The ratio of financial support for low-income families (up to 25% of average earnings) to support for families with twice the average income is used to capture this dimension. Although a larger battery of indicators would be needed to accurately document this aspect, support is twice as high for low-income families in most countries but with large differences in magnitude (Table 1). Finally, the gains from employment are also compared through the average effective tax rates applicable to parents contemplating transitions into work. Estimations are included for different partnership situations, including parents living in couples or alone with children, but only for a very limited number of possible transitions (see details in table 1).

Box 1: Principal Component and Cluster Analysis

The purpose of PCA is to describe large correlation matrices with the aim of finding, for a set of variables, the data projection which provides the best representation of the set with the minimum number of axes (or factors). The greatest variance (or inertia) lies on the first axis, and the following orthogonal axes explain successively the variance induced by the other variables. The analysis was performed using SPAD software.

On the charts shown here, the percentage corresponds to the inertia explained by each axis. The higher the percentage, the more fully the information is explained by the data representation on the first two axes. Here, the first two axes provide much better information than the following axes, since the percentages of inertia are respectively 26.54% for the first axis, 18.40% for the second, then 11.57%, 8.34% and 7,87% for the following ones.

Figures 1 and 2 represent the variables on the plane defined by the first two factorial axes. Chart 1a represents the countries on this plane. Their spacing corresponds to degrees of similarity. The dot size is proportional to the country's contribution to the axis: the larger the dot, the larger the difference with respect to the average of the other countries.

Chart 1b presents the circle of correlations corresponding to the axes. The positions of the variables in the circle illustrate their correlations: two neighbouring variables close to the circle are closely correlated with each other. Two orthogonal variables are independent and their correlation is weak. By comparing the two charts, we can identify the variables most strongly correlated with the axes that indicate the main dimensions of similarity between countries and those which serve to divide them into separate groups. The titles of these axes summarise the observed associations and contrasts. We also analyse the following axes, though they are not represented graphically.

Chart 2 represents the correlations between the two first axes and a set of contextual variables illustrating the situation of the countries in terms of fertility, poverty and gender inequality in employment. It shows whether the contrasts observed in family policy characteristics are linked to contexts which are favourable to these dimensions or otherwise. These variables are treated illustratively and are not used to define the axes.

The final country classification is obtained by applying an upward hierarchical classification method which groups the countries by minimum distance between countries, then between groups. The variables identifying family policies were selected (and their number limited) to obtain the most complete information set for all countries. Mean values are assigned to data that are missing for certain countries. Two procedures were used to check the robustness of the analysis and of the induced classification. First, the analysis was reiterated excluding the variables for which certain values are missing. Very marginal changes were observed with respect to the results presented here. Second, the same data were analysed using multi-factorial analysis to weight each of the three aspects of family policy (leave, services, benefits), whose incidence could be overestimated due to the larger number of variables describing it. This analysis produced conclusions very similar to the ones presented here and showed that such weighting procedure was not necessary.

Table 1: Family policy characteristics

	DK	SW	FI	NO	IC	FR	AU	GE	BE	NL	LU	IE	UK	AUS	NZ	USA	PT
Spending for maternity and parental leave per child (in % of GDP per capita)	49	64	57	63	50	28	32	22	17	17	46	5	7	3	4	n.a.	15
Total length maternity and parental leave (in weeks)	50	66	200	51	26	172	120	170	27	40	78	46	52	52	12	12	41
Full-time eq period of maternity and parental leave[a]	46.8	52.8	42.9	49.2	20.8	56.2	37.8	25.4	13.9	16.0	32.1	14.4	12.0	0.0	6.0	0.0	17.0
Full-time eq period of paternity leave	2.0	9.2	3.0	3.2	10.4	2.0	0.4	0.0	2.0	0.4	0.4	0.6	0.5	0.0	0.0	0.0	1.0
Spending on childcare services (%GDP)	2.3	1.9	1.4	1.5	1.8	1.6	0.6	0.77	0.9	0.9	0.9	0.3	0.8	0.7	0.4	0.6	0.9
Spending per child on childcare services for children under 3 (US $ PPA)	8009	5530	4186	6085	3408	4009	3251	3084	1900	2025	3554	1430	1850	874	672	1803	1289
Spending per child on services for preschool children (US $ PPA)	4824	4091	4069	3895	6781	4744	6205	4865	4663	5497	n.a.	n.a.	7153	n.a.	4325	7755	4489
Coverage rate of childcare services (0-2 years)	61.7	39.5	22.4	43.7	58.7	28	6.6	9	33.6	29.5	14	15	25.8	29	32.1	35.5	23.5
Coverage rate of preschool (3-5 years)	89.7	86.6	46.1	85.1	94.7	100	74	80.3	99.6	70.2	72.3	68.2	80.5	71.5	92.7	62	77.9
Child to staff ratio (0-2 years)	3.3	5.5	4	n.a.	n.a.	5	8.7	7.5	7	5	5	3	3	5	4.5	5	11
Staff ratio in preschool	6.9	10.9	12.7	n.a.	7.3	18.8	14.7	10.5	15.6	20	14.3	10.3	17.4	10	9.4	11.9	16.5
Net childcare costs for dual earner family [b]	7.8	6.2	7.2	7.7	14.9	11.3	14.9	8.4	4.2	11.5	5.7	29.2	32.7	9.7	27.5	19.4	4.2
Net childcare costs sole parent[c]	8.5	4.8	4.1	-6	13.5	8.8	9.3	6.8	3.5	3	4.8	51.7	14.4	6.6	14.3	6.2	2
Benefits and tax breaks for families (% GDP)	1.62	1.59	1.59	2.03	1.51	2.20	2.52	2.19	2.29	1.22	3.54	2.37	2.54	2.69	1.91	0.76	0.92
Degree of targeting support at low income families[d]	2.9	1.7	2.2	2.3	2.4	1.4	1.4	0.9	1.1	1.0	1.0	1.2	2.7	6.6	11.2	2.8	3.9
Effective tax rate of a transition to employment (jobless to one-earner couple)[e]	82	79	84	79	74	63	69	66	60	71	65	72	74	66	74	44	60
Effective tax rate of a transition to employment (one-earner couple to two-earners)[e']	57	33	37	33	48	27	35	51	50	37	23	29	38	46	37	39	23
Incentive to have a second earner[f]	21	22	33	16	20	2	0	-2	-5	12	19	20	41	15	53	21	10
Effective tax rate for sole parent of transition to employment[e"]	85	66	64	88	74	75	71	78	71	78	69	25	70	55	78	39	58

Source: authors' calculation from data provided by the OECD family database http://www.oecd.org/document/4/0,2340,en_2649_34819_37836996_1_1_1_1,00.html, and OECD (2007), *Babies and Bosses: Reconciling work and family life. A Synthesis of findings for OECD countries*, Paris.

a. Full-time equivalent is the proportion of the duration of leave if it were paid at 100% of last earnings: FTE = duration of leave in weeks*payment (as a percentage of average earnings) received by the claimant. Benefits and payment rates applicable as of 1 January 2006.

b. Childcare costs are estimated for a dual earner family with two children with full-time earnings of 167% of the average wage in 2004. The first earner is assumed to earn the average wage and the second two thirds of it. Couples not taken into account. The two children are assumed to be below 3 years old and to be cared for full-time (40 hours per week) (OECD 2007; chart 6.5).

c. Single parents are assumed to have two children under age 3 and to work full-time at 67% of the average wage

	IT	SP	GR	PO	CZ	SL	HU	CAN	SWI	JP	K	group 1	group 2	group 3	group 4	group 5	Average[g]
Spending for maternity and parental leave per child (in % of GDP per capita)	20	15	8	30	59	60	89	25	10	13	1	9	14	24	59	57	30
Total length maternity and parental leave (in weeks)	57	172	45	172	184	184	180	50	16	12	48	36	38	103	184	48	83
Full-time eq period of maternity and parental leave[a]	20.4	16.0	17.0	38.7	34.9	52.8	69.8	28.6	16.0	8.4	18.1	12.9	12.5	26.8	47.8	42.4	27
Full-time eq period of paternity leave	0.0	0.4	0.4	2.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.1	0.1	0.8	1.2	6.2	1
Spending on childcare services (%GDP)	0.7	0.7	0.4	0.5	0.6	0.6	1.5	0.2	0.4	0.44	0.17	0.43	0.57	0.91	0.92	1.88	1
Spending per child on childcare services for children under 3 (US $ PPA)	2761	1234	1169	n.a.	1507	1110	n.a.	n.a.	919	1252	144	1020	1911	2543	2268	5758	2522
Spending per child on services for preschool children (US $ PPA)	6116	4151	n.a.	3269	2660	2641	3985	n.a.	3558	3766	2628	4286	6936	4945	3325	4898	4614
Coverage rate of childcare services (0-2 years)	6.3	20.7	7	2	3	17.7	6.9	19		15.2	19.5	22.2	16.3	20.6	10.4	50.9	23
Coverage rate of preschool (3-5 years)	100	98.6	46.8	36.2	85.3	72.4	86.9	n.a.	44.8	86.4	60.9	72.1	69.6	84.1	65.4	89.0	77
Child to staff ratio (0-2 years)	7	13.7	5	n.a.	n.a.	n.a.	6	5.5	4.5	6	4	4	6	8	n.a.	n.a.	6
Staff ratio in preschool	12.5	13.9	12.7	n.a.	11.6	12.5	10.5	n.a.	n.a.	n.a.	n.a.	11.8	12.4	15.5	11.8	8.4	13
Net childcare costs for dual earner family [b]	n.a.	n.a.	4.7	4.6	7.6	7.8	6.5	22	29.8	14.2	8.7	21.7	12.1	8.6	6.7	9.2	13
Net childcare costs sole parent[c]	n.a.	n.a.	4.6	12.7	14.7	17.1	0	44.5	22.7	14	15.7	23.0	5.4	5.5	9.7	5.2	12
Benefits and tax breaks for families (% GDP)	0.59	0.47	0.85	0.99	1.70	1.85	2.06	1.00	1.06	0.78	0.01	1.55	0.73	1.92	1.64	1.69	2
Degree of targeting support at low income families[d]	0.0	2.5	0.4	7.4	2.6	1.0	0.6	6.5	1.8	5.0	9.5	5.6	1.1	1.7	2.8	2.3	3
Effective tax rate of a transition to employment (jobless to one-earner couple)[e]	11	47	19	63	71	33	62	57	83	66	51	68	25	63	63	79	62
Effective tax rate of a transition to employment (one-earner couple to two-earners)[e']	42	21	20	44	42	26	42	45	28	21	9	32	34	33	38	43	35
Incentive to have a second earner[f]	-20	-4	-1	22	11	-15	33	18	38	23	20	29	0	4	17	20	15
Effective tax rate for sole parent of transition to employment[e'']	-4	52	16	75	69	35	48	48	92	76	60	63	17	69	58	78	61

d. Degree of targeting support at low income is estimated by the ratio of proportion of the financial assistance for children received by the families with initial low earnings (up to 25% of average earnings) to the proportion received by families with two workers at average earnings (i.e. household income equals twice the average wage). Assistance for children is calculated as the difference between the net income of a single-income couple without children and a single-income couple with two children, expressed as a percentage of the average worker's earning (OECD, 2007 table 4.2).

e. Average effective tax rates measure the proportion of any increase in earnings which is lost either to taxation or loss of benefit income. The household is supposed to have two children, aged four and six. Here effective tax rate is estimated when one partner is contemplating transitions into full-time work paid at average rate, the other is supposed to be jobless (OECD 2007; table 4.3). Neither childcare benefits nor the cost of childcare are not taken into account here. In e' the first earner is supposed to move from inactivity to a full-time job paid at the average level, and second earner is supposed to have full-time earnings equal to 67% of the average wage (OECD 2007; table 4.4). In e'', single parent with tow children is supposed to move from inactivity to a full-time job paid at 2/3 of the average wage (OECD 2007; table 4.7).

f. The incentive to have a second earner in the household is measured by the difference in the marginal effective tax rate faced by a single-earner married couple where the earnings rise from half to 100% of average earning after an increase in labour supply (the partner remaining inactive) and the marginal tax rate applying to a same increase in earnings due to the labour supply of the second earner when the first earner is assumed to receive 67% of the average income. Of course, this estimation is limited because these differences vary with household income.

g. Groups 1-5 refer to those obtained by the cluster analysis (see details next section); group 1: IE, CAN, SWI, UK, K, JP, NZ, AUS; group 2: IT, GR, USA; group 3: SP, PT, AU, GE, NL, BE, LU, FR; group 4: SL, CZ, HU, PO, FI; group 5: IC, SW, NO, DK. For each group, the average is calculated only when the information is available for a sufficient number of countries.

Table 2: Poverty, fertility and maternal employment rates

	DK	SW	FI	NO	IC	FR	AU	GE	BE	NL	LU	IE	UK	AUS	NZ	US	PT	IT	SP	GR	PO	CZ	SL	HU	CA	SW	JP	group 1	group 2	group 3	group 4	group 5	Average
Poverty rates in couple families	1,9	2	2,5	1,7	n.a.	5,1	10,2	8,1	n.a.	5,2	5,7	10,7	8,7	6,8	8,8	14,5	12,4	14,1	n.a.	10,8	10,2	3,5	n.a.	n.a.	8,5	16,8	11,4	10	12	8	5	2	9
Poverty rates for non working sole parents	22,2	34,2	25	24,7	n.a.	61,7	67,6	55,6	22,8	42,8	n.a.	88,7	62,5	58,7	63,5	93	84,8	76,8	68,2	18,8	60	53,7	n.a.	n.a.	89,7	n.a.	52,1	69	63	58	46	27	56
Poverty rates for working sole parents	4	5,6	7,2	2,8	n.a.	9,6	23,3	18	11,4	17,7	n.a.	22,1	20,6	11,7	18,6	39,9	20,3	13,4	32,8	20	6,1	5,5	n.a.	n.a.	27,7	2,3	4	15,3	24,4	19,0	6,3	4,1	15
Child poverty	2,4	3,6	3,4	3,6	n.a.	7,3	13,3	12,8	4,1	9	n.a.	15,7	16,2	11,6	14,6	21,6	15,6	15,7	15,6	12,5	9,9	7,2	n.a.	n.a.	13,6	6,8	14,3	13,3	16,6	11,1	6,8	3,2	11
Period fertility rates	1,8	1,77	1,8	1,84	2,05	1,94	1,41	1,34	1,72	1,73	1,7	1,88	1,8	1,81	2,01	2,05	1,4	1,34	1,34	1,28	1,24	1,28	1,25	1,32	1,53	1,42	1,26	1,67	1,56	1,57	1,38	1,87	2
Decrease in TFR since 1970	-0,15	-0,15	-0,03	-0,66	-0,76	-0,53	-0,88	-0,69	-0,53	-0,84	-0,28	-2,05	-0,63	-1,06	-1,27	n.a.	-1,43	-1,38	-1,56	-1,11	-0,96	-0,63	-1,16	-0,65	n.a.	-0,68	-0,84	-1	-1	-1	-1	0	-1
Female employment rate (age 25-54)	81,7	81,5	79,7	81	83,8	73,4	77	72,7	70,8	75,1	68,4	68,1	74,9	71,4	74,4	72,5	75,3	59,3	63,7	60,6	65,3	81,3	70,2	67,6	77,1	77,6	66,6	73	66	73	73	82	73
Part-time work for mother with children under age 6	5,1	41,2	8,3	n.a.	n.a.	23	40	46	35	79	32	39	58	67	54	29	6	29	17	16	n.a.	6	2	8	30,3	74,2	45,1	48,9	24,7	34,8	6,1	23,2	34
Maternal employment rate (with children under age 2)	71,4	71,9	52,1	n.a.	83,6	53,7	60,5	36,1	63,8	69,4	58,3	55	52,6	48,3	45,1	54,2	69,1	47,3	52,6	49,5	n.a.	19,9	23,1	13,9	58,7	58,3	28,5	48,0	50,3	57,9	27,3	69,8	52
Maternal employment rate (with children age 3-5)	77,8	81,3	80,7	n.a.	83,6	63,8	62,4	54,8	63,3	68,3	58,7	55	58,3	48,3	60,6	62,8	71,8	50,6	54,2	53,6	n.a.	50,9	46,6	49,9	68,1	61,7	47,8	57	56	62	n.a.	80,9	61
Maternal employment rate (with children age 6-15)	77,5	76,1	84,2	n.a.	86,5	61,7	67,5	62,7	56,9	69,4	52,7	59,9	67,7	70,5	75,3	73,2	65,4	47,5	50,9	50,4	n.a.	67,6	60,4	58,3	71,1	77	68,1	68,4	57,0	60,9	67,6	81,1	66
Maternal employment rate (with 1 child)	n.a	80,6	71,2	n.a.	88,5	62,2	67,7	58,4	58,3	70,1	56	55,4	67,1	63,3	64,1	n.a.	63,5	48,3	51,1	48,4	42,7	57,4	56,4	53,7	70,1	69,5	n.a.	64,9	n.a	62,3	56,3	80,1	62
Maternal employment rate (with 2 children)	n.a	84,7	70,9	n.a.	82,3	57,6	60,1	51,8	58,5	70,6	49,8	52,5	62,4	58,1	64,5	n.a.	59,2	41	44,7	44,4	35,6	52,5	49,4	48,3	73,2	65,4	n.a.	62,7	n.a	58,2	51,3	79,3	58
Maternal employment rate (with 3 children)	n.a	75,6	60,1	n.a.	82,3	38,1	46,5	36	39,4	59,9	33,8	42,3	42,3	58,1	56,7	n.a.	46,1	27,4	38,5	37,4	28,5	34,4	31,5	24,6	66,3	58	n.a.	53,95	n.a	42,29	35,82	72,7	46
Sole parent employment rates	82	81	70	69	81	70	76	62	62	58	94	45	57	50	53	73	78	79	84	82	n.a.	63	n.a.	n.a.	68	82	82	62,4	78,0	73,0	n.a.	78,5	71

Year 2005; Source: Society at glance ; OECD employment database; EU Compendium indicators 2006.

III. Results of the cluster analysis

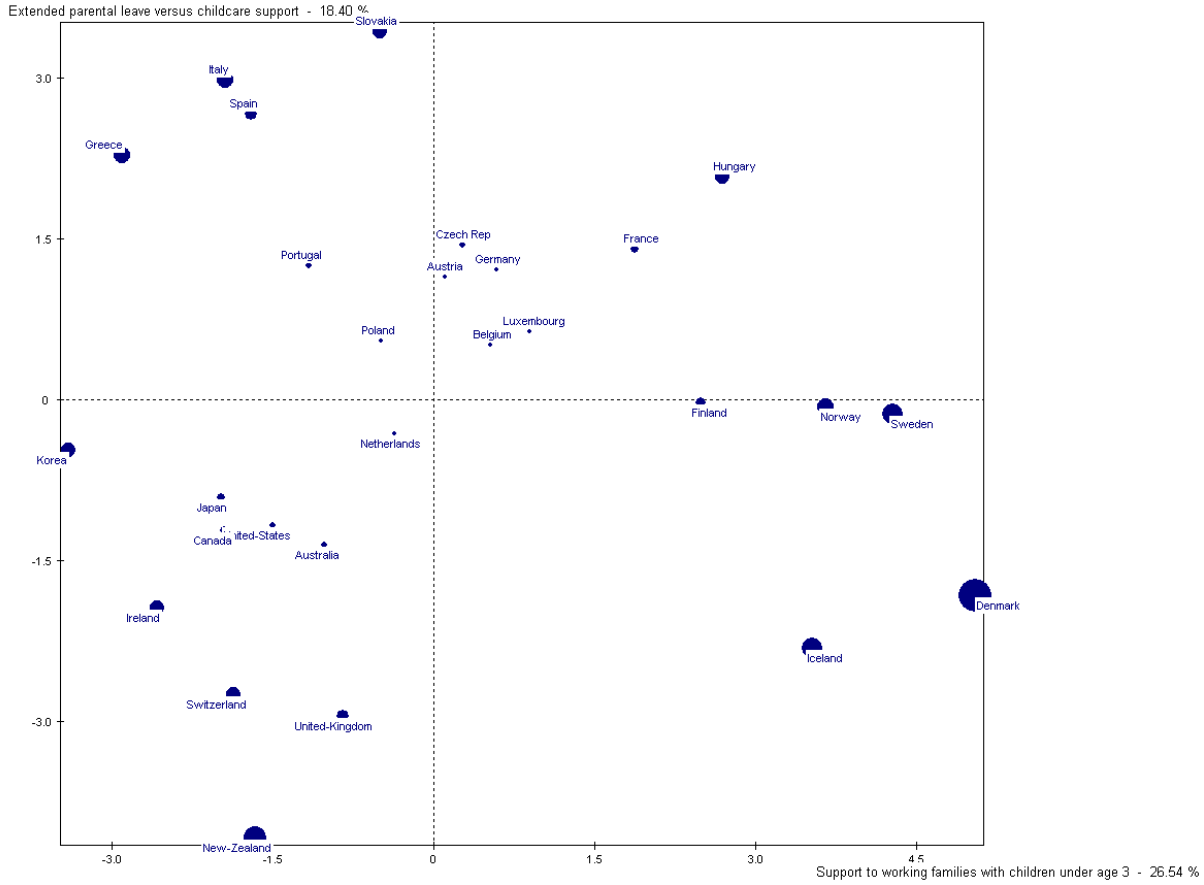
We first discuss the basic results of the factorial analysis in order to identify the set of main contrasting variables and we then interpret the classification derived on this basis.

III.1. Major policy differences in support for families with children under age 3

Figure 1 presents the variables that contribute to the two first axes (fig. 1a) and shows the relative positions of countries with regard to these first contrasts (fig 1b). Here, the sharpest contrast is illustrated by the first axis which captures about 27% of initial information while the others capture 18% and less. It mainly contrasts Nordic European countries with others, and especially Southern European, Asian and Anglo-Saxon countries.

Chart 1: Contrasting levels of support to families with children under age 3

1a



1b:

On the whole, figure 1b shows that this contrast involves all kinds of support in cash and in kind, especially support that enables families with children under 3 years to combine work and care. Basically, countries in the right-hand side of the chart show more mixed policies, with higher spending on leave, childcare services for children under 3, or benefits and tax breaks for families. Thus, rather than a trade-off between policy instruments, there is a clear contrast between Nordic countries where the three complementary sets of family support co-exist, and most other countries where lower spending is observed, either measured in % of GDP or per child. The effective tax rates of transitions to employment are also relatively higher, which can be seen as a counterpart of the higher support in the form of leave payment, childcare services and benefits. Denmark and Ireland clearly stand at the extreme limit, with much higher spending on childcare for children below age 3 (in Denmark) and for preschool children (in Iceland), and especially higher attendance of children under age 3 in childcare services.

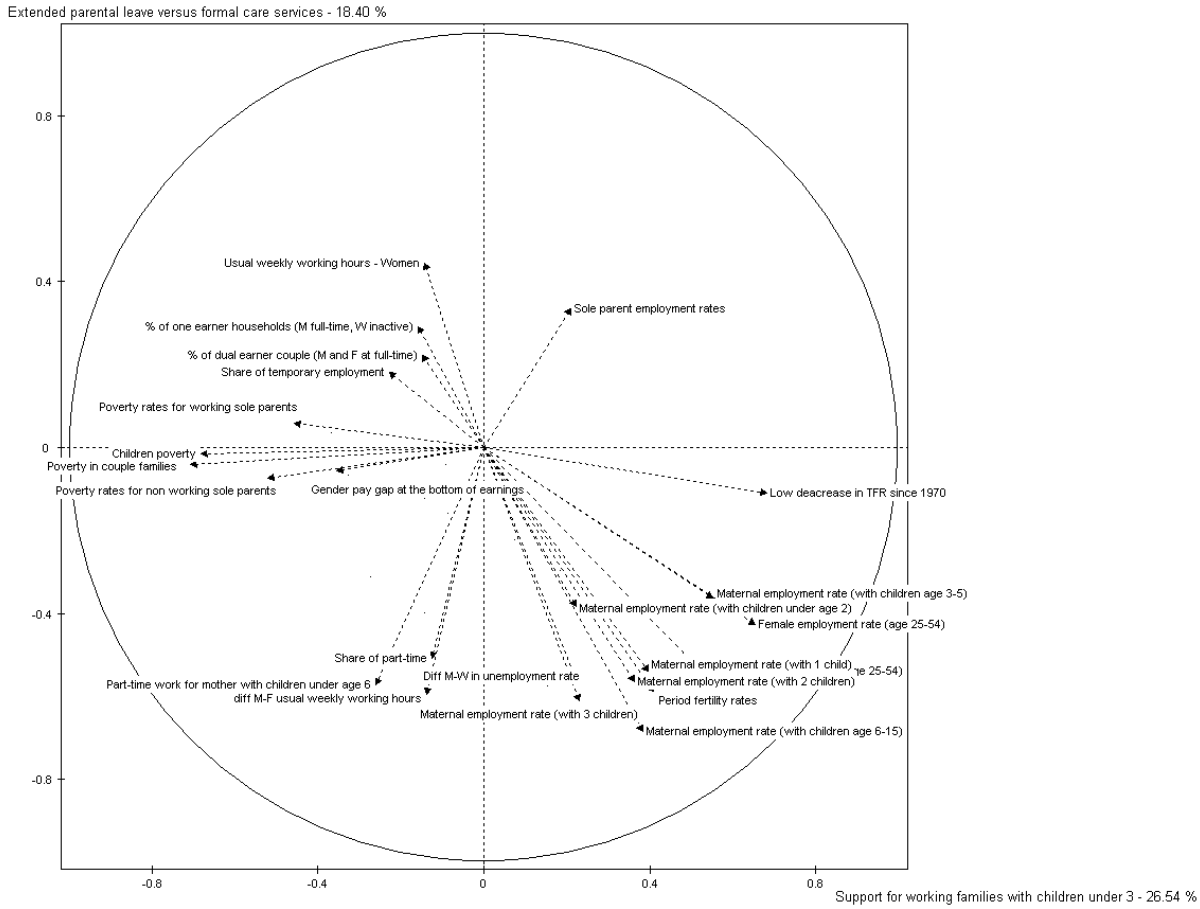
Southern European, Anglo-Saxon and Asian countries contrast strongly, with lower paid parental leave support and lower spending and coverage of childcare services for working parents with children under 3. However, they vary according to other criteria, as illustrated by their opposite position on the second factorial axis. Basically, the Anglo-Saxon countries at the bottom differ from the others, with a stronger emphasis on income support to low income families, but also especially with higher net childcare costs. These costs may balance the relatively large advantage regarding tax rates enjoyed by a second earner in comparison to the first earner. By contrast, most of Southern or Continental European countries exhibit a longer period of child-related leave, and the full-time equivalent paid period is especially low in Southern countries. Thus, they rank globally as the countries providing the lowest combined support in kind or in cash. The effective tax rates supported by working parents are, as a counterpart, relatively low. Note also that the difference in effective tax rates applicable to the first and the second earner is negative here, which may reflect the persistent prevalence of support to the traditional male breadwinner household. Compared to these polarised positions, the situation of

most Continental countries is relatively median. It is noteworthy that France and Hungary deviate from this set especially because of a longer paid period of parental leave. Figure 1 also captures other differences within the established geographical areas which will be detailed when commenting the overall derived classification (section IV).

III.2. Poverty, Fertility and Female Employment rates shed light on these differences

The reasons for such differences can be investigated further by looking more closely at the relationships between the design of family policies and some contextual parameters such as fertility, poverty and gender differences in employment. Chart 2 illustrates the correlations between these "illustrative" variables and the first two variables of the principal component analysis.

Chart 2:



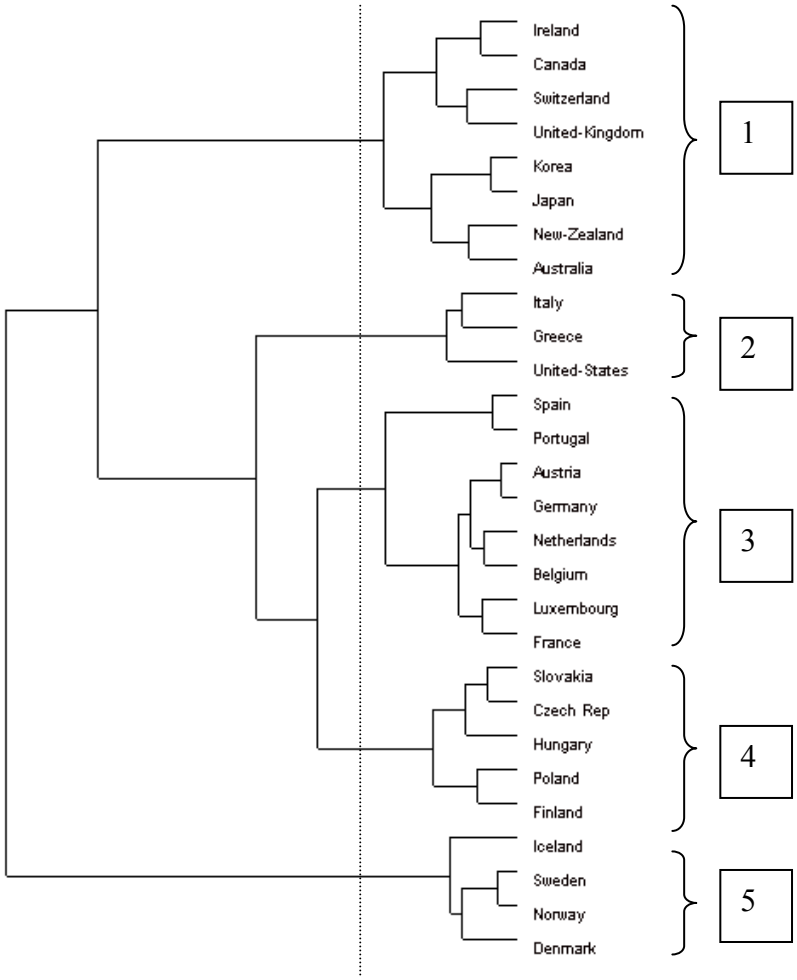
The main variables correlated with the first axis are clearly poverty rates. This illustrates the main contrast between Scandinavian countries on the right-hand side, and both Anglo-Saxon and Southern European countries where poverty rates are much higher than in other sets of countries (Table 2). This may be a reason why poverty reduction (including child poverty) has been a clear driver of family support in these countries. Family policies in Anglo-Saxon countries clearly illustrate this orientation, with higher funds allocated in poverty areas to develop childcare services, means-tested (and often also work-tested) benefits, and larger financial transfers to low-income rather than high-income families. In the other direction, the decrease in fertility rates since the 1970s is lowest on the right-hand side of chart 2, i.e. basically in Scandinavian countries. Total period fertility rates are highest in Anglo-Saxon and Scandinavian countries as opposed to South European and many Continental countries. Co-variation between fertility and female employment rates is also illustrated by the chart, in accordance with the idea that countries at the bottom provide contexts which are beneficial for both maternal employment and fertility, compared to countries at the top. In this respect, both Nordic and Anglo-Saxon countries are clearly in contrast with the others. Female employment rates (including

those of mothers) are higher in Nordic countries, while part-time work for women with a child under 6 is a more frequent option for achieving such an equilibrium in Anglo-Saxon countries.

IV. A classification into five groups of countries

Looking at further axes does not reveal further clear contrasts between policy models. Nevertheless, it is useful to include this information in a cluster analysis that provides a complete picture of cross-country differences. Figure 3 illustrates the classification into groups of countries obtained through an ascending hierarchical clustering process (see box 1). Starting from the right-hand side, the tree evaluates the degree of similarity between countries and the relative distance between the emerging groups. We can see that the main opposition arises between the group of Nordic countries, on the one hand, and all other countries on the other. Another important point is that countries of a given geographical area stand quite close to each other, but there are some important exceptions. In particular, we can see that Italy and Greece are relatively distant from Portugal and Spain, which appear to share more similarities with Japan and Korea. Finland is also relatively distant from other Nordic European countries. Likewise, the United-States is relatively distant from other Anglo-Saxon countries (and closer to Italy and Greece). Finally, Switzerland is close to this Anglo-Saxon group and very distant from other Continental European countries. By contrast, both these latter countries and Eastern European countries stand as relatively homogeneous groups.

Chart 3: Classification of countries by family policy characteristics



To sum-up, differences in the family policy packages can reasonably be summarised by distinguishing 5 main groups of countries, according to the cluster tree illustrated in Figure 3:

1. The first group comprises most Anglo-Saxon countries (except the US), our two Asian countries and Switzerland. They are characterised by limited support for families and for the work-family balance and include countries where maternity and parental leave entitlements are the lowest, especially when standardised into full-time equivalents, and where there is no specific entitlement for fathers. Public investment in childcare services for children under 3 is also limited, while spending tends to focuses on preschool children. The coverage of these services is nevertheless just above average (except in Ireland and Canada), despite costs for parents which are much higher than in other areas, in the UK and in Ireland especially. Childcare services are significantly more affordable for single parents (except in Ireland), largely because of targeted subsidies and support to combine work and childrearing. Basically, family support appears unbalanced since it is channelled primarily through cash transfers which represent a significantly higher percentage of GDP than the amount spent for service provision and leave payment. Income support also clearly targeted on low income families. Compared to other countries, this relatively low global support for families and work-family reconciliation is balanced by low effective tax rates – except for jobless households – and strong incentives for both partners to take paid employment, notably in the UK and New Zealand, when childcare costs are not considered. This incentive is reduced, however, if a second earner implies that the households have to rely on formal childcare.

2. Italy, Greece and the US form a second group characterised by the lowest level of support to working parents with children under age 3. Parental leave payments are also quite low, and childcare services for children under 3 are limited in terms of both spending and scope. Contrary to previous countries, however, the cost of formal childcare for parents is low. Cash support is also very limited, with certain differences in nature between Italy and Greece, on the one hand, and the US on the other. Financial support for families increases with household income in Greece and Italy, while low-income families do not receive a larger share of income support. The effective tax rate of a transition to employment is also relatively low for jobless households and sole parents in these two countries. Moreover, the tax system penalises the labour supply of a second earner with respect to an increase in the labour supply of the first earner. By contrast, the effective tax rates faced by jobless households and sole parents are much higher in the US, but the tax system gives incentives to dual-earner rather than single-earner households. It is also clear that the US differs in several respects from other Anglo-Saxons countries: the spending per child in preschool is highest in the US, similar to the level in the UK, but much higher than in New Zealand, Australia or Ireland. The estimated costs of childcare for parents in Michigan are lower than in other Anglo-Saxon countries. Cash transfers to families are also lower, but a counterpart is that lower effective tax rates apply to jobless couple households or sole parents when they move to employment. The incentive for a second earner to enter employment is, however, relatively low compared to the UK or New Zealand. Child-related leave is also quite specifically restricted since there is no legal federal entitlement for parental or paternity leave after the 12 weeks of maternity leave.

3. The third group comprises Continental European countries, joined by Spain and Portugal. Clearly, they offer more quantitative support to employed parents with a child under preschool age, with longer periods of paid parental leave and higher provision of childcare services. The total length of available parental leave is relatively long compared to the previous groups, but with a low and flat-rate payment. Differences between countries exist of course: the period of leave equivalent to a period of paid full-time employment is, for example, longer in France or Austria, where parents who care for their child under three receive a flat-rate care allowance, and the level of childcare provision is much more limited in Germany, Austria or Luxembourg. The volume of cash transfers in percentage of GDP is also higher on average than in the previous groups, and in all these countries transfers to low-income households are not much higher than those received by the richest. Thus, as far as captured by our ratio, the redistributive dimension of family support is here less manifest than, for example, in Anglo-Saxon countries. In contrast to previous Mediterranean countries, Like the other continental countries, Spain and Portugal offer more childcare services for the under 3s (the coverage rate is about three times higher than in Greece or Italy). They also differ because financial support is lower but more clearly focused on low-income families. However, the total support in benefits and tax breaks represents a much lower share of GDP than in Continental Europe, as is the case in other

Mediterranean countries. Portugal nevertheless stands apart by its positive incentive for a second earner within the household relative to an increase in the first earner's labour supply.

4. Eastern European countries also share a common set of characteristics. The periods of parental leave are relatively long, but their full-time equivalents are similar to those of Continental countries. Investments in childcare facilities for children under 3 are, by contrast, low and their coverage is the lowest except in Slovakia. Transfers to families are slightly higher than in Southern countries, with a clear emphasis on low-income families in Poland and the Czech Republic but not in Slovakia or Hungary. The nearby position of Finland reveals that this country differs from other Nordic countries in several respects. First, the total available period of leave is longer, with parents who stop working for up to three years being entitled to a care allowance. Full-time equivalent is not that different but is paid at a lower level for a longer period. Enrolment rates are consequently lower for children under age 3 but also for preschool children. However, female labour supply is encouraged by the fact that the tax rate applicable to a second earner is significantly lower than that resulting from an increase in the first earner's labour supply. The difference is markedly lower here than in other Scandinavian countries.

5. Last but not least, the other Nordic European countries exhibit clearly the most complete and consistent support for working parents with children below preschool age, with both generous paid leave and higher investments in childcare facilities and levels of childcare provision: spending on leave represents on average 57% of GDP per capita for each child compared to the overall average of 30%, and of only 9% in group 1. The full-time equivalent period of leave is also about 42.4 weeks, versus only 27 weeks on average. Spending on childcare and education for children under six is also much higher here, at 1.88% of GDP, compared to 1% on average, and to 0.43% in group 1. The difference in the amount spent per child under age 3 is also significant since it is more than double the average. Income transfers are relatively intermediate, lower than in Continental countries, but more clearly focused on low-income families. The dimension of gender equity is also illustrated in the design of parental leave, with a father-specific period which is much longer in Sweden and Iceland than in other countries, although far shorter than the period for mothers. All in all, there is a clearer balance between different objectives, although this entails high spending and relatively high effective tax rates.

IV. Persistent variations in family policy models?

The above analysis supports the argument that family policies have been progressively developed throughout most OECD countries. For some of these countries, this development is quite recent and represents a change in orientation of the Welfare State. The reconciliation of work and family life has been the main driver of this development, but there are still major differences in the way it is combined and balanced with other family policy objectives. Some are revealed in the design of family policy instruments. The main difference between countries concerns the development of formal services for children under preschool age and their varying degree of complementarity with parental leave entitlements. As suggested by previous studies, we found both clear distinctions in the family policy models between geographical areas, but also some dispersion within these areas.

More generally speaking, the above classification suggests that family policies have reached different stages of development, but also that they are based on different models. “Models” refer here to the different drivers of policy development (i.e. the above-identified policy issues) which are anchored in different welfare regimes, i.e. in the distribution of roles between families, the state and the markets in welfare provision. Thus, the contrasted figures illustrate relatively persistent variations in the modes of coordination between work and care over the family life-cycle (Thévenon, 2006). In relation to the policy drivers, the Nordic and the Anglo-Saxon countries illustrate two patterns, with the necessary systemic coherence to achieve a good balance between female employment and fertility. In Nordic countries, support to working mothers seems to be sufficiently prolonged, diversified and continuous over the family life-course to allow a larger share of women to participate in the labour market full-time even during the period of family formation. The balance is achieved by major state intervention to provide a complementary mix of relatively generous parental leave payments which secures household income for the period directly following a birth. This is followed up by a relatively

prolonged supply of affordable childcare services, and complemented with income transfers that benefit families. Here, the complementary objectives of child education, adult autonomy and gender equity provide a largely accepted justification of this continuous and consistent path. In this context, households can rely on a relatively diversified set of resources that help to secure their transition into both parenthood and employment. Women are, in particular, encouraged to find a job and encouraged to keep it even after the birth of children, although the effective tax bill that has to be paid as a counterpart is relatively high. Accepting such investments, the provision of affordable childcare, income support, and secure income during parental leave have positive impact on poverty, female employment rates, but Nordic countries show relatively high degree of occupational segregation, which is probably beyond the scope of family policies.

By contrast, in the Anglo-Saxon 'model', a key parameter of the balance between work and family life is part-time work for women with children under school age. Here, the balance is achieved with more limited public investments and policies that basically consider the issue of childcare as a matter of private choice. In this respect, one prominent objective is to limit the effective tax bill so that households maintain freedom of choice in terms of childcare preferences. Family support thus functions largely through transfers focusing on parents at risk of poverty who are encouraged to enter the labour market. Limited effective tax rates are intended to guarantee the financial returns of work, and labour market flexibility is expected to provide effective means for households to manage their family 'constraints'. Labour market flexibility includes here the development of part-time work and the opportunity to change jobs and to switch in and out of employment over the family-life course. Formal childcare is basically provided by 'marketised' services for which only limited public co-funding is provided. Households may receive childcare subsidies, depending on their labour supply decision. Nevertheless, formal services still remains relatively expensive and childcare is only compatible with mothers' part-time work and some use of informal support. This pattern thus implies a more clear gender division of roles since female labour market participation has to sequentially adjust over the family life course (Thévenon, 2006). Anglosaxon countries still face, however, higher rates of poverty.

Compared to these broad patterns, the situation of most of Continental European countries is more mixed. As is the case for Eastern and Southern European countries, state family support is limited and highly 'fragmented', i.e. heterogeneous within countries and discontinuous over the family life-course. It is not surprising to observe the lowest performance for fertility, female employment, and a higher poverty score in such contexts, with highly polarised female behaviour with respect to fertility and labour market participation (Esping-Andersen, 2008; Thévenon, 2004). Clearly, such a lack of continuous support raises concerns about parents' effective "freedom" of choice. Beyond this broad categorisation, another important result of our analysis is that many countries in given areas deviate from the pattern assumed to be the norm of these areas. Thus, Finland is found to differ from other Nordic European countries. Italy and Greece share characteristics that differ from Spain and Portugal. Countries of Continental Europe are also sub-divided into different groups, and Switzerland is found to be closer to Anglo-Saxon countries. Basically, the cluster analysis did not strictly reproduce the classification of countries derived from the well-established categorisation of welfare State regimes or from previous cross-country comparisons of family policies. One reason is that recent developments or reforms in family support policies have included switches towards more mixed support in order to achieve balanced objectives. However, another reason may be that our comparison is based on larger set of comparable and updated data provided by the OECD Family database. Such an analysis should be considered as a first step towards better assessment of the support received by families over their life-cycle.

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