Number 512
June 2014

Version française

Population & Societies

Family policy in France and Europe: recent changes and effects of the crisis

Olivier Thévenon,* Willem Adema,** Nabil Ali**

Family policies are central to the well-being of individuals in Europe, but they differ substantially across countries. Drawing on the OECD Social Expenditure database (SOCX), Olivier Thévenon, Willem Adema and Nabil Ali describe the different policies in European countries to support families with children. They examine the modalities and the size of social spending on family benefits (expressed as a proportion of GDP), and consider how they have changed recently in response to the economic crisis.

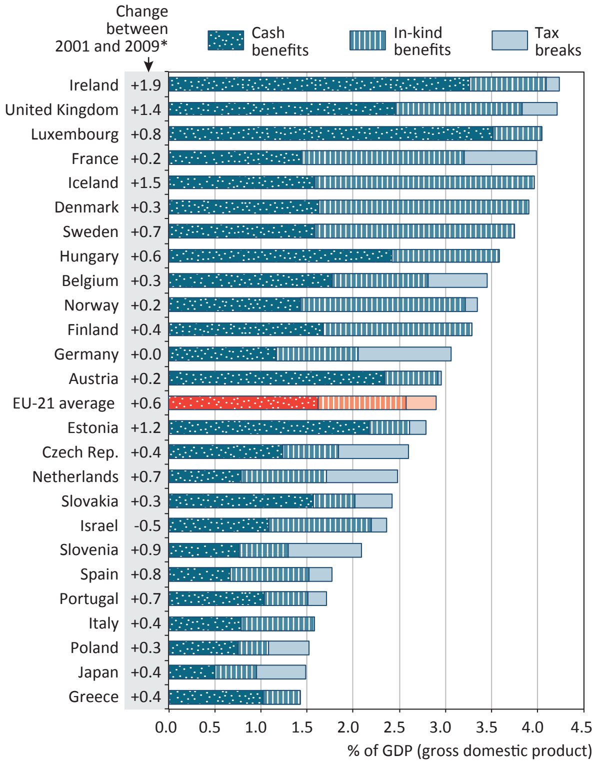
Most European countries strengthened their family policies over the 2000s, with an increase in spending from an average of 2.3% of GDP in 2001 to almost 2.9% in 2009. The rise was steepest in countries such as Ireland, the United Kingdom or Iceland, which rank among the countries with the highest spending in 2009 (above or close to 4% of GDP) (Figure 1). France also belongs to this group, with a stable level of spending since the early 2000s in relation to national wealth.

Different objectives

The breakdown of spending by type of support (cash support, preschool childcare services, tax breaks) to some extent reflects differences in each country's national policy priorities (Figure 1). Among the main changes observed in recent years, the share of tax breaks has increased relative to other forms of support to families.

Reducing family poverty, and child poverty especially, is a goal shared by most countries. For a country like France, cash support is not designed solely to combat poverty, but also to narrow the gap in living standards between families with and without children. [1]

Figure 1 : Distribution of family expenditures, 2009



(O. Thévenon *et al.*, *Population & Societies*, n°512, INED, June 2014)

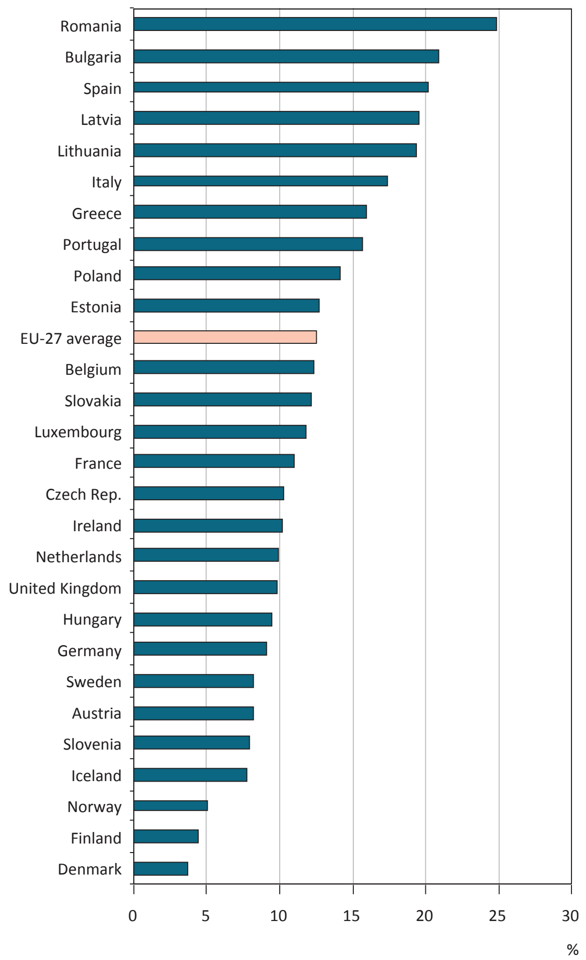
Source: OECD Social Expenditure database (SOCX).

* Percentage-point change in share of GDP devoted to families between 2001 and 2009.

* Institut national d'études démographiques.

** Organization for Economic Cooperation and Development (the opinions expressed here are solely those of the authors and may not be attributed to the OECD or its members).

Figure 2. Poverty rate* of families with children in 2010



(O. Thévenon *et al.*, *Population & Societies*, n°512, INED, June 2014)

Source: OECD Income Distribution database

* The poverty rate corresponds to the proportion of poor households among households with children. It is calculated on the basis of a poverty line set at 50% of median income.

Family policies have only been partially successful in reducing poverty (Figure 2), since the relative poverty rate of families with children has increased, on average, in OECD countries and in one-third of European countries, including France. In Austria, Hungary, the United Kingdom and particularly Ireland, by contrast, the child poverty rate fell considerably after 2000.

Another key policy objective in many countries is to improve the physical, cognitive and social development of children while enabling parents to reconcile work and family life.[2] To this end, maternity leave and parental leave following childbirth, and care supports for young children enable parents to look after their new-born child, and later on to find affordable childcare solutions that fit in with their work schedule and their personal preferences. More than half of all OECD countries have also introduced leave periods specifically targeting fathers, with the aim of encouraging their participation in childcare tasks after a birth and fostering greater gender equality.[3] In this context, increased childcare provision for under-threes appears to have favoured female labour force participation throughout the OECD, while also contributing to an increase in fertility rates. [4]

Increased investment in early childhood education and care support

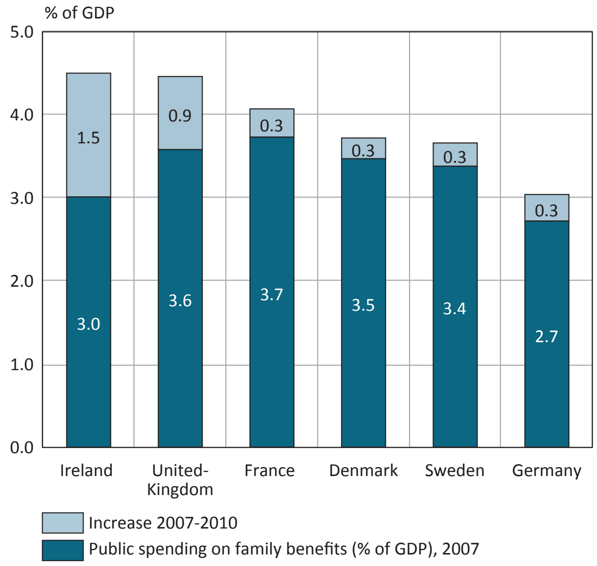
Outside France, the share of spending devoted to older children (ages 6-11) and adolescents (12-17) has fallen slightly, in favour of young children (0-5), who now account for 25% of total per capita spending on children aged 0-17, versus 23% in 2003. In France, the relative spending share devoted to young children (0-5) has remained quite stable since the early 2000s, and represents one-third of all per capita spending on children throughout childhood.

Spending on childcare/preschool services for young children has increased overall in the last 15 years, rising from 0.5% of GDP, on average, in 1998 to almost 0.7% in the 21 European countries for which data were available in 2010. There are large cross-country disparities, however. France is a country where the share of national wealth invested in childcare/preschool (1.12% of GDP) is much higher than the OECD average (0.96%). Germany, on the contrary, spends just 0.5% on childcare/preschool provision, even though spending on families is relatively high, at 3% of GDP.

Effects of the crisis on family policies: between "stabilizers" and austerity

In the wake of the 2008 financial crisis, family policies underwent various changes across OECD countries. As with overall social expenditures, these changes occurred in two stages. Many countries began by spending more on family and housing benefits, or adopted tax measures to lessen the effects of the crisis on household income. But measures for reducing family benefits were later introduced under the fiscal consolidation policies implemented in many countries. Some countries, for example, restricted the conditions of eligibility for family benefits, or froze the amounts paid out (Greece, Hungary, Netherlands, United Kingdom), though few cut their budgets for young children. The crisis nonetheless prompted a net increase in the share of national wealth devoted to families over the period 2007-2010 (Figure 3).

Figure 3. Change in family expenditures between 2007 and 2010



(O. Thévenon *et al.*, *Population & Societies*, n°512, INED, June 2014)

Source: OECD Social Expenditure database (SOCX).

Family benefits: A limited role in mitigating income losses

This increase in family spending was generally greater in countries where support is means-tested, as is the case in Ireland and the United Kingdom, where the number of family benefit recipients (and those receiving maximum benefits) rose sharply. Family benefits provide a means to mitigate the effects of the crisis on the income of families with children relative to childless households. Since 2008, however, judging by the low level of additional income provided through family benefits to households with children, this "cushioning effect" appears to have been limited.[5]

For single-parent families in particular, income support as a share of total income increased slightly between 2001 and 2006, from 14% to 15% of net income on average, but then decreased to 13% in 2011. The fall was slightly greater in France (from 14% to 12%), but much less dramatic than in Denmark, Luxembourg, Norway, Sweden, Finland or the Czech Republic where, at the beginning of the period, income support represented a much larger share of net income than in the other countries.

The impact of the crisis on parental leave policies has been moderate, and many of the extended rights and reforms planned before the crisis have effectively come into force;[3] this was notably the case in Portugal in 2009, where a reform introduced much more generous individual rights to fathers and mothers. Several countries have extended specific rights for fathers (Austria, Finland, Italy, Norway, Poland, United Kingdom). In France, the introduction of a six-month quota of leave (out of the three years that parents can take after a second birth) that cannot be transferred to the other parent is designed to encourage more fathers to take parental leave, although the amount received is small (around half the minimum full-time wage), so take-up is likely to be limited. Lastly, several countries (Germany, Belgium, Czech Republic, Spain, Estonia, Greece, Iceland, Norway, Slovenia) have introduced cutbacks in leave entitlements, most notably in Iceland, where parental leave entitlement has fallen from 80% to 75% of the monthly wage for higher earners (with a ceiling at around 2,180 euros per month).

Thus, the effects of the crisis on family policies in OECD countries vary in nature and intensity. In some countries, the adjustments were no more than a confirmation of trends observed before the crisis began, whereas in others the changes were more radical. France, Germany, the Netherlands and the United Kingdom illustrate four diverse forms of policy response.

A trend-break in the Netherlands

In 2005 the Netherlands implemented major reforms which included subsidies to develop a market for private preschool childcare provision. However, the crisis led to a trend-break in spending on childcare subsidies. Public spending in this sector rose from 667 million euros in 2006 to a peak of 3.3 billion in 2010 before dropping back to 2.3 billion in 2013. At the same time, the number of children covered by childcare services followed the same pattern: 219,000 (i.e. 34% of all under-threes) in 2006, 381,000 in 2010 (52% of under-threes), and 300,000 (48% of under threes) in 2013. Other family spending cutbacks were also implemented, including a freeze on child allowances, the abolition of tax breaks for parents on parental leave, and the phasing out of different payment rates in child allowances for different age-groups by reducing payment rates for 6-17 year olds.

Mixed reforms in Germany

In Germany, efforts to control social spending have led to cutbacks in family support. Coverage of childcare provision is much lower than in other countries with equivalent family support budgets, and the development of childcare provision is still a policy priority. However, the adjustments made since 2008 are ambiguous as they may not increase access to childcare/preschool. For example, following the recent cutbacks, leave entitlements for parents with an income above 1,240 euros per month have fallen to levels slightly below those instituted by the reform of 2007. Also, the long-term unemployed are no longer entitled to claim parental leave benefits. In parallel, an ambitious development plan was launched by the federal government in 2008 to increase childcare provision, and the proportion of under-threes enrolled in childcare rose from 14% in 2006 to 29% in 2013. This was accompanied by an enforceable right to public childcare introduced in August 2013. However, a child home care allowance (*Betreuungsgeld*) has been introduced for parents who do not use public childcare services. This allowance may maintain or even worsen inequality of access to childcare in a country where provision remains limited. Adults in low-income households without access to subsidized childcare may be the first to take up this home care allowance, which could have two negative effects: it may lead mothers whose employment situation is already insecure to withdraw from the labour market for a relatively long period, and it may also limit access to early childhood education and care facilities for disadvantaged children.

A refocusing of support on low-income families and childcare services in France

Changes in France occurred in two stages. First, measures were implemented to cushion the effects of the crisis by offering tax breaks(1) to low-income families and a cash payment of 150 euros to families with school-age children. However, in a context of spending cutbacks, the freezing of family allowances in the first quarter of 2012 instituted a reverse trend. The second stage was marked mainly by the 2013 reform which, while aiming to absorb the deficit of the social security family branch by 2017, reaffirmed certain priorities. The lower cap on tax advantages linked to the "family quotient"(2) and the reduction of early childhood benefits (*prestation d'accueil du jeune enfant*), combined with an increase in family supplements to low-income families signalled a new political will to refocus support towards low-income families and to strengthen the role of family support as a pillar of social policy. But above all, the decrease in cash support is counterbalanced by a major programme to develop childcare / preschool services, with the creation of 275,000 new places by 2018. This programme is accompanied by a plan to combat poverty and foster social inclusion with the aim of extending access to childcare for disadvantaged families; 10% of places are reserved for children from families living under the poverty line.

(1) Persons in the first income tax band (income between 5,852 and 11,673 euros) in 2008 were exempted from paying two-thirds of their annual tax bill in 2009.

(2) A method of income tax relief that takes into account the number of dependent children. It mainly benefits higher-income families though it also enables middle-income families to fall below the threshold for tax liability.

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Abstract

The majority of European countries have seen major changes in family policy over the last 15 years. But family support structures vary widely, reflecting different policy approaches across Europe. As was the case for all forms of social spending, the recent financial crisis prompted a two-stage response: first, a large rise in family spending, with family policy serving to cushion the effects of the crisis, followed by a period of spending controls and/or austerity measures. For some countries, these changes constituted a break with respect to earlier policies. In France, the planned decrease in family spending up to 2017 is centred around a refocusing of support on low-income families and the development of childcare/preschool provision.

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No. 512 • June 2014 • *Population & Societies* • Monthly bulletin of the French National Institute for Demographic Studies
Director of Publications: C. Cases – Editor-in-chief: G. Pison – Editorial assistant: M.-P. Reydet – Translator: C. Dutreuilh – Layout : I. Milan – D.L. 2nd quarter 2014 • ISSN 0184 77 83
Ined : 133, boulevard Davout - 75980 Paris, Cedex 20, France – Telephone : (33) (0)1 56 06 20 00 – Fax : (33) (0)1 56 06 21 99
Subscriptions: (33) (0)1 56 06 20 23 – edition@ined.fr – Price per issue: €1.50 – One-year subscription – France: €12 • Abroad: €18
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