

RECONCILING WORK, FAMILY AND CHILD OUTCOMES: WHAT IMPLICATIONS FOR FAMILY SUPPORT POLICIES?

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Draft 06/20/2011

Abstract: This paper discusses the potential of family policies to reconcile the multiple objectives that they are expected to serve, over and above their role in offsetting the economic cost of children. We start by emphasizing the need to consider the multiple challenges that family policies have to address through a broadening of the standard economic approach to the cost of children. Policies indeed aim to reduce the “direct” monetary cost of raising children, but they also aim to minimise the indirect cost arising from the incidence of children on the parents' work-life balance and on the aggregate level of employment. Moreover, motives for policy intervention such as concerns about child development, gender equity or aggregate fertility levels are not fully captured by cost measurements. We thus analyse how, and to what extent, family policies can successfully reconcile these multidimensional objectives. We offer a holistic approach, pointing out that a coherent family policy mix supporting working parents with preschool children is the only way to reconcile or limit the conflicts between work, family and child outcomes. Three main dichotomies are identified to explain cross-country differences in family policy packages: the emphasis on poverty alleviation; the supposed antagonism between fertility and female employment; and the potential conflict between this latter and child development. Ways to reconcile these objectives and to improve the effectiveness and efficiency of family policies are further discussed.

Keywords: family policy, costs of children, child poverty, women's labour market participation, fertility, work and family reconciliation.

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- 3) The “modernisation” of policies supporting parenthood and families has become an increasing concern raised by international bodies: policies should be more effective in creating conditions conducive to child-raising, in supporting women’s participation in the labour force and gender equality, and in improving the social integration of families and the well-being of children¹. Family support policies are expected to play a crucial role, not only in enabling people to have the number of children they want, thereby contributing to demographic renewal, but also in combating child poverty. Moreover, the modernisation process is key to promoting equal opportunities for women and men, for parents and non-parents and for children from different backgrounds, and, ultimately, for the success of the Lisbon strategy, which depends, to a significant extent, on increasing the labour force participation of women.

The purpose of this paper is to discuss the challenge of adapting family policies to their multifaceted objectives. In this perspective, we provide an overview of the existing knowledge about how and to what extent family policies succeed in offsetting the “cost” of parenthood and in supporting the well-being of families. We first point out that a comprehensive assessment of family policies calls for a broader approach, over and above the standard measurements of the economic cost of raising children. Family policy is multifaceted and involves a range of objectives, such as combating family poverty and reducing the gap in standard of living between families and childless households, promoting conditions which help adults to have the number of children they desire at the time of their choice, mobilising female labour supply, reconciling work and family responsibilities, promoting gender equality as well as the financial sustainability of social protection systems, combating child and family poverty, promoting child development and generally enhancing child well-being throughout the early life course. Hence, the role of family policies is to create a context where these objectives are compatible, although the relative priorities of these objectives may vary across countries (Thévenon, 2011; OECD 2011).

In this context, a proper assessment of the economic “cost” of children, measuring their specific impact on households’ standard of living, is needed. However, focussing on the direct costs is not sufficient to encompass the many concerns that family policies have to address. Indirect costs that arise from labour market interruptions or part-time working after childbirth also need to be considered. To capture how child well-being or gender equity are affected by household decisions and related policies, we propose a holistic assessment of the extent to which policies succeed in reconciling work, family and child outcomes.

In the first section, we review evidence of the direct and indirect costs of children and point up the limits of such an approach for the design of family policies. In the next step, we present evidence on employment, family and child outcomes in Western countries and identify the differences in policy mix that are central to explaining these outcomes. Then, we discuss the general policy orientations that may produce the most effective balance in work, family and child outcomes. Relevant questions for policy makers are identified, and policy responses emerging from the literature review are explored from an internationally comparative perspective.

I. Broadening the assessment of the “costs” of children: a challenge for policy

Most analyses of the economic cost of children and its impact on work and family behaviour have their roots in the fertility decision model pioneered by Becker (1960), where demand for children is a function of their costs and of individuals’ (or couples’) preferences for a given level of income. The model is based on the idea that children are a special type of goods, i.e. a long-lived asset that produces a flow of welfare entering into the utility function of parents. Within this framework, cash benefits and tax credits to families

¹ These concerns are, for example, explicitly raised by several EU publications respectively on “The demographic future of Europe – from challenge to opportunity” (EC, 2006), on “Promoting solidarity between the generations” (EC, 2007), and by the conclusions of the European Council, adopted at its meeting on 30-31 May 2007. Several OECD publications also raise similar issues (OECD, 2007; 2009a; 2011).

with children can reduce the private cost of children. This reduction is expected to have a positive impact on fertility. Furthermore, policies reducing the cost of childcare and/or facilitating the work-life balance are expected to increase female employment.

Analysing and recording the costs of children is of crucial importance for determining a government's contribution to reducing these costs for parents. Identifying what parents pay directly to raise their children is not sufficient, however.

Besides current consumer spending, expenditures not directly linked to consumption, such as housing costs, which vary widely with the presence and the number of children, must also be included. In addition, the opportunity costs of children caused by a reduction or cessation of paid work must also be taken into account. In this case, having children implies "indirect" costs for parents in the form of short- or long-term earning losses. These indirect costs are not gender neutral as it is generally women who leave paid work to raise children.

The "direct" budgetary costs of children

The direct budgetary costs correspond to the additional expenditure for food, clothing, care, education, housing etc. of households with children compared to those without children. Conventionally, these costs are estimated in terms of "loss" of living standard caused by the presence of children, while taking into account scale effects related to family size. The available income is divided by the number of "equivalent-adults", a factor representing the number of people in the household, before examining the budget allocations. Due to economies of scale, the relative cost of an additional person in the household is assumed to decrease with the household size. Moreover, a child costs less to the household budget than an adult, and its cost decreases with birth order: the second or third child thus costs less than the first. The cost of each additional adult and of the children is defined in relation to the first adult, which makes it possible to define scales of equivalence ("equivalent-adults"). Hence, living standard comparisons between households are based on equivalence scales that set the available income in relation to the household size (Box 1).

To estimate the costs of children, comparisons are made between households with the same income characteristics and which differ only by the number of children. The direct costs are estimated based on the consumption changes associated with the presence of children. These changes not only reflect the children's consumption, but also that of parents who change their own consumption after a child is born.

The studies measuring the budgetary costs of children in various European countries produce three main results despite diverging analytical methods:

1- A child accounts for approximately 15 to 30% of the budget of a childless couple – see Thévenon (2009a) for an overview of the empirical estimation of the child-related budget share. This percentage varies according to several factors such as the child's birth order, their age, the parents' education and income level and the decision-making process in the household. In France, for example, in the mid-1990s, a third child had a weaker effect on a household's standard of living than a first child due to economies of scale, especially related to housing². Moreover, the costs of a first child have remained relatively stable since the 1980s, while those of a third child have decreased slightly. In total, the cost of children in France represents approximately 20-30% of the budget of a childless couple (Hourriez and Olier, 1997). However, the estimated costs of children remained relatively stable from the early 1980s until the mid-1990s.

² However, at the end of the 1990s, Glaude and Moutardier (1991) found a contradictory result: the estimated relative cost of the third child is somewhat higher than that of the first and second children.

Box 1 Measuring the direct costs of children : a standard estimation method

Estimates of the direct cost of children are based on three main approaches:

1. A budget analysis that calculates the cost of a standard basket of goods and services that a child of a given age is deemed to need.
2. An expenditure-survey approach, which compares the household expenditures of couples with and without children who have the same standard of living.
3. Opinion surveys can also be used to measure a *subjective* cost associated with children. Estimates are derived from a representative sample of families through answers to questions about how much children cost.

The expenditure-survey approach is the most common and accepted method. Basically, the direct costs of children are measured by the consumption loss due to the presence of children. However, estimating the direct budgetary cost of children is complicated by the impact of children on consumption patterns: some expenditure components will rise, others will fall, and yet others will be incurred for the first time (see Thévenon, 2009a, for a more detailed discussion of collective consumption issues). Furthermore, the direct costs of children vary with parental income and preferences, with the age and number of children, and with lifestyle.

Defining an equivalence scale is a central issue for estimating the costs of children. Statisticians formalise this idea with the concept of consumption units (CU). Considering a household with several members pooling their resources, each of them reaches a given standard of living. If they were living separately, a higher level of individual resources would be necessary to reach the same standard. Thus one can consider that to reach an equivalent level of welfare, couple families should have the same level of expenditure for the first partner, while the second should spend a lower level of resources, let's say 75% that of the first. In this case, the first partner counts for one consumption unit while the second counts for 0.75 CU. In practice, variations in equivalence scales are estimated according to family size, age of members, and the distinction between adults and children. More detailed scales can be also estimated for specific population sub-categories (low income families, lone parents, etc.). Equivalence scales also provide estimates of the economic cost of children, defined as the supplementary income needed by parents to keep the same standard of living as childless couples.

To empirically estimate equivalence, different approaches have been considered, with numerous surveys highlighting the underlying advantages, weaknesses and main critical issues (Blackorby and Donaldson, 1991; Browning, 1992; Lechêne, 1993; Gauthier, 1994; Ekert-Jaffé 1998; Ekert-Jaffé and Trognon, 1994). Today, the estimation and comparison of the cost of children is based on conventionally accepted scales.

- The *Engel approach* is the most common method used to evaluate equivalence scales and related cost of children. A unique coefficient is estimated based on the share of expenditure that a family spends either on food or on clothes. These expenditures are linked to households' characteristics (number of children, type of dwelling, etc.). The unknown variable here is the households' level of income. The advantage of this method is simplicity, considering that food expenditure responds to basic needs: its share decreases with income and increases with household size, and this increase exactly represents the loss of welfare incurred by the increase in family size. The hypothesis that the expenditure share is similar for households with or without children is controversial, however (Browning, 1992).
- Other methods, such as those derived from the *Barten*, *Prais and Houthakker* or *Rothbarth* approaches, aim to better account for household behaviour: Barten (1964) includes the consumption unit directly in the utility functions of the household. Any change in household composition is equivalent to a change in the prices of all goods. The *Prais and Houthakker* (1955) and *Rothbarth* (1943) analyses aim to take into account the entire range of consumption, item by item, and rely on implicit assumptions about the identity of family members consuming a given share of each type of good. The impact of children on the household is estimated and a synthetic indicator is calculated as a weighted sum of the partial estimators. This needs a reference scale for a given good, from which other partial scales can be adjusted. In principle, a consumption good not impacted by the presence of children is taken as a reference. Spending on clothes for adults is generally considered as such, but more adult-specific goods can be selected such as tobacco or alcohol.

However, no distinction is made between parents' and children's welfare in these models: thus what is good for children is what parents consider as good for their children, based on their own preferences (Deaton and Muellbauer, 1980; Nelson, 1993; Browning, 1992). Moreover, child-specific consumption is generally not included in Engel's model, and was introduced as a fixed cost by Gorman in a second generation of research.

2- The costs of children increase with their age, notably during adolescence and the transition towards adulthood. Hourriez and Olier (1997) estimate that in France, a child accounts for 10-20% of a household's budget before age 14, one-third of the budget on average at ages 14-19 and up to 40% at ages 20-24. At these ages, the child's relative cost is that of an additional adult person. Consumption changes are the main reason for this increase: young adults spend money on transport, holidays and education, whereas expenditure for food and housing predominates when children are younger (Ekert-Jaffé, 1998).

3- The relative cost of a child also depends on the household's income level. However, the literature gives contradictory results, depending on the estimation methods used and the expenditures considered. Ekert and Trognon (1994) and Glaude and Moutardier (1991) find a negative correlation or no correlation between the relative cost of a child and the household income level. Wittwer (1993), on the contrary, finds that the child's relative cost increases with the household income although the expenditure items are not affected in the same manner. This finding argues in favour of an important "quality effect", as termed by Becker (1960), implying that rich households tend to invest a bigger share of their income in their children (education etc.) than poor households³.

Assessing properly how the presence of children affects household standards of living is crucial for keeping families out of poverty and for limiting the inequalities that can arise between families and childless households. There are several limits to this approach, however. A first limit lies in the constraints surrounding the definition of welfare. First, preferences are stated as similar for households with or without children, so any change in preferences due to the birth of a child is ignored. This may be a serious limitation since the presence of children adds a child-specific component to the parental welfare function whose impact depends on the altruism of parents (Browning, 1992; Browning and Lechêne, 2001). Moreover, the presence of children is itself a source of welfare, counterbalancing the direct cost of raising children. In extreme cases, a welfare cost could be reversed from a positive to a negative value. Thus, a more complete approach should include this impact of children on household welfare. Controlling for endogenous fertility decisions would produce a more accurate estimation of the cost of children (Ekert-Jaffé et al., 2000; Browning and Lechêne, 2003). In other words, equivalence scales provide estimations of the cost of children based on conditional preferences (e.g. conditional on the presence of children) but cannot be used to compare unconditional welfare (Blundell and Lewbel, 1991; Lechêne, 1993). In this case, the normative content of these estimations is limited since it does not provide any measurement of the needs associated with household characteristics. Alternative approaches based on a basket of goods may be more accurate for estimating such needs.

Another hypothesis is that levels of consumption of adult-specific goods are related to standard of living, which implies that there is no substitution between goods because of the presence of children. In this case, household welfare can be written as the sum of separable functions of parental consumption, child-specific consumption and household socio-demographic characteristics (Deaton and Muellbauer, 1980). There are situations where this property of separability is not verified, however.⁴

³ Nevertheless, this result has to be interpreted with care because of various factors, such as differences in household preferences, for example. Moreover, the income effect varies widely with the household income level. Ekert-Jaffé and Trognon (1994) and Ekert-Jaffé (1998) also find that child costs vary especially at the extremes of the income distribution. The results vary also with the expenditure items considered. Furthermore, the authors find that in the poorest households the presence of a child can cost more in terms of food expenditure than the presence of an additional adult.

⁴ Non-separabilities arise because trade-offs between collective and individual consumption might be challenged by the presence of children. On the one hand, the presence of children leads to the consumption of collective goods, such as food for example, and its relative price rises in comparison to adult-specific goods. In that case, one can expect some substitution of collective consumption by adult-specific goods to balance the income effect due to the presence of children. On the other hand, economies of scale decrease the relative price of collective goods (such as housing) and thus can entail a substitution detrimental to adult-specific goods (Nelson, 1993).

An additional limit is that the estimation presented above considers the household as a unitary decision-making entity, and consequently ignores the question of the differential incidence of child costs on adult members of the household. However, consumption decisions are more likely to result from a collective rational decision-making process. In this case, the share of the household budget spent on children and the associated cost depends on the rule of income sharing, and on the bargaining power of household members (Lechêne, 1993; Apps and Rees, 2002; Browning et al., 2004). The literature on intra-family allocation shows that expenditures on child-specific goods are higher when the female partner has greater control over the household budget (Thomas, 1990; Haddad and al., 1994; Lundberg, Pollack and Wales, 1997). Recent developments in welfare comparison of households have been extended to account for equivalence scales under the collective approach to household decision-making (Browning et al., 2006). Child-related equivalence scales have not yet been clearly identified in this context, however, given the complexity of deriving testable restrictions.

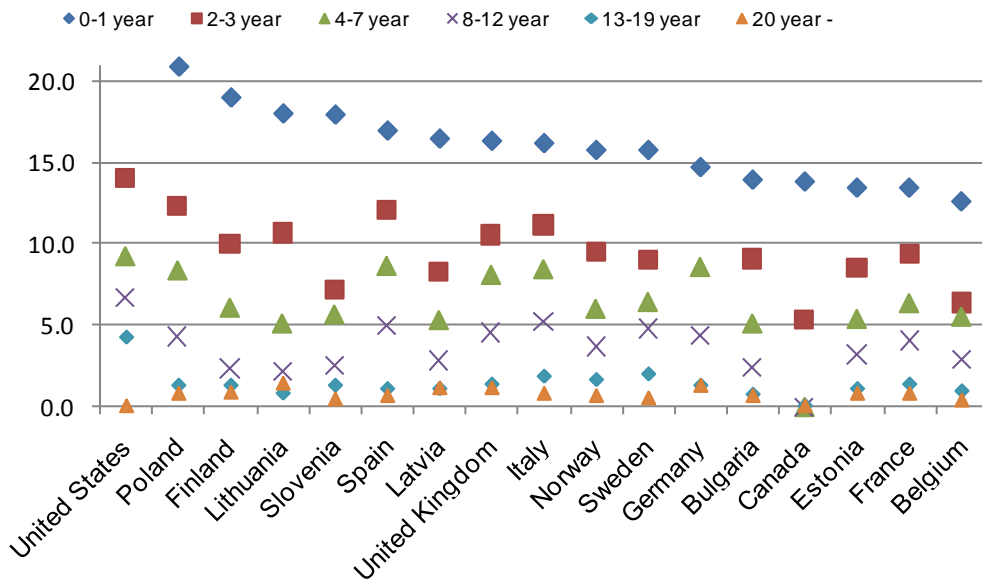
Last but not least, the budgetary cost considered up to now does not take into account the “time-costs” due to the time invested by parents in raising their children. These “time costs” can be relatively high, however, particularly in the child’s early years (Browning, 1992; Craig and Bittman, 2008; Bradbury, 2008; Figure 1). The inclusion of time costs in the estimation of direct costs of children is not straightforward since they depend on the negotiations that take place within households and on the “price” that serves as a reference to place a value on this time⁵. However, their inclusion can double the estimated value of the full costs of children (Apps and Rees, 2002). In this context, the use of informal or formal services to care for children saves parental time and consequently helps to reduce the time cost of children. The decision to purchase childcare services will result here from a trade-off between the direct costs of these services and the value of the time saved by each parent. The lack of available informal and formal support will limit the opportunities for such a trade-off, however.

Gender-specific social norms with regard to the role of each parent in childcare also impose limits on this trade-off, each parent having a well-defined and stable gendered role (Pailhé and Solaz, 2008). In Italy, for example, a country where the division of labour between men and women is still very traditional. However, contrary to the predictions of the time cost theory, higher individual wages seem to favour greater involvement of fathers in childcare (Bloemen et al, 2008). These gender differences exist in all countries, but with different patterns over the life-course which seem closely related to variations in the institutional context of support to working parents (Anxo et al., 2008; Miranda, 2011)⁶. Overall, women do more unpaid work than men each week, but men spend more time in unpaid work in countries with higher female employment rates (Miranda, 2011).

⁵ There are indeed two main approaches for attributing a monetary value to unpaid work. The *opportunity-cost approach* values the work at the market wage of the household member spending the time. The underlying assumption is that the household member has foregone earnings for home production. This approach may overstate values since much household production does not demand high skills. The *replacement-cost approach* considers what it would cost to hire a worker to perform the activity. Using a specialist’s wage for each household task overestimates the value of the input since specialists work more efficiently and need less time to perform the same task.

⁶ Anxo et al. (2008) point in particular that the gender gap in time allocation increases over the life course but starts also at different life stages across countries. The decline of female labour supply starts at the time of union formation in Italy and the United States, whereas in France and Sweden, the fall in market work coincides with the presence of pre-school children. For unpaid work likewise, the gender gap starts increasing with union formation in France and in Italy – characterised by more traditional gender roles – while in the other countries it widens only with the presence of children.

Figure 1 : Proportion of time spent by mothers on care work¹ by age of the youngest child



Countries are ranked by decreasing time spent by mothers with children under age 1.

1) Care work refers here to the provision of personal care but also the supervision and the education of a child, including reading and talking with children, as well as transporting children. Going together to the cinema, watching television with a child, etc. are considered as primary leisure activities with childcare seems as a secondary activity.

Source: OECD Family Database

In addition, the presence of children also generates indirect costs due to its impact on parents' employment patterns and the accompanying long-term consequences. Hence, the costs of children can be much higher when their "indirect" components are taken into account.

The indirect costs of children

The "indirect" costs of children represent basically the income loss of households due to an interruption of paid labour or a reduction in working hours due to the presence of children. In contrast to the direct costs of children that are shared more or less equally among household members, mothers are the primary bearers of these costs. Nevertheless, other household members can also be affected to the extent that income is pooled in the household (and that the tax bill depends on pooled income).

The main aspects of these indirect costs are the earnings foregone due to the interruption of labour market participation, or the lower career prospects associated with the raising of children. Because women have to allocate time between work and care, they often leave their job after the birth of a child. Consequently, mothers stop accumulating human capital during the period of interruption (Mincer and Polachek, 1974). The loss of human capital can only partially be restored after returning to work (Mincer and Ofek, 1982).

In the long run, the acquisition of human capital and the wage progression of mothers will be lower than if they had not stopped working, even if they later return to work. Moreover, the pension losses of mothers caused by their interruption of paid labour and their decelerated wage progression must also be considered when estimating the indirect costs of children.

Moreover, anticipating such an interruption, women may be inclined to "self-select" into jobs where the loss of human capital in case of career interruption is limited (Polachek, 1981). The expectation of

discrimination in the labour market can also be an important factor reinforcing such a self-selection process.

Caring responsibilities are also one of the main reasons for female part-time working (OECD, 2010; 2011). For many women, the choice of part-time work is constrained by lack of access to affordable high quality childcare, and short and/or irregular school hours. A regulatory framework has been developed by many western countries in the past decade to ensure equal treatment of part-time and full-time workers. However, there is a *penalty* to part-time work as, on average, it is characterised by lower hourly earnings, less training, fewer promotion opportunities, less job security and less access to unemployment insurance. This situation can lead to long-term costs since the return to full-time work is postponed and generally not very frequent. At the same time, there is also a *premium* to part-time work in terms of control over working time, stress and health, and it appears that for the vast majority of part-timers the advantages outweigh the disadvantages.⁷

The literature provides some estimations of these costs and investigates the determinants of the “family earnings gap”, i.e. of the foregone earnings which can be attributed to the incidence of children. These investigations are useful to explain differences in earnings between mothers and childless women, and between men and women. Comparative analyses of the differences across European/OECD countries are also available (Davies and Joshi, 1994; OECD, 2001; Harkness and Waldfogel, 2003; Davies et Pierre, 2005; Sigle-Rushton and Waldfogel, 2007). All these studies agree that, among European countries, the UK and (West) Germany have similar family earning gaps, with higher indirect costs of children than in France or Sweden, for example. Davies and Pierre (2005) present estimates of the pay penalty associated with motherhood for 11 European countries using the European Community Household Panel Survey (ECHP). They found that significant penalties in pay also exist in Denmark, Ireland, Spain and Portugal.

Why does the family pay gap vary so much across countries? Differences in employment and wage structures, and in job characteristics are more important than differential selection into employment (Harkness and Waldfogel, 2003). Differences in the impact of motherhood on career development are also important, nevertheless. For example, Sigle-Rushton and Waldfogel (2007) estimate that a working mother with two independent children (age 25 and 27) in Germany and the Netherlands has, on average, only 42-46% of the cumulative earnings of otherwise similar female employees. The proportion is 58% in the United Kingdom, but the “family gap” is much smaller in Finland, Norway, Sweden or the United States where mothers earn 80-89% of non-mothers’ earnings. Income losses incurred by mothers in the first two years after childbirth are also substantial in Canada (Zhang, 2010). However, Canadian mothers returning to work seem to regain the lost earnings within about 7 years following childbirth, and this effect is strongest for mothers returning to work for their original employer. By contrast, Davies and Pierre’s (2005) findings for Germany (using the German Socio-Economic Panel) and the UK (using the British Household Panel Survey) also reveal that career breaks contribute to lower earnings growth. While periods of family formation are associated with lower earnings growth in Germany, in the UK completed spells of family formation are associated with a recovery in earnings growth.

In contrast to these two countries, the child-specific component of the earnings gap seems to be much lower in France, for example, than in the previous set of countries. The main reason is that children particularly affect labour market participation, and consequently labour market experience, but have little or no significant impact on the rewards of job experience and on job selection. In this context, the wage gap between women and men is mostly explained by differences in labour market experience (due to the presence of children) and not by differences in the returns on this experience or a selection effect (which may be partly due to discrimination) (Meurs *et al.*, 2007).

⁷ OECD (2010) showed that across the OECD about 83% of persons who work part-time do so voluntarily, and particularly the large group of female part-time workers is broadly satisfied with this employment outcome. Evidence on job satisfaction suggests that women in voluntary part-time work often accept lower earnings potential and less job security in exchange for better working-time arrangements and less stress.

Finally, other indirect costs of children due to women's career interruptions after childbirth must be anticipated at a more collective level and in the long term (though they do not lead to any straightforward measurement). These are "macroeconomic" costs in terms of GDP growth. More precisely, lower levels of mothers' education, labour market participation and income lead to slower economic growth at national level (Luci, 2009). It becomes clear that the lack of family-friendly policies generates high social costs by failing to promote a reconciliation of work and family life as well as child development.

In this context, policies enabling parents (and especially mothers) to reconcile work and family are key to limiting the "cost" of raising children for their households, but also – though to a less extent – for society as a whole. The fact that a large share of the population is affected by these costs is one argument that can be used by governments to justify public policies. The benefits that can be derived from these policies are a crucial factor in establishing their legitimacy. Some of these benefits have already been identified thanks to the standard "cost of children" approach. However, the discussion should include other types of "benefits" that emerge when the full range of policy goals are considered, from both parents' and children's perspectives.

II. Can policies reconcile work, family and child outcomes?

The literature on the economic approach to the cost of children reviewed above has pointed out two reasons for implementing policies that support families' well-being. First, children impact the household standard of living, and transfers in-cash or in-kind may partially, if not completely, offset this impact. Second, assistance with childcare can help parents to save time and reconcile work and care responsibilities. The design of effective policies to reconcile work and family outcomes depends on several factors, however. One parameter is the extent to which these outcomes are conflicting or, conversely, mutually beneficial. Potential conflicts between parental labour market participation and child outcomes are of concern especially. The relative weight given to each of the various underlying family policy objectives is also key, since priorities may vary across countries. These differences are rooted in countries' histories, their attitudes towards families, gender roles, the role of government and collective representations of what should be done to ensure positive child development. Yet while trade-offs between policy orientations are not always explicit, they are nonetheless central in policy design.

Family policy objectives

Family policies have to address several objectives which are defined at individual, household or country levels. They concern mothers, fathers and children. Some of these can be conflicting, but there are also positive associations that leave room for policies to reconcile these objectives. Five categories of family policy objectives can be defined⁸. The first objective is to assist parents with the direct costs of children in order to reduce differences in the standard of living between households with and without children. The second objective is to help parents reconcile work and family life in order to encourage mothers' labour market participation. This can be achieved by investments in childcare facilities, for example. The third objective is to support children's cognitive and social development (OCDE, 2001; Kamerman et al., 2006; Esping-Andersen, 2008), particularly by promoting equal opportunities for children and by compensating for any disadvantages they may experience from an early age.

Policies can be designed differently in order to achieve these objectives, but differences in policy packages mainly reflect differing priorities. Policy making involves trade-offs within and between these objectives. They are not all made explicitly but depend on national histories, attitudes towards families, gender norms, private life and the role of government (Thévenon, 2006). We identify three main dichotomies in policy

⁸ The formulation of these objectives may differ across countries, with particular emphasis on one dimension or another. For example, in terms of child development, countries may focus on keeping young children out of poverty or on preventing school failure, or on the integration of immigrant or underprivileged children. In terms of female employment, countries may focus on different work patterns and promote either full-time or part-time jobs etc.

approaches. The first relates to the intensity of income support to the poorest families and its potential conflict with policies designed to offset the cost of children. The second relates to potential conflict between the decision to pursue a career or to have children. The last derives from possible trade-offs between children and parental labour market outcomes.

Offsetting the cost of children or supporting poor families ?

As discussed above, the basic concern of family policies is to supplement family income in order to limit the effect of children on the standard of living of households. However, such policies are confronted with competing redistributive concepts that must be brought into equilibrium. Indeed, one objective may be to limit the differences in standard of living associated with family size and to help parents bear the financial burden of raising children. One might thus claim that the tax and benefit systems should seek to reduce these differences by virtue of the principle of “horizontal equity”. However, if the relative cost of a child increases with the household income, a policy that strictly offsets these costs would have an anti-redistributive effect as richer households would receive more transfers than poor ones if there was no limit to the “principle”. It thus conflicts with the central principle of “vertical equity” in tax and benefit transfers which aims at reducing income inequalities. If financial assistance focuses on helping poor families, transfers to rich households can be limited by defining a maximum transfer.

The French *quotient familial* illustrates the equilibrium between those two redistributive concepts. It provides for an income tax allowance that increases with the household income (up to a certain maximum), based on the number of children. This tax allowance also increases with the number of children and is much higher from the third child on. This mechanism represents “horizontal equity” by taxing families according to their financial capacity and by taking into account the number of children. In other words, by giving priority to compensating the costs of children, the *quotient* offers a tax break that increases with the household income, even though the costs are not fully offset (Glaude, 1991 ; Sterdyniak, 1992). At the same time, these horizontal transfers are limited by a ceiling on the amounts that can be transferred to richer households, in accordance with the vertical equity principle.

The combination of these two guiding principles is not straightforward, and depends basically on the conventionally adopted definition of the costs of children that can be taken as a reference to determine the amounts that should be transferred to families with children. This involves an arbitrary selection between different normative criteria. For example, Albouy and Roth (2003) and Le Minez and Roth (2007) suggest basing the costs of children on a household’s “average social conditions” which are calculated for different family types as the average cost of an additional child for households with median income. Many countries do not have such a sophisticated measure and use means-testing to target income support towards poor families. Moreover, in most countries, benefits decrease as income increases, and the primary purpose of transfers is to support poor families, with large cross-country differences, however (see next section). Overall, transfers are an efficient means to reduce poverty. For example, it is estimated that child poverty fell from 16.3% without transfers to 9.2% after transfers in the mid- 2000s (Whiteford and Adema, 2007).

Poverty reduction is also one aim of policies aiming to bring parents of young children into work because parents’ employment is a major protection against poverty. OECD (2011) points out that child poverty falls on average in the OECD from 49% in jobless households with two partners to less than 4% when the two partners are working. Similarly, 61% of children with a sole parent live in a poor household when this parent is not working, while the proportion falls to 21% when the parent is working. In this context, the provision of in-work benefit can guarantee that parents gain more from work than from the assistance they receive when out of work.

Supporting female labour market participation or fertility?

The decision to allocate time to the labour market can conflict with fertility decisions, however, as suggested by Becker (1960) who stressed that having children competes with other time-consuming

activities. Furthermore, the rise in female educational attainment has led to a large increase in the “opportunity cost of children that has been seen as a key driver of the fertility decline in developed countries since the early 1970s” (Hotz et al., 1997). At the same time, countries have developed policies to help parents combine work and care responsibilities. These changes in the contexts of household decisions are seen as one key reason for the change in the relationship between female employment and fertility rates over the past decades (OECD, 2011). In 1980, most of the countries with higher female employment rates had low fertility levels. By contrast, in the mid-2000s, a much clearer divide appears between countries which combine low female employment and fertility rates (for Example, Italy, Spain, Greece, Korea) and those which combine high rates (Nordic and English-speaking countries). These two groups of countries provide quite generous support to working parents with children, though patterns differ. A continuum of publicly provided support for the work-life balance is available in Nordic countries, while the English-speaking countries combine higher development of part-time work with means-tested childcare support and in-work benefits, as favoured by the low cost of domestic services in the United States (Thévenon, 2011). As a result, in these countries the choice between employment and motherhood is less absolute, even though there is often still a trade-off between a large family and female employment at the individual level (Engelhart et al., 2004; and Kögel, 2004).

Recent contributions have confirmed the contribution of “core” family policy tools in fertility trends. In particular, they point out that aids concentrated at childbirth, in the form of leave entitlements or birth grants, seem to influence the timing of an expected birth, but do not necessarily affect the final number of children. Financial assistance that comes later is quantitatively larger and seems to have an incidence of greater amplitude, to the extent that it contributes more significantly to offsetting child costs. Moreover, the provision of childcare services for young infants that enables parents, particularly women, to balance work and family life, is also a key factor that seem to enhance fertility (OECD, 2011, Luci and Thévenon, 2011). In all, it has been shown that policies which facilitate mothers’ return to work after childbirth have positive feedbacks on fertility trends (Thévenon and Gauthier, 2011).

Child development and parents' working career: can these objectives be reconciled?

The third dichotomy in family policies derives from the potential conflict between parental employment and child well-being and development. However, the evidence on conflicting relationships is far less conclusive than is suggested by attitudes and norms towards childcare. From the child's perspective, one central question concerns the policy framework that best promotes child development: should policy enable parents to care for their infants on their own or should it offer child care services to substitute for parental care and accelerate mothers' return to work? These two alternatives are of course theoretical, and families' behaviours are more mixed. To answer this question, many studies examine in a first step the impact of maternal employment after childbirth on subsequent child development. Actually, the decision to return to work after childbirth represents a dilemma for parents, in particular for those with low incomes. On the one hand, parents’ employment protects children against poverty, but on the other, less parental time devoted to childcare can have a negative effect on children’s well-being, health and development. Even though this detrimental effect is sometimes observed, the available evidence suggests that this is far from being a general case and that there may also be a positive association between maternal employment and child outcomes. A very recent analysis by Huerta et al. (2011) based on panel data following children in five countries (Australia, Canada, Denmark, United Kingdom, and the United States) stresses four conclusive points – which are also confirmed by different literature reviews⁹:

- Children’s cognitive outcomes may be affected by mothers’ return to work within six months of childbirth¹⁰, especially if they work full-time, but the association is small and not universally

⁹ For literature surveys in this area, see Kamerman (2008), or OECD (2009a; 2011).

¹⁰ A literature review by Blasko (2008) concludes that in the first year only, mothers’ employment can have a negative effect on a child’s emotional well-being, but this negative effect can be offset by positive effects of mothers’ employment in the long term.

observed – in fact, a negative relation may appear in the United Kingdom or the United States¹¹, while the associations are more likely to be positive in Denmark, Canada and Australia.

- The small negative associations of early maternal employment with child outcomes are not observed in families with lower education and income. On average, low-educated parents are less likely to engage in stimulating parenting activities and the smaller negative relationship between maternal return to work and children's outcomes is more likely to be counterbalanced by the positive association of maternal income and formal childcare participation.
- Formal childcare and pre-school participation is generally positively associated with cognitive development of children¹², but some negative effects on behavioural outcomes may be observed if children are in poor-quality care or in care for long hours (Ruhm, 2004a; Belsky et al., 2007; Stamm, 2009; Datta Gupta and Simonsen, 2010; Esping-Andersen et al., 2011)¹³. Moreover, the earlier access to preschool at age 2 rather than 3 does not seem to significantly impact child educational outcomes while it helps women to accelerate their return to work¹⁴.

In all, this set of evidence suggests that a conflict between mothers' employment and child development occurs in specific circumstances only. Only a very early return to work after childbirth (within 6 month to a year) can be negatively associated with child outcomes. Child well-being depends on two parameters, namely the quality of formal care that substitutes for parental care, and the balance that is achieved between time spent in parental care and in formal care. Nevertheless, the identified effects of parental employment on children are generally small enough to be counterbalanced by the indirect effects on child outcomes of higher standards of living due to parental work. This is particularly relevant for low income families, since long-term exposure of children to poverty and material deprivation has proved to be detrimental to their development and (long-term) school achievement¹⁵.

In this context, it would be useful to determine the age at which children could benefit from alternating care between parents and external care facilities. Determining that age would be important for establishing the optimal length of parental leave and its conditions of remuneration, which differ widely across countries. Existing studies do not allow us to precisely determine this key age for children, but suggest that child development is not a valid argument for legitimizing entitlements to long periods of parental leave.

¹¹ Most research in the United States emphasises that maternal employment can have negative consequences for the cognitive development and health of children during their early years (Han et al., 2001; Brooks-Gunn et al., 2002; Baum, 2003; Belsky, 2004; Ruhm, 2003; Ruhm, 2004b; Baker et al., 2005). However, another series of studies find a mitigated effect of parents' employment and even a negative effect on child development of childcare provided permanently and exclusively by mothers (Bernal and Keane, 2006; Gregg et al., 2005; Stafford, 1987; Waldfogel et al., 2002).

¹² For example, Sylva et al. (2004) compare the school achievement of British children who enter preschool before age 3 to those who enter school directly at age 6 and find that the first group of children is better off.

¹³ Most of the available evidence on preschool experiments shows positive effects on pupil and student outcomes (Currie, 2001; OECD, 2011; Huerta et al., 2011). However, some studies point out negative impacts of early enrolment in day care centres or kindergarten on behavioral outcomes or test scores (Lefebvre et al., 2011; DeCicca and Smith, 2011). Overlong hours spent in childcare centers are potential factors for explaining why the low-fee childcare policy did not have the expected positive influence on child outcomes in Quebec (Lefebvre et al., 2011). This hypothesis is accredited by Datta Gupta and Simonsen (2010) who found for Denmark that increasing hours in family daycare from 30-40 hours to 40-50 hours per week and hours in pre-school from 20-30 hours per week to 30-40 hours leads to significantly lower child non-cognitive outcomes.

¹⁴ Goux and Maurin (2010) illustrate this for France by evaluating the differences in school achievement between children who went to preschool at age 2 and children who stayed at home until age 3. They observe no negative effect of earlier preschool entry on children's development. Furthermore, the authors emphasise a positive effect of lone mothers' labour market participation, as paid work allows them to ensure the material well-being of their children.

¹⁵ For example, Gregg et al. (1999) show that the probability of career advancement is halved when childhood has been marked by material poverty. Moreover, all other things being equal, the probability of graduating from university is three times lower for children from poor households (Esping-Andersen, 2008). For these children, early access to institutionalised preschool education is crucial for their cognitive development and their school achievement.

Do policies succeed in reconciling outcomes?

How do policies succeed in reconciling these issues? In order to answer this question, we adopt a holistic approach embracing a large set of family, work and child outcomes instead of analysing them one by one. Table 2 presents some key family indicators with different colours that indicate the relative position of a given country by comparison with the OECD average. A grey square indicates that the country's performance is better than the OECD average, a white square indicates that its performance is average and a blue square that it is below the average. There are considerable cross-national differences in family outcomes, but no country significantly outperforms or underperforms the others in all outcome areas. However, Nordic countries generally have significantly better family outcomes than the OECD average, while Australia, Belgium, France, the Netherlands and New Zealand, also record relatively good outcomes. Greece, Italy, Korea, Poland, the Slovak Republic, and Spain still face challenges in a range of areas.

Table 1 : Countries' performance relative to OECD average

	Total fertility rate 2009*	Employment to population ratio Women 15-64, 2009**	Employment rates of sole parents 2008	Gender pay gap ¹ 2008***	Child poverty ² mid-late 2000s****	Childcare enrolment (aged <6) 2008*****	PISA reading scores ³ 2009	Public spending on family benefits ^{4,5} % GDP, 2007
OECD Average (intervals)	1,74 (+/- 0,183)	59,6 (+/- 5,52)	73 (+/- 6,5)	16 (+/- 4,1)	12,7 (+/- 3,06)	54,7 (+/- 7,38)	494 (+/- 11,4)	2,2 (+/- 0,46)
<i>ordic Europe</i>								
Denmark	1,84	73,1	83,5	12	3,7	78,6	495	3,7
Finland	1,86	67,9	80,0	21	4,2	51,0	536	2,7
Iceland	2,22	77,2		13	8,3	74,9	500	3,5
Norway	1,98	74,4	72,5	9	5,5	72,8	503	2,9
Sweden	1,94	70,2	84,2	15	7,0	68,4	497	3,1
<i>ontinental Europe</i>								
Austria	1,39	66,4	73,9	21	6,2	44,3	-	3,1
Belgium	1,83	56,0	54,7	10	10,0	73,6	506	3,1
France	1,99	60,0	77,8	12	8,0	70,8	496	3,7
Germany	1,36	65,2	56,9	25	8,3	60,2	497	2,8
Luxembourg	1,59	57,0	90,5	-	12,4	62,4	472	3,0
Netherlands	1,79	70,6	76,2	17	9,6	61,3	508	2,9
<i>nglophone countries</i>								
Australia	1,90	66,2	47,9	12	11,8	39,6	515	2,7
Canada	1,66	69,1	79,8	20	14,8	40,4	524	1,4
Ireland	2,07	57,8	54,7	16	16,3	40,1	496	2,6
New Zealand	2,14	67,4	64,9	8	12,2	65,0	521	2,3
Switzerland	1,50	73,8	85,7	20	9,4	-	501	1,4
United Kingdom	1,94	65,6	47,7	21	10,1	64,4	494	3,6
United States	2,01	63,4	80,1	20	21,6	45,2	500	1,2
<i>astern Europe</i>								
Czech Republic	1,49	56,7	64,4	21	10,3	40,4	478	2,4
Hungary	1,33	49,9	69,5	2	7,2	48,0	494	3,3
Poland	1,40	52,8	63,5	14	21,5	26,0	500	1,5
Slovak Republic	1,41	52,8	-	-	10,9	37,3	477	2,2
<i>outh Europe and Asia</i>								
Greece	1,53	48,9	86,5	10	13,2	30,2	483	1,3
Italy	1,41	46,4	86,5	1	15,3	63,6	486	1,4
Portugal	1,32	61,6	88,7	16	16,6	63,4	489	1,3
Spain	1,40	53,5	81,8	12	17,3	66,9	481	1,6
Japan	1,37	59,8	86,0	31	14,2	59,4	520	1,3
Korea	1,15	52,2	69,0	39	10,3	59,3	539	0,6

Above the OECD average

Around the OECD average
(or no data)

Below the OECD average

The OECD average is calculated as the unweighted average for OECD countries for which data is available. Countries are categorised in "above" or "below" groups if they are at least half a standard deviation above or below the OECD average.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

(1) The gender wage gap is unadjusted and is calculated as the difference between median earnings of men and women relative to median earnings of men. Estimates of earnings used in the calculations refer to gross earnings of full-time wage and salary workers, but may vary slightly across countries. For Italy the gender wage gap is based on gross hourly earnings of full-time employees.

(2) Child poverty is calculated as the proportion of children living in households with less than half the median equivalised income of all households.

(3) PISA literacy is scored based on a weighted OECD average of 500 and standard deviation of 100: the unweighted OECD average for all countries including the new (2010) member countries is 494.

(4) Public support accounted here only concerns public support that is exclusively for families (e.g. child payments and allowances, parental leave benefits, childcare support, and, income support for sole parents). Spending in other social policy areas such as health and housing support also assists families, but not exclusively, and is not included here. Data on tax breaks towards families are not available for Chile, Estonia, Greece, Hungary, Israel and Slovenia.

(5) Coverage of spending on family may be limited as such services are often provided, and/or co-financed, by local governments. This leads to large gaps in measurement of spending in Canada, the Netherlands and Switzerland. Local governments also play a key role in financing childcare. This can make it difficult to get an accurate view of public support for childcare across a country, especially but not exclusively, in federal countries.

* 2007 for Canada; 2008 for Brazil, Chile, China, India and Indonesia; ** 2008 for Israel and Russia; *** 2005 for the Netherlands; 2007 for Belgium and France; **** 2008 for Germany, Israel, Italy, Korea, Mexico, Netherlands, New Zealand, Norway, Sweden and the United States; 2007 for Canada, Denmark and Hungary; 2006 for Chile, Estonia, Japan and Slovenia; 2005 for France, Ireland, Switzerland and the United Kingdom; 2004 for Australia, Austria, Belgium, Czech Republic, Finland, Greece, Iceland, Luxembourg, Poland, Portugal, the Slovak Republic, Spain and Turkey; and, ***** refers to estimates for 2008 based on childcare enrolment rate for children aged <3 in 2007 and children aged 3-5 in 2008; 2005 for Australia and the US; 2006 for Canada.

Source: *OECD Family database* (www.oecd.org/els/social/family/database).

This evidence on the relative performance of different OECD countries regarding family, work and child outcomes suggests that the different objectives of family policies mentioned above can be reconciled. It also suggests that differences in outcomes relate broadly to variations in the way policies are defined, and in the way policy instruments are combined to provide support to families. As stated in an earlier study, these differences in policy frameworks especially concern the support provided to working parents with children under age 3 (Thévenon, 2011). In that respect, Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden) outdistance the other OECD countries, providing comprehensive support to working parents with very young children (under 3 years of age). Parental leave policies vary in these countries, but they all provide broad coverage of childcare services from age 1 (Nosoco, 2009)¹⁶. English-speaking countries (Australia, Canada, Ireland, United Kingdom New Zealand, and the United States) provide much less in-time and in-kind support to working parents with very young children, while financial support is greater but targeted on low-income families and preschool children. As mentioned above, part-time work is also used more widely by mothers to balance work and family, as is also the case in Germany and the Netherlands. Continental and Eastern European countries form a more heterogeneous group with a more intermediate position regarding total spending for families and forms of support. Two outliers of these groups are France and Hungary, which provide relatively generous support for working parents compared with other countries of this group. By contrast, the countries in Asia, and in southern and eastern Europe with the lowest outcomes are all characterised by very limited public assistance to families.

These differences in family policy packages suggest that countries with comprehensive policies for working parents with children from preschool age onwards achieve better aggregate performance regarding female employment, poverty and fertility. The existence of a continuum of support throughout early childhood would seem to be a key characteristic of countries where the aim is to achieve higher fertility, greater female labour market participation and higher employment rates for lone parents, while reducing the risk of poverty. Moreover, enabling mothers to return to work some months after childbirth seems to positively influence fertility trends and, in turn, to ensure the material conditions needed for child development. The outcomes of “vulnerable” families seem particularly sensitive to such support, employment being the most certain protection against poverty which benefits all family members, including children.

III. Towards more effective support to families ?

When evaluating the effectiveness of family policies, one key aspect to be considered is the actual balance between the different types of outcomes achieved by these policies. We suggested above that different equilibria can be achieved, and countries set different priorities to achieve one equilibrium or another. These differences in policy orientations lead to a range of situations in which the choice of policy instruments (financial assistance, child care facilities, parental leave schemes etc.) and the conditions of eligibility may vary. It is especially important to consider policy packages (how policy instruments are combined) when seeking to assess whether policies are effective in achieving a combination of better work, family and child outcomes. We argue here that a better balance of outcomes is likely to be achieved with

¹⁶ There are nonetheless large variations in coverage rates, with 70 to 90 % of children aged 1 enrolled in formal daycare institutions in Sweden, Norway and Denmark, compared with around 40% in Finland.

support that starts in early childhood, combines in-cash and in-kind support, and which identifies gender equity as a central concern.

The multiple facets of these policies also multiply the number of economic and social reasons for promoting public policies to support families. State intervention is first justified by economic theory because of the collective benefits derived from “mutualising” the costs of children, in terms of both efficiency and equity.

Sharing the costs of children is also justified in standard economic theory by the fact that better outcomes for families with children (and especially long-term outcomes) involve positive externalities for society as a whole, including for childless citizens. Children should consequently be considered as a “public good” rather than a strictly private concern (Browning, 1992). These expected benefits are fourfold, from a short to a longer term perspective:

- First, reconciliation policies are expected, in the relatively short term, to foster maternal employment and reduce their career interruptions, and to subsequently help parents to accumulate human capital which might raise labour productivity and growth.
- A related benefit might be that a larger share of the active population in work can raise fiscal resources in the short term, and may strengthen the financial sustainability of the pension and welfare state system in the long run.
- Third, positive cognitive outcomes for children can be expected to foster their human capital formation, with long-term incidence on economic growth patterns.
- Finally, positive incidence on children’s “social capital” can also be generated as a by-product of policies, and thus contribute to preventing risky or deviant behaviour that would incur a cost to all individuals – although these costs cannot be strictly quantified.

In this context, recent research advocates that family policies should be seen as social investment generating important rewards and not only costs, similar to investments in human and capital (Heckman and Masterov, 2007; Esping-Andersen, 2008; OECD, 2011). The idea of “investment” is used to stress that outputs are cumulative and will ultimately be higher than the initial policy expenditure¹⁷. By contrast, the rewards of investments decline if their flow is interrupted. Investing early is also promoted for equity reasons, since support during early childhood is more likely to reduce inequalities between children with different economic and social backgrounds.

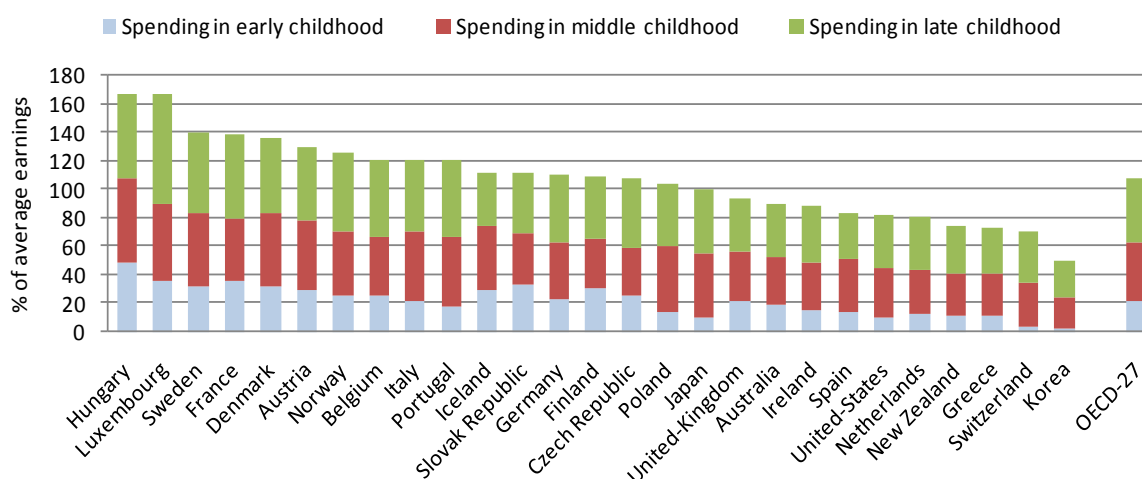
Investing early to get better outcomes

These arguments speak in favour of high public investments aimed at small children in order to encourage their cognitive development and to protect them from poverty and deviant behaviour. However, the age-profile of spending on children shows that expenditures for children under school age is far lower than the average amounts spent per children above this age (Figure 2). Cross-country differences are quite large, however, with Scandinavian countries, Hungary, France or Luxembourg spending rather high amounts for early childhood compared with English-speaking countries, especially.

¹⁷ Basically, Heckman and Masterov (2007) argue that investments during early childhood provide a means to benefit from the complementarities that exist when young children acquire cognitive and social capacities, as the acquisition of these capacities at an early age favours self-production of human capital. Higher investment at very young ages would reduce the investments required at later stages, so that early spending can in fact lower later expenditures.

Figure 2: Total public spending¹ per child (from 0 to 17 years old), 2003.

In % of average earnings



1) Public spending include child payments and allowances, parental leave benefits and childcare support. Spending on education are also included and represent the largest item of expenditures for middle and late childhood.

Source: OECD (2009a), *Doing Better for Children*, Chapter 2, Paris.

Public expenditures for older children (including lump-sum benefits, tax allowances and financial assistance reducing the costs of childcare) also vary widely across countries, but they generally do not increase with the age of children – and even decrease from age 15 to 18 onwards (OECD, 2011). Yet this pattern may be poorly adapted to the actual structure of child costs since, as reported above, children's share in household expenditure appears to increase from the adolescence onwards.

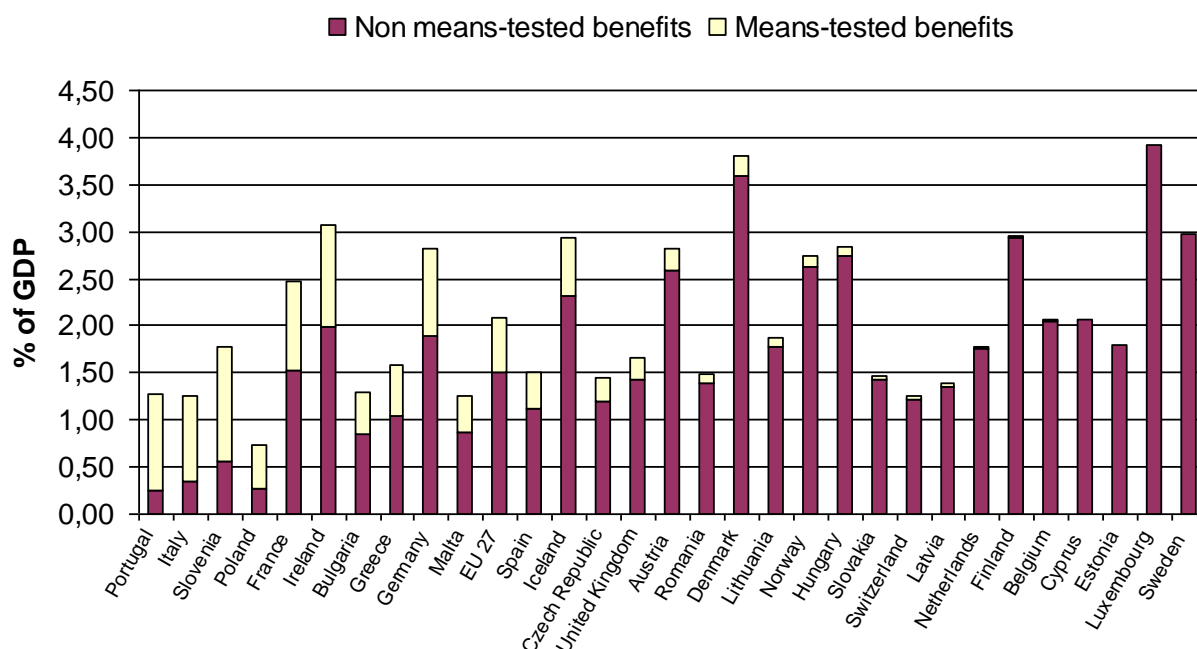
Combining support in-cash and in-kind to raise policy effectiveness

Effectiveness and efficiency are two sides of the same coin representing how policies can influence behaviour. Policy effectiveness captures the extent to which potential recipients of a benefit actually claim their rights. Some workers might, for example, be eligible for parental leave or childcare subsidies, but do not claim them for various reasons. The assessment of policy effectiveness thus tries to capture the extent to which households make use of their rights (e.g. meet their needs), disregarding the influence that these entitlements might have on their subsequent behaviour. In contrast, policy efficiency considers whether this behaviour complies with the *expected* outcome, for a given cost of support.

One way to limit the “cost” of policy support, it is argued, is to target benefits on families with the greatest needs. For that reason, means-testing is often used, but its relative importance in overall expenditure for families varies considerably across countries (figure 3). For example, more than two thirds of total spending on family benefits is means-tested in Portugal, Italy and Slovenia, while there is no means-testing at all in Estonia, Luxembourg and Sweden.

Figure 3: Variable budget shares of means-tested family benefits

(in % of GDP, 2008)



Countries are ranked by decreasing proportion of mean-tested benefits in total family benefits.

Source: Eurostat ESSPROS database. Data on social protection: May 2011.

However, targeting benefits by means-testing raises both effectiveness and efficiency problems. First, means tests are used to limit the number of benefit recipients. Yet means-testing can fail to reach the population with greatest needs for basically two reasons. First, specific targeting can produce a stigmatisation of benefit recipients that dissuades some of the eligible population from taking up their benefits. Stigmatisation can in this case be assimilated to a psychological “cost” deterring vulnerable populations from claiming their rights (Moffitt, 1983).

Second, the implementation of targeted programmes involves administrative work that has a cost and can produce inefficiencies in programme management. Checks must be made to ensure that claimants are entitled to the benefit and recipients must be closely followed over time. This requires action on the part of both the administration and the recipients, with associated “transaction costs” that can be high and to which the poorest households are the most sensitive¹⁸ (Currie and Gahvari, 2008). These “transaction” costs might thus make it even more difficult to reach the potential recipients with the highest needs, unless they are paid by the administration. However, management costs can be so high that the relative advantage of targeted over universal programmes disappears (Smolensky et al., 1995). By contrast, universal programmes can avoid this skimming problem if the rules for attribution are simple enough to be followed by the most vulnerable population.

¹⁸ These costs can also reduce the number of people claiming benefits especially if the benefit recipient (the child for example) is not the person who incurs these costs (the parents).

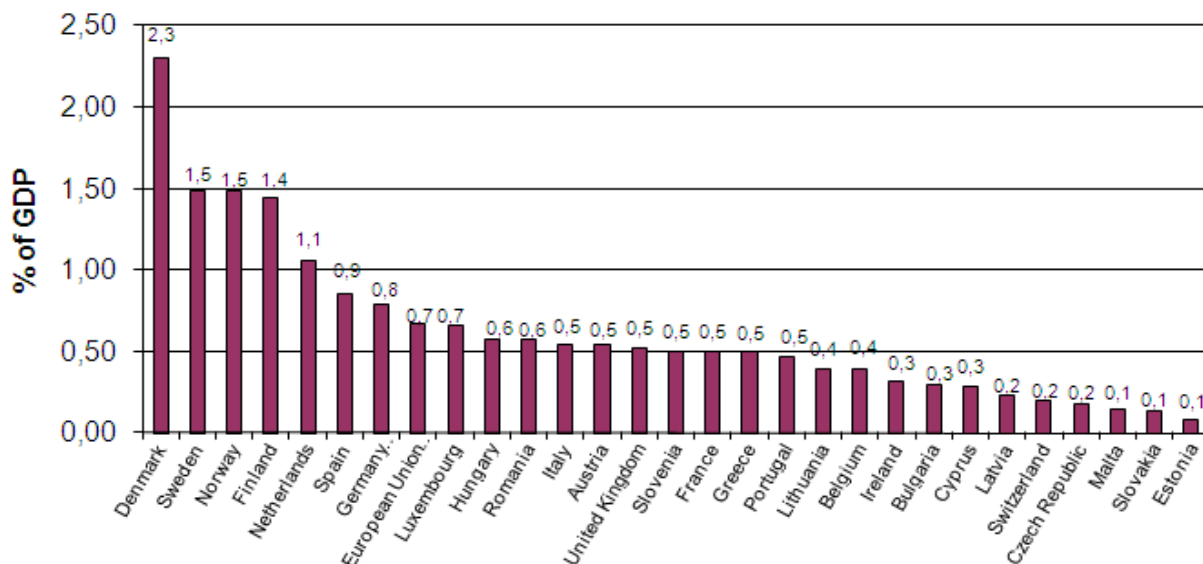
Third, means-testing for benefit allocation is not necessarily more efficient for reducing poverty, because there is basically no strict relationship between the existence of means tests and the intensity of support to poor families (OECD, 2011). Conversely, the generosity of universal benefits explain why universal programmes can be more efficient for reducing poverty (Goodin and Le Grand, 1987; Korpi and Palme, 1998; Gilbert, 2001; Math, 2003). This generosity is possible because the legitimacy of universal programmes is based on a broad consensus whereby everyone contributes but also receives benefits. For this reason, universal benefits are also more resistant in the case of budgetary restrictions (Nelson, 2007).

The provision of in-kind support or childcare subsidies can also help to avoid the unwanted effects of cash-based programmes. Currie and Ghavari (2008) argue for example, that in-kind benefits provided on a universal basis can overcome the inefficiencies associated with targeted cash benefits. In particular, the provision of services for families with specific needs does not require very restrictive formal eligibility criteria. Management costs might thus be limited while ensuring that families' needs are met. Direct provision of in-kind childcare benefits also provides a better guarantee of the quality of services used by parents. Differences by socioeconomic status in the quality of services used are also likely to be more limited by direct provision of standardized services (Currie and Ghavari, 2008).

Last but not least, many countries combine childcare subsidies with cash-for-care allowances received by parents (mostly mothers) who personally care for their child. However, this combination often has the effect of maintaining if not increasing social and gender social inequalities in labour market outcomes. Childcare subsidies primarily benefit women who are able to remain employed and can afford high quality childcare services, while cash-for-care allowances are taken up mainly by women with low income and/or in low quality jobs. Although cash payments make it easier for governments to respond to social demand for more childcare choices, they in turn have a long-lasting detrimental impact on women's progression in the labour market.

Despite the advantages associated with the provision of services, investments in services for families vary in scale across Europe. On average, the 27 EU Member States devoted 0.7% of GDP to benefits in kind or services to families and children in 2006, ranging from 1.4% or more in Nordic countries to 0.2% or less in the Czech Republic, Latvia, Romania, Switzerland, Estonia, Malta, and Slovakia, as shown in figure 4.

Figure 4: Family/child benefits in kind as % of GDP, 2008



Source: ESSPROS database - Eurostat

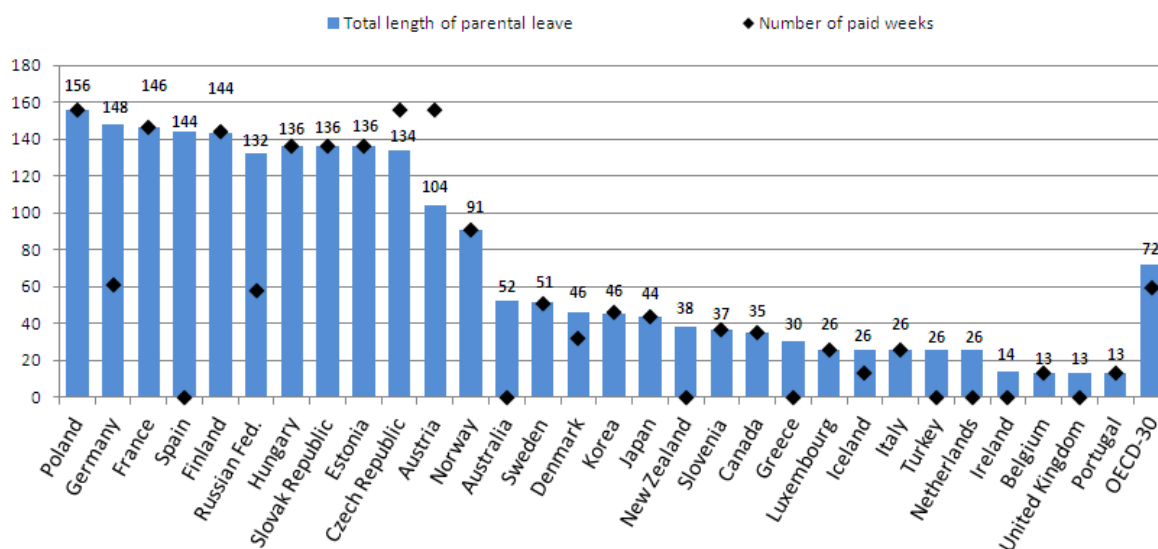
Fostering gender equality

Parental leave entitlements are an important component of childcare policies because they free up time for working parents to care for children during the months (or years in some cases) after childbirth. Nevertheless, leave entitlements vary widely across countries (Figure 5) since they lie at the crossing point between the above mentioned objectives, with large cultural differences in the way parental employment and children outcomes are balanced.

However, it has been shown that long parental leave periods negatively impact career prospects, in the short but also potentially in the long run.¹⁹ Jaumotte (2004) estimates for OECD countries that a parental leave period of more than 20 weeks in full-time equivalent terms has a negative impact on both the mothers' probability of returning to work and their wage progression.

¹⁹ Prolonged periods out of work affect career development and are key determinants of the so-called "family pay gap" that measures the lifetime differential in earnings between mothers and childless women. In Sweden, for example, taking 16 months of parental leave negatively affects career profiles (Eversston and Duvander, 2010). Available evidence for France and Germany suggests that extending paid leave increases the likelihood of precarious employment conditions after the return to work and reduces the wage growth of those who take prolonged leave by 5 to 20% (Meurs et al., 2007; Ondrich et al., 2002); while differences decrease over time they are still observable long after the return to work. Nevertheless, some evidence for Canada suggests that despite substantial income losses incurred by mothers in the first two years after childbirth, mothers returning to work seem to regain the lost earnings within about seven years, and this recovery is quicker for mothers who go back to work with their original employer.

Figure 5: Length in weeks of parental leave available for mothers (after maternity leave), 2008



Total length of maternity leave refers to the sum of paid and unpaid entitled weeks: the numbers above the bars refer to the total length of employment-protected maternity/parental leave in 2008. Information refers to parental leave and subsequent prolonged periods of paid and unpaid leave women can take after maternity leave to care for young children (sometimes under a different name as for example, “childcare leave” or “home-care leave”, or the “Complément de libre choix d’activité” in France). More details in OECD (2011).

Source: OECD (2011).

At the same time, as reported above, gender differences in the time allocated to childcare and unpaid work remain quite large, though they are smaller on average in countries with higher female employment rates. This suggests that a more equal gender balance in the time spent on unpaid activities might be necessary to raise female employment rates up to that of men. It would also provide a way to share the risk of career penalties induced by childbirth more equally between the sexes. Some evidence also suggests that a greater involvement of fathers in childcare can also be good for children. Dex and Ward (2007) suggest, for example, that children in the UK are more likely to have developmental problems if their parents do not share the caring tasks. More recently, Baxter and Smart (2011) identified clearcut effects of fathering on the socio-emotional and learning outcomes of Australian children.

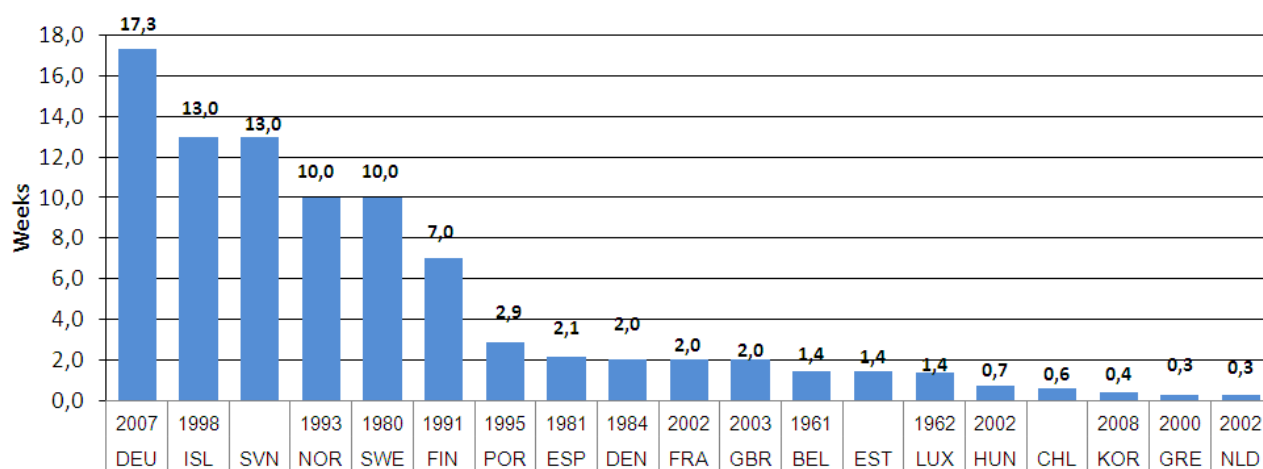
Keeping these benefits in mind, parental leave entitlements can be designed to encourage more fathers to take leave and to participate more in childcare activities. The enforcement of individual (and non-transferable) leave entitlements for each parent, combined with earnings-related payments can be efficient tools to raise fathers’ participation (OECD, 2011)²⁰. Father-specific rights to leave exist in about half of OECD countries, but the period covered is still often very short (5 to 15 days in most countries, see Figure 6) in comparison to the total number of weeks of leave that either parent can take under law, but which in practice is taken by women. Nonetheless, a few countries have recently increased the number of paid weeks reserved for fathers only, with a significant change in men’s behaviour. For example, in 2001 Iceland introduced three months of parental leave for each parent plus three additional months which can be shared, the overall period being paid at 80% of parents earnings. This reform led to an increase in the proportion of parental leave days taken by fathers from 3% to around 35% today (Eydal and Gisslasson, 2008). Similarly, recent reforms in Germany provide for a bonus of two months earnings-related paid parental leave if taken by the father. While about 8.8% of the fathers of children born in 2007 took parental leave, the percentage doubled to over 17% in 2008 (Federal Statistical Office, 2010). Parental leave was

²⁰ Providing flexible options to use leave entitlements, such as taking leave on a part-time basis or in blocks, might also encourage fathers to take leave while avoiding long periods of total absence from work (Moss and Wall, 2007).

also reformed in Portugal in 2009, with a quota reserved for the father and a higher payment rate if both parents share the leave. Before 2009, only 0.08% of fathers took parental leave, but their proportion is now estimated at 17%.

These numbers show that parental leave reforms have been effective in raising fathers' leave uptake, even though the time allocated to childcare by men and women is still strongly unequal. Moreover, changes in leave-taking among men are unlikely to generate change in the gender division of paid and unpaid work that persists once leave entitlements have expired. In this context, flexibility in working time patterns are a necessary complement to reconcile work and care commitments.

Figure 6: Length in weeks of father-specific leave entitlements, 2008



Note: Estimates of the weeks' entitlements include paternity leave and father-specific "quotas" in parental-leave entitlements.

Source: OECD (2011)

Flexible working time includes various practices: part-time work, flexible starting and finishing times, teleworking, etc, which can all improve the work/life balance (OECD, 2011). Regular part-time work is the most commonly used form of working-time flexibility that helps many parents to balance work and family life on a long-term basis and to fit their schedule around school hours. The use of part-time work is highly gendered, however. Across the OECD, one in ten men and one in four women work part-time (OECD, 2010). For many parents, the decision to work part-time is constrained by lack of access to affordable childcare. However, there is often a penalty for part-time work as, on average, it is characterised by lower hourly earnings, fewer training and promotion opportunities, and less job security (OECD, 2010). At the same time, there is also a premium to part-time work in terms of control over working time, stress and health, and the advantages appear to outweigh the disadvantages for the vast majority of part-timers. However, part-time working does not seem to help maintain the link with the labour market, and is often not sufficient to protect families from poverty (OECD, 2009b; 2010): on average, the poverty risk for part-timers is double that observed for full-timers. This suggests that actual opportunities for part-timers to move to full-time work should be increased, since transitions in this direction are quite rare: on average, about 15% of part-timers take up or return to full-time employment each year.

Reconciliation policies: a cost-effective strategy?

The synthesis proposed here emphasises the multidimensionality of child costs and of the policies designed to offset these costs. Family support policies have various dimensions and influence these costs directly or indirectly. These dimensions are: the maintenance of families' living standards, the reduction of economic and social inequalities, the cognitive and emotional development of children, the reconciliation of work and family life, gender equality and fertility. It is crucial to take this multiplicity into account when evaluating family policies, as it affects the way these policies are conceived as well as their appointed characteristics. The most important challenge of family policies is to create a coherent institutional context which corresponds to families' various needs and which reconciles different and sometimes conflicting objectives. We argued in particular that two broad categories of trade-offs are at stake. The first concerns the balance which has to be achieved between strict coverage of the cost of children and the contribution of family policies to social assistance and the reduction of income inequalities. The second focuses on the work/family balance and aims to reconcile the two perspectives of child development, on the one hand, and of labour market outcomes and household division of labour, on the other.

In this context, family policies must be evaluated on the basis of a holistic approach by taking into account all mentioned outcomes jointly in relation to family policy packages in which in-time, in-cash and in-kind services complement each other (Thévenon, 2011; OECD, 2011). The challenge here is to identify possible conflicts as well as possible synergy effects among the various family policy measures and to determine their joint impact on the economic, social and demographic progress of different countries.

Moreover, it is particularly important to consider the actual mix of dimensions existing in each country in order to define what dimensions must be developed further. The coherence of this set of family policies is particularly important for its effectiveness, but so are other factors such as the targeting and the complementarity of financial assistance to families, of child care services and of parental leave schemes. Different equity criteria can influence the way family policy targets are defined.

We emphasized that policies encouraging parents (living alone or with partners) to be in work significantly reduce poverty risk, while raising the standard of living of families with children and promoting greater gender equality in the labour market. This might also be a cost-effective strategy since higher employment rates and more continuous working lives might also generate higher taxable income. However, this virtuous circle can be achieved only if the support provided is sufficient to meet the needs of families and to help both parents to combine work and family formation, and to share care tasks.

Besides, several arguments speak in favour of investing in early childhood. First, the earlier such investments are made, the more effectively they support child development. Second, specific financial assistance to the poorest and most vulnerable families promotes greater equity.

In this perspective, a system based on two pillars is helpful to reconcile efficiency and equity aspects while guaranteeing, beyond that, a whole set of further support options corresponding to the specific needs of certain populations:

- A first pillar guarantees a minimum of equality for all families with children and thus avoids pernicious effects of targeting mechanisms. Moreover, universal financial assistance for all families is perceived as a highly legitimate policy instrument by the majority of the population and is thus relatively stable. In particular, universal child care facilities ensure that underprivileged and privileged children benefit from identical minimum standards of child care quality. Universal support systems ensure that all children are covered and that none are stigmatised, but they are expensive.
- A second pillar consists of targeting financial or in-kind assistance to families with the greatest or specific needs. The combination of the two pillars is likely to create confidence in the sustainability and durability of the system of family support policies. This confidence is certainly needed to ensure that people use the existing support, and that policy delivery is effective.

Confidence also partially explains the success of family support policies in countries like the Nordic states or France with a long tradition of government intervention.

The dynamics of early family support on child development suggest, that, for efficiency and equity reasons, these two pillars would best be organized sequentially. A cascade approach that provides universal services at early ages with more intensive delivery to targeted populations will often be more efficient (OECD, 2009a; 2011). For example, a universal system of health visits for families with infants could be supplemented with more intensive service delivery for needy families, as identified through the universal visits.

Moreover, it becomes clear that offsetting the costs of children cannot be the sole objective of family policies. Such assistance is certainly consistent with horizontal equity (between households with the same income but with a different number of children) but not with vertical equity (between households with the same number of children but with different incomes). To guarantee vertical equity, financial assistance to families with children must be lower for households with high income.

Another important conclusion is that financial assistance to families generally does not compensate for the indirect costs of children caused by career interruptions. Family policies promoting the reconciliation of work and family life aim at reducing these indirect costs borne primarily by mothers. Reconciliation policies not only promote mothers' employment but succeed in reconciling several objectives of family policies, such as reducing family poverty and increasing fertility. This is also valid for policies encouraging a more equal division of labour and care responsibilities between men and women. Gender equity is therefore an additional component of overall systemic coherence that is beneficial to both the parental labour market and child outcomes. The way in which mothers' and fathers' investments in childcare complement each other and their association with high quality substitutes to parental time are crucial to achieving such a balance. Conclusions were also drawn on the design of policies which might be required to combine these objectives. Complementarity between support in-time, in-cash and in-kind was first pointed up as key for ensuring that policies are used effectively by families and produce the desired outcomes. Continuity of support for children and working parents over the child's life course were also stressed as an important requirement for achieving lifelong positive returns. Parental leave entitlements reserved for each parent, favouring earnings-related payment rather than long-term absence from the labour market, are seen as best practices to promote a more gender-equal division of childcare between parents, beneficial to both maternal employment and child outcomes. Efficient outcomes can only be achieved, however, if families have access to high quality childcare services once leave entitlements have expired, which would require massive investment in childcare provision for children under 3 in many countries. The development of out-of-school care services and of flexible working practices can give parents the freedom to choose between part-time and full-time work. A continuous flow of cash benefits over childhood might also be necessary to help parents bear the cost of raising children. Investments made in early childhood might help to save on spending required later, however.

Finally, across-the-board provision of family-related benefits to workers in all economic sectors is also key to minimizing employment-related inequalities and to avoiding the pernicious effects of restricting family-related entitlements to specific categories of employees (Mandel and Semoynov, 2006). As an illustration of these effects, Datta Gupta *et al.*, 2008 argue, for example, that the combination of generous family-friendly schemes in the Nordic countries may have led to a societal system in which women select into certain sectors with low pay and limited career opportunities. Employers' response to the provision of family-related entitlements might also limit the benefits of reconciliation policies if not all workers with access to the policies use them. Fernandez-Kranz and Rodriguez-Planas (2011) point out that the right to work part-time in countries with highly a segmented labour market, such as Spain, has led to increased gender differences in access to permanent labour contracts. Thévenon and Gauthier (2011) also suggest that family policies can unintentionally contribute to accentuating differences in behaviour between socioeconomic groups and to reinforcing the polarisation of decisions about working and/or having children because the different childcare options are not equally accessible across social groups. Thus, the

development of family-friendly policies does not automatically benefit all parents but profoundly influences the way in which work and family outcomes are stratified across social groups. These outcomes crucially depend on families' attitudes and employers' responses to policies which affect the selection of parents into employment and/or into specific jobs (Korpi et al., 2009; Thévenon; 2009). The assessment of policies to reconcile family, work, and child outcomes would benefit from a better understanding of this selection process.

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