3 Lectures (women)

Families and the Revolution in Women's Roles

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(Note: this should perhaps be chapter 1 since it introduces the logic of welfare regime analysis. Chapter 2 should then be the kids chapter and the 3rd, the aging chapter)

How Women are changing the World

The ongoing debate on the future of the welfare state has been overly obsessed with the alleged threat of globalization and of aging, and has pretty much ignored what is arguably a far more revolutionary force of change, namely the altered position of women in society.

The female revolution has profound ramifications. Firstly, women's biographies have changed radically in an amazingly short time, basically from one generation to the next. The prototypical woman of the post-war decades was destined to housewifery while her daughter more likely opted for a life of employment and of economic autonomy. The lynchpin of this generational rupture was educational advancement and, therewith, the command of good earnings. In a sense, women have experienced a 'masculinization' of their life course preferences. In most advanced nations, women now boast more education than men and where the female revolution started earliest, namely in North America and Northern Europe, the vast majority (75%-plus) are employed throughout their lives and interruptions due to motherhood are minimized.

Much of Continental Europe lags behind with female employment levels around 50% in Southern Europe and around 60% in France and Germany. The gap is primarily found among less educated women. It may also narrow sooner than we think since young women's activity rates are catching up rapidly. The most recent data for Spain, an extreme laggard, show an activity rate of 65% among women aged less than 35.

The altered female biography has, for good and bad, massive ripple effects throughout society. In the most immediate sense, the conventional male breadwinner family is now being eclipsed. The new role of women means also rising assortative marriage, postponed family formation, birth rates that are far lower than what citizens desire, increased marital instability, and the proliferation of 'a-typical' families – many of which are economically vulnerable. And women's propensity to have fewer children affects long-term population growth. The rapid pace of societal aging is very much the bi-product of the female revolution.

Women's new economic role brings good news but also the arrival of mounting welfare problems. The hardening of assortative mating can be polarizing, as is evident in the widening welfare gap between work-poor and work-rich households. Delaying marriage and births is an expression of citizens' new life priorities (such as more education) but also of constraints (women hesitate to have children until their job situation is secure). Postponement lowers the chances of attaining the 2+ child goal that most adults pursue; catch-up *is* certainly not precluded but it requires very favourable conditions. Partnerships are far less stable and this trend is likely to continue in tandem with women's enhanced autonomy. In Scandinavia, as in North America, just about half of all children will not grow up within an intact biological family. Divorce has adverse consequences for children and parents alike, and single parenthood can be harmful for children's achievements.

There are also major macro-economic effects. The disappearance of the housewife means that families externalize servicing needs, from eating and cleaning to child and elderly care. The job multiplier that is created is potentially huge, especially within personal and social services. Women's economic contribution is demonstrably significant. In Scandinavia now, the average woman contributes 42-43% to total household income and have been a major source of economic growth and welfare state financing. This can be illustrated by a simple simulation exercise. If women on average earn 75% of male wages and their employment rate jumps from 50 to 75% (from Spanish to Danish levels) their additional contribution to national income will be about 15% and, at a mean taxation rate of 30%, this would add 10 or 12% to government tax revenues.

Even where it has gone furthest, the female revolution nevertheless remains incomplete. This is highlighted in Catherine Hakim's (1996) distinction between three female preference types. The first is the traditional home-centred woman who may work out of necessity but whose primary objective is motherhood and family. Empirically speaking this group is minoritarian and rapidly shrinking. The second – also minoritarian -- is the woman who puts career above all else, and who is only likely to have children if they 'fit in'. The third group, which represents the vast majority, comprises women who insist on combining family and a lifelong career. One important point here is that the masculinization of women's biographies affects primarily economic life and, for the vast majority, does not erode the desire for children. As a result, one of the greatest tensions in modern society has to do with the reconciliation of careers and motherhood.

The female revolution is also incomplete because it is socially stratified. The vanguards are the educated, middle class women while low educated women display a weaker attachment to paid work and are far more likely to embrace the traditional housewife role. But this is where we note dramatic variation across countries. In the Scandinavian countries, the employment gap between higher and lower educated women is minor, and for all purposes the housewife is now an extinct species. This is still far from the case in Continental and Southern Europe. To exemplify, in Sweden, 60% of the low educated women are working, compared to 27% in Italy. France, as so often is the case, occupies a middle position with 48%. And if we focus on mothers with small children we find the same pattern. In Denmark and Sweden there is absolutely no difference in the employment rate between the childless and mothers with 2-plus children. In France, the gap is 15 percentage points.

It should come as no surprise that the female revolution poses serious challenges to our existing welfare models, not least because it fundamentally affects the functioning of one basic pillar, namely the family.

Families and welfare regimes

We will fail to understand the challenges to the welfare state correctly unless we adopt a *welfare regime approach.* Seen from the perspective of either the citizen or of society, our welfare comes inevitably from the combination of family, market and government inputs. Indeed, for most people throughout most of their lives, the all-dominant source of welfare is derived from the family and market. We receive most of our income from the market and typically most of our social support from family members. From a life cycle perspective, the welfare *state* only really gains prominence when we are very young or old.

These three welfare pillars have reciprocal effects on each other. If the market fails, we will seek recourse in either the family or government. Many basic needs are likely to remain unmet due to market failure, in part due to high prices and, in part, due to information failure. The classical examples are health care and education, but in tandem with women's revolution emerges demand for child and elderly care. Commercial care services are generally unaffordable to households below the median income. Similarly, if the family fails our reliance on markets or government intensifies. Family 'failure' is mounting as women's conventional caring role diminishes, and as inter-generational co-residence disappears. Modern societies therefore face mounting problems of cumulative failure to the extent that neither markets nor families are capable of responding adequately to social needs. Care for the frail elderly is a clear example, since commercial residential services are hugely expensive and because the traditional caring reservoir of non-employed older daughters is disappearing. Where there is double welfare failure, the only logical alternative is the welfare *state.* But except in very few countries, government's role in the provision of family services remains rather marginal at best. Continued adherence to a familialistic policy provokes a growing welfare void.

In its early stages the modern welfare state was everywhere premised on *familialism.* Post-war social policy assumed the male breadwinner-female housewife family and this explains why, until very recently, the welfare state was so biased towards income maintenance and so underdeveloped in terms of social service provision. It was only from the 1970s onwards that the Scandinavian countries – in tandem with the surge in female employment – came to prioritize family services. In North America and the UK, governments chose, instead, to encourage the market alternative, in part via tax deductions. With the possible exception of child care in Belgium and France, the principle of familialism went unchallenged in the majority of European welfare states.

Most advanced societies therefore face intensifying dis-equilibria because the female revolution has not been met with an adequate policy response. A paradox of our times is that familialistic social policy is anathema to family formation. The huge drop in fertility and rise in childlessness, in particular among higher educated women, across much of Europe is related to the absence of child care provision. In parallel fashion, the lack of family services represses female employment, especially among the less educated. Italy and Spain are the clearest representatives of such dis-equilibria, combining exceptionally low fertility with repressed female employment.

Failure to reconcile motherhood and careers will, for citizens, provoke a trade-off between having children, on one hand, and pursuing employment, autonomy and increasing household income, on the other hand. At the societal level this translates into one of two sub-optimal scenarios: a childless 'low fertility equilibrium' or a 'low income, low employment equilibrium'.

The Policy Challenge

We clearly need to redesign family policy. Unless we 'de-familialize' welfare responsibilities we will never succeed in reconciling motherhood with employment. Low fertility is not a signal that citizens do not want children but rather that the constraints are mounting. The family remains the key institution of society and the challenge is to forge policies that support it. In its increasingly varied manifestations, the family is also key to children's well-being. Hence, as I examine in Chapter 2, policy that ensures children against economic deprivation is *sine qua non.* More generally, the cost of children is rising – and so is the positive externality of children. We need to design an equitable sharing of the costs and benefits of children.

The third upshot is that we need to minimize the penalty of motherhood. This implies a reconciliation of motherhood and careers but we are mistaken if we believe that the standard menu of 'mother-friendly' policy will suffice. Some of the major obstacles are hidden in the labour market, especially with regard to job security. Policy that addresses this problem will easily provoke new dilemmas. At the end of the day we will almost certainly have to conclude that a positive equilibrium necessitates a 'feminization' of the male life course.

Supporting Families

Demographers use the term 'the second demographic transition' to describe a long run trend towards fewer births, smaller and also less stable families. Some interpret this as a shift towards post-modern values that prioritize individual self realization over parenthood. If the theory is correct we may face a dire future but hardly any policy challenge. Closer scrutiny tells us that the values-theory rests on shaky foundations. Take two examples. Sweden's fertility rate behaved like a roller-coaster in the 1980s-90s, jumping from 1.5 in 1980 to 2.0 in 1990 and then back to 1.6 in the late 1990s. Does this mean that Swedes became, first less, and subsequently more, post-modern? Or if we observe that France's fertility is 1.8 compared to 1.2 in Italy, can we conclude that Italians are 50% more post-modern in outlook?

From several studies it is quite clear that citizens throughout Europe continue to uphold the 2-child norm. Most surprisingly, there is virtually no variation from Finland to Portugal, from Britain to Greece. While the typical adult expresses a desire for, on average, 2.3 children, there is some tendency for this desire to fall with the age of the respondent. This may either be ascribed to a rise in realism as people mature, or to peoples' resignation to a *fait acompli.*

The crucial point is that the two-child norm is pervasive and fully intact, but that in reality citizens often face an abyss between preferences and reality. When we consider the centrality of the family in social life, this is possibly the single most revealing indicator of a serious welfare deficit in our societies.

The child deficit is modest in only the handful of countries, including the US, UK, France, Denmark and Norway, that enjoy a stable fertility rate at 1.8 or above. It is comparatively massive in Southern and Eastern Europe where fertility hovers around a TFR of 1.2 or 1.3. In some regions, indeed, it is as low as 0.8. [1]

Low fertility accelerates population aging, and even minor differences in equilibrium fertility will have truly dramatic long-term effects. While a TFR at 1.9 produces only a 15% population decline over the Century, a TFR of 1.3 will result in a population that is only 25% of its present size (McDonald, 2002). To illustrate, Spain's population will drop to only 10 million. In contrast, the French population will decline to only 85% of its current size. And due simply to differences in fertility, the Spanish old age dependency ratio in 2050 will jump by 138% compared to Sweden's 36% increase. The associated macroeconomic consequences can be non-trivial. Aging and population decline, it has been forecast, will lower EU GDP growth by 0.7% points a year over the coming decades (Sleebos, 2003).

For policy we need to know what lies behind the child deficit. The conventional theory of fertility stresses two factors: one, the decision to have children depends on the earnings capacity of the (male) breadwinner; two, if women face a large opportunity cost of motherhood in terms of their potential lifetime earnings, they will have fewer children. [2] This offers a credible explanation for why low educated and non-active women's fertility was traditionally the highest. But it comes short in contemporary society. Firstly, cross-national data show that the employment-fertility correlation is now positive. The highest rates of fertility are found in countries with widespread female employment, and vice-versa (Ahn and Mira, 2002). Secondly, while in most countries – including France – fertility continues to be much higher among the low educated, this is no longer the case in Scandinavia where, in fact, less educated women have the fewest children while fertility peaks among women with university studies (Esping-Andersen, 2002).

The key to contemporary fertility lies, as all are agreed, in the new role of women and, in particular, in their embrace of a lifelong commitment to employment (McDonald, 2002). Careers are not inevitably incompatible with motherhood, as the Nordic countries show. In any case, policy that seeks to boost fertility by inducing women to reduce their labour supply would be massively counter-productive. As I examine in

[1] TFR stands for total fertility rate.The TFR depends primarily on the age at which women begin fertility and on the subsequent number of births.
[2] Hotz et.al. (1997) present an excellent overview of fertility theory and research.

Chapter 2, poverty is hugely problematic for child outcomes, while mothers' employment is not. And considering that child poverty is reduced sharply when mothers work, maternal employment must be considered a plus. We should also not forget that financial sustainability in aging societies requires maximum female employment. The good news is that a growing majority of women insist on having jobs and being economically autonomous.

The quest for children must accordingly be pursued co-jointly with women's new role. Women's fertility decisions are now increasingly disconnected from their partners' earnings power while the most important factors are related to securing a stable foothold in the labour market and to the anticipated opportunity costs of motherhood. Uncertainty about the future is known to repress family formation. It is well-established that the child penalty rises with mothers' earnings power. The postponement of first births is a logical response. It allows the woman more time to secure her career, and the earnings penalty of motherhood diminishes substantially when births are delayed. Fertility postponement is evident in all countries, but most accentuated in those countries where reconciliation of career and motherhood is most difficult (Gustafsson, 2001). It is accordingly not surprising that Spain heads the postponement rankings with 31 as the mean age of motherhood.

Delaying motherhood will not by definition result in low fertility if, subsequently, women can catch-up. In Denmark and Italy, age at first birth is identical (at 29) and yet Denmark ends up with a 50% higher fertility rate. We do register more childlessness, in particular among highly educated women and especially in Germany and Spain – where reconciliation is comparatively more difficult.[3] But even if childlessness is on the rise, this is not the primary cause of low fertility. Basically the issue boils down to the conditions that favour or disfavour second and higher order births. And, as is well known, the problems of reconciliation are relatively modest for one child but mount decisively with 2+ children. In both France and Sweden, more than half of all women end up with 2 or more children, compared to a little more than 40% in Italy.

The main preconditions for catch-up and, hence, for arriving at fertility rates that match preferences are now well-documented. Not surprisingly, most attention has centred on child care and maternity leaves. Child care helps minimize interruptions around births and is one major way to reduce opportunity costs. The price of unsubsidized quality child care is inevitably steep, typically around 4-500 Euros per month on a full day basis. This means that lower income families are priced out of the market. There is empirical evidence that child care raises fertility. Kravdal (1996) found that a doubling of child care raises the TFR by more than 0.1 point. Knudsen (1999) estimates that universalizing child care in Denmark helped raise the TFR from 1.5 to 1.8. These are not trivial effects.

There is even stronger evidence that child care boosts the employment of mothers. American research finds that lowering the cost of child care produces a 14% increase in married mothers' employment and even stronger effects for single mothers. The impact of parental leaves is more ambiguous. If they are too brief, many mothers simply abandon employment; if they are overly long, the same may ensue. For the typical EU member state, including France, fully compensated leaves are limited to 4 months and

[3] The percent childless women (at age 49) is 23% in France compared to 27% in Sweden and a high of 31% in Spain.

due to often severe shortages of affordable child care this obviously means that mothers are unable to return to their jobs.

Towards an effective reconciliation policy

There is now growing awareness that we need to redesign family policy so that it better responds to the new realities. What would constitute the basic ingredients of an effective family-friendly policy? To the extent that the monetary cost of children matters, income support via child allowances should be important. As a rule of thumb, each additional child implies a 20% increase in household consumption. There are great differences in welfare state generosity in this regard, with France and the Nordic countries topping the league. In contrast to the Scandinavian practice of an identical allowance for each child, the French allowance is not paid for the first child, while higher order births receive a bonus. The implicit message in Scandinavia is that all children are valued identically. The French approach is implicitly more pro-natalistic by assigning a higher value to the third child and no value to the first.

As it turns out, there is very little evidence that income transfers to families with children have any major impact on fertility – with the possible exception of France's third-child premium. The real justification of child allowances lies elsewhere. In part they do offset the cost of having children and, in part, they constitute a formal recognition that children produce also a collective benefit which means that redistribution to parents is warranted on equity grounds. If we were to accept this as the primary motive behind family allowances, policy should in principle value all children equally.

The crux of the matter lies in work-family tensions. Gunnar and Alva Myrdal, writing in the 1930s, pioneered our thinking on the problem. They took it for granted that working class women were compelled to work and their worry was that this would have seriously adverse effects on fertility. Hence, they saw the dilemma as how to ensure that working women would have children. Today's debate is less pro-natalistic, and we would now probably phrase the issue in terms of 'how to ensure that women who want children will not have to sacrifice careers'. Since most women now condition births on first having secure and stable employment conditions, high unemployment and job precariousness become major impediments to motherhood. There is strong evidence that fertility suffers when women are on temporary contracts or are unemployed. In contrast, being employed in the public sector raises fertility (Esping-Andersen, 2002). Analyzing the data from the European Community Household Panel, I found that women with stable employment contracts were twice as likely to give birth as women on temporary contracts. Public sector jobs typically provide greater security and allow also for more flexibility and this is why research has found substantially greater fertility among women employed in the welfare state. It also works the other way. Women opt for public sector jobs as a means to minimize uncertainty and maximize reconciliation, even if this implies a wage sacrifice.

Finally the male partner's success as breadwinner is less crucial for fertility decisions but this does not necessarily imply that men have become irrelevant. One intriguing finding in recent research is that men's contribution to domestic work and, in particular, to child care, becomes salient: women condition births on whether they can count on the husband to help reduce the opportunity cost of motherhood (Cooke, 2004; Esping-Andersen et.al., 2007). Women's capacity to persuade the father to substitute depends in large part on their bargaining power in the partnership. The comparably strong position of Scandinavian women favours far more gender equality in household tasks, but in Southern Europe this is not so -- not even in families where the mother should enjoy substantial bargaining power (Alvarez and Miles, 2003). Perhaps this is simply the workings of traditionalist gender norms that over-rule any possibility of more equal sharing. If so, the choice menu for women with career commitments easily ends up zero-sum with regard to both partnership and motherhood: they are compelled to either accept major career penalties or to renounce on marriage and children altogether. [4]

All in all, it would appear that family formation in advanced societies is becoming subject to a set of qualitatively new rules. Women are gaining ground in terms of their command of economic resources and their capacity to exercise autonomy. A comparison between Denmark and France is illustrative. Almost all (83%) of Danish couples under age 55 are based on the new two-earner, double career norm. And the average Danish woman contributes 43% to total family income. In France, where the female revolution is far more incomplete, dual-earner couples account for only 59% of all and the average woman's income contribution is much lower (30-35%). This should result in noticeable differences in women's bargaining power within the household. The tempting conclusion is that women increasingly hesitate to become mothers if traditional gender norms continue to prevail within the family. If so, policies aimed at reducing the child deficit need also to strengthen women's bargaining position within the family. This, interestingly, is where family allowances can be effective. Research shows that their bargaining position improves markedly when public income transfers to families are done in her name and in her personal bank account (Lundberg et.al., 1997).

The standard 'mother-friendly' policy includes a neutral, individual taxation regime, paid maternity-cum-parental leave with job security, and subsidized childcare. Joint taxation penalizes wives' marginal earnings and is discriminatory. Access to affordable quality childcare is *sine qua non* for any workable future equilibrium.

It is important to understand that childcare costs are the equivalent of a *regressive tax* on mothers' labour supply. Since high quality commercial care is priced out of the market for most families, it has a strong social bias since low-income mothers are especially likely to curtail employment – and, yet, it is especially these mothers' earnings that are vital for family welfare. The traditional familiastic solution, i.e. the grandparents, is an increasingly unrealistic alternative because they, too, are likely to be employed. From the EU's new SHARE data we are now able to estimate pretty well the caring role of grandparents. As one would expect, the frequency of interaction and care is everywhere substantial. Half of the French grandparents report that they regularly interact with their grandchildren. What comes as a major surprise is that the frequency of caring is *inversely* related to the intensity. In Denmark, where a grandmother most typically is working, the frequency of caring is exceptionally high (60%) but the intensity is low (an average of 7 hours per week). Italy represents the other extreme with a low frequency (40%) but then caring is close to a normal working schedule (28 hours

[4] This feature was also noted by Hakim (2003) in her comparison of British and Spanish women.

per week). The continuing shortage of day care supply (and the school-free Wednesday) in France is also in evidence since the average French grandparent dedicates 14 hours a week, or double the Danish, to care for a grandchild.[5] It would appear that grandparents are more reluctant to care at all if they face the prospect of very heavy caring burdens. The same logic seems to apply to fathers' care: we observe that fathers dedicate more hours to their children in families where the children are enrolled in day care.

Familialism is certainly not extinct, but any realistic assessment will tell us that its effectiveness in reconciling careers and motherhood will decline when, in the years to come, the female revolution nears its completion in the rest of Europe. This means that we must find a model that can guarantee universal *and* high quality child care. In France, as in much of Europe, the ecoles maternelles already ensure universal participation for the ages 3-6. The great challenge lies in care for the under 3s.

Subsidizing our way to universal coverage does not come cheap. Sweden provides what is probably the most generous arrangement, subsidizing 85% of total cost; Denmark is somewhat less generous (66% of total cost) but is demonstrably able to furnish universal coverage, in part because low-income parents go free. The total cost to the exchequer comes to a little less than 2% of GDP, although this includes all ages 0-6. The cost of day care for the under-3s is probably about half that.

If our goal were to ensure maximum reconciliation, Danish policy is possibly the best benchmark we can use, considering both sides of the reconciliation coin. On one hand, it demonstrably ensures that all mothers of small children can remain employed. The employment rate of mothers with small children is 78% (compared to 63% in France). Research has also shown that the lifetime income penalty of motherhood in Denmark is quite marginal, and this is primarily due to the fact that virtually all mothers are back to work following maternity leave. On the other hand, day care coverage is, indeed, universal. The latest official estimates suggest an enrolment rate of 85% among 1-2 year old children.

The typical Danish mother will take leave benefits during the first year of the child's life, return to work – for a brief period on a half-time basis and then resume on a full-time basis. From an economic point of view the policy must be considered unusually cost effective. The logic lies in the longer-run dynamics. We know that the lifetime income loss connected with long birth interruptions is huge. As a rule of thumb, a mother who interrupts 5 years to care for small children will, on a lifetime basis, earn 40% less than had she not interrupted. This, of course, also implies much lower lifetime based tax payments to the Exchequer. Based on calculations for the Danish case, I estimate that mothers who benefit from subsidized child care end up, in the long run, actually re-paying (with interest!) the initial subsidy via their enhanced lifetime earnings and tax payments. If the initial subsidy amounted to 72.850 Euros, while the extra income tax revenue to government is 110.000 Euros, the Exchequer has obtained a return equal to 43%. See Table 1.

[5] I would like to thank Marco Albertini for supplying me these data.

TABLE 1. DYNAMIC ACCOUNTING
OF THE COSTS AND RETURNS FROM DAY CARE PROVISION

Assumptions:

- **Mother, at age 30-35, has two kids**
- **she does not interupt employment (except one year maternity).**
- **Her wage is 67% of average wages and**
- **she will continue working until age 60.**

	Euros
***Cost to government*:**	
2 years in creche (x2)	**=24.000**
and	
3 years in pre-school (x2)	**=48.850**
Total	**72.850**
***Gains to mother*:**	
(a) 5 years with full earnings	**=114.300**
and	
(b) life-time wage gain from no interuption	**= 200.100**
Total	**= 314.400**
***Gains to Exchequer*:**	
additional revenue from (a)	**= 40.000**
and	
additional revenue from (b)	**= 70.000**
Total	**110.000**
Net return to Exchequer on original outlay (110.000-72.850)	**= 37.150**

Subsidizing child care yields, however, far greater gains if, as I argue in Chapter 2, it is also an effective investment in children's learning abilities. There are, accordingly two major arguments in favour of welfare *state* support as opposed to reliance on the market alternative. To the extent that commercial child care constitutes a regressive tax on women's employment, public provision is clearly a precondition for equity and fairness. And to the extent that commercial care can be affordable to most families it will, as in the US, inevitably display major differences in quality. This implies that families' uneven purchasing power translates into uneven child care quality which, in turn, manifests itself in unequal child outcomes.

Supporting Women's Employment throughout the Life Course

Where familialism prevails, women are likely to face a major caring burden when they reach midlife. The probability of having frail elderly parents increases rapidly after age 50. When the caring need becomes intense this will necessitate curtailing one's career prematurely. The basis for inter-generational caring is also changing for the worse. Those who are aging in the coming decades have far fewer children than previously and this means that the potential family caring reservoir is shrinking. At the same time the size of the at-risk elderly population will grow very rapidly. And we must assume that the vast majority of those women who turn 50 in the coming decades have a strong career preference and will be very reluctant to curtail employment. Higher education was very rare among those women who are now 55-plus, but will be the norm for women in 2020. To illustrate, at present only 29% of 60 year old French women have upper-secondary schooling, but the rate for 60-year olds in 2020 will be almost 60%. Finally, with longevity emerges a different and much more intense caring profile. Caring for a person with Alzheimer's disease is a full-time commitment.

Consider current participation rates among older women (aged 55-64). In Sweden, 65% are still working, compared to only 25% in France and an even lower 16% in Italy. These differences are, of course, not solely due to familial care obligations, but reflect also overall low levels of female employment throughout life. And official retirement age certainly also matters. In any case, just like we saw with regard to grandparents' care for small children, the prevalence of caring for one's elderly kin is rather similar and widespread throughout Europe. It does seem that Scandinavians care more frequently but then, again, the intensity of care is quite modest. The average Dane dedicates two-and-a-half hours on average per week. The intensity is far greater in France (9 hours per week) and becomes basically a full-time job in Italy (29 hours per week). [6] In Scandinavia virtually no women need to curtail their career in order to care for kin; in Southern Europe it remains the norm. Exiting the labour force, say at age 50, implies major foregone lifetime income and probably inferior pension entitlements. To society it implies foregone tax revenue.

Demand for non-family care will inevitably rise abruptly. This demand cannot be adequately met via commercial care markets, either in the form of residential care or home help services simply because both are priced out of the market for the majority of households. A residential place will easily cost the equivalent of median female earnings. For policy considerations Denmark offers, once again, a perfect benchmark considering that care supply meets demand (by law). Here the price tag for full coverage via home help and residential places runs to almost 3% of GDP (home help is fully government financed while patient co-payments defray about a fifth of the residence costs). The model prioritizes home help and seeks to minimize the use of residential care, not only because the elderly prefer the former but also because it is far more cost effective. Even with daily visits, the *per client* cost of home help is less than a third of a residential place. If, on the other hand, there is a shortage of residential places families will seek recourse in hospitalization which is at least twice as expensive as residencies.

[6] The percent older women engaged in full-time care for others is almost 10% in Spain, 2% in the Netherlands, and virtually nil (0.6%) in Denmark (estimated from the ECHP 2001 wave).

Since entitlements depend solely on need, the model is equitable in terms of access. But if we recall that need correlates with social status, financing should be progressive. The Danish system is general revenue financed and this, of course, ensures a modicum of equity that would be further enhanced were client co-payments to be levied progressively as well. A German-type social insurance is bound to be comparably inequitable, both because of income ceilings for contribution purposes and its essentially proportional tax schedule. And the Anglo model of means-tested free services to the poor, combined with (tax subsidized) commercial services for the rest, will perhaps ensure some equity on behalf of very low-income citizens but at the expense of major inequities *and* welfare gaps among the rest of the population.

Is a Danish style universal approach also comparably efficient? It is in the sense of ‘clearing the dependency market’, but many may flinch at the associated cost. If our aim is to meet demand it is, however, unlikely that the commercial alternative will entail macroeconomic savings, simply due to profits and higher transaction costs. And for most citizens it is anyhow inaccessible unless subsidized. A superior way to gauge costs is to hold them up against the added revenues to government from a boost in older women’s employment. If older women remain employed ten years longer than is now typically the norm, household incomes will increase substantially. This means less poverty and need for social assistance and greater tax revenue to the exchequer.

To illustrate the point let us hypothesize that older French women would double their employment rate to Scandinavian levels if France were to adopt a Danish-style care model. This would imply that an additional 35% of French women, aged 50-55, will receive earnings for an additional ten years or so. Even if they were all part-timers their aggregate tax contributions would probably offset a great part of the full government cost of elderly care. Here we should not forget that old-age poverty is especially acute among elderly widowed women, mainly because they traditionally have very little, if any, pension savings. Promoting a longer working life for women is an effective anti-dote to old age poverty.

Feminizing the Male Life Course?

The female revolution is incomplete also because women’s more ‘masculine’ life course behaviour has not been paralleled with any serious ‘feminization’ on the part of men. If at all it occurs, fathers’ work interruption around child births is little more than symbolic, time-wise the equivalent of being absent from work due to the grippe. The only real exception is found in Sweden and Norway where policy provides a very strong encouragement to take a more prolonged ‘papa-leave’. Across their careers, men have changed very little in terms of their employment behaviour with the only notable exception being early retirement.

When we shift our lens to the way people spend their time, men do appear to have changed in a more substantial way. From time use surveys we see that men’s contribution to unpaid domestic work has experienced a leap in the past decade or two, most dramatically in two kinds of activities: in routine activities (such as cleaning) and in child care, where fathers’ contribution has actually doubled since the 1980s in countries as different as Denmark, France, and the US. Spousal specialization in market and home production is becoming more balanced because women are employed and because men contribute more hours to domestic work.

The trend is significant but is not of revolutionary proportions. To begin with, the gender gap in both domestic and home production remains substantial. Even if women are employed, they work fewer hours, and the rise in male's home production has only produced a modest decrease in women's domestic workload. To illustrate, French men dedicate on average 4 hours per day to their job, compared to 2,3 hours for French women. The picture is exactly the opposite for domestic work: 2,2 hours among men and 4,3 hours among women. [7]

More importantly, the rise in men's contribution is very socially skewed towards higher educated husbands and to families where the wife has strong bargaining power. Not only is the gap in childcare between low and high educated fathers very large, but it is actually increasing. The feminization of the male life course is pretty much limited to the top of the social pyramid.

Gender symmetry matters increasingly for social behaviour. As already mentioned, there is evidence that fertility among career women depends crucially on whether they can rely on their partner to chip in. There is also evidence that husbands' contribution to household chores diminishes the risk of separation and divorce (Cook, 2004). Here we may have one explanation for why the risk of divorce is increasingly concentrated in the lower social strata. And as I examine in Chapter 2, social inequalities in child stimulation are intensifying, in large part because higher educated men increase their child care time while the lower educated do not. The fact that less educated men seem so reluctant to lessen gender specialization implies that the dual, perhaps even polarized, aspects of the female revolution is consolidated.

One source of greater gender symmetry is marital homogamy. When spouses share similar education or other characteristics, they are more likely to share the same preferences, and the advantages of role specialization also diminish. We know that marital selection is especially pronounced at the very top and bottom of the social pyramid. But the data suggest that it nurtures more gender equality only at the top (Bonke and Esping-Andersen, 2007). A second source lies in women's bargaining position within the household. Their negotiating strength comes primarily from their degree of economic independence which, in turn, depends on their relative earnings power. The problem here is that women's earnings capacity is so limited among the low skilled. In this regard we face a basic Gordian Knot that only can be effectively broken by extending the female revolution downwards.

Women's aspirations for economic autonomy and children produce private benefits but also substantial collective value and this underscores the rationale for public policy. The role of the welfare state with regard to parental leaves, child care and care for the frail elderly is straightforward and mainly a question of the relative costs and benefits. But if intra-family inequalities are a major roadblock towards a superior equilibrium, what difference can the welfare state make? After all, we are here dealing with an issue that is embedded in the privacy of the family.

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[7] These calculations come from the latest Eurostat data (europa.eu.int/comm./eurostat/statistics in focus).

Across Europe there is no shortage of symbolic declarations and ideological appeals on behalf of gender equality, but they are unlikely to make much of a difference. The key lies in incentives and constraints, so we need to know wherein they lie.

The constraints may, first of all, lie in citizens' unwillingness to break with traditional gender norms. But this offers no real explanation since we know that an increasingly large number of couples do actually embrace more gender symmetry. They are predominantly the higher educated, dual-career households where the wife commands substantial economic autonomy. If so, stipulating that welfare state support to families should be in the name (and bank account) of the wife should help be one promising strategy. A second major factor that impedes labour supply among low educated women is the gender pay gap which is, in most countries, far greater for the low skilled than for the highly skilled. The high levels of employment among less educated Scandinavian women are undoubtedly related to an internationally very small wage gap. Raising their wages, for example, via a higher minimum wage is a problematic solution since this is likely to produce more unemployment. The major reason why the low-skilled Nordic women find employment regardless of their relatively high wages lies in the huge female labour market created within the welfare state – one bi-product of its servicing intensity.

But, as the saying goes, it takes two to tango and the principal obstacles are likely to be found on the male side of the equation. What incentives might spur men to 'feminize' their life course behaviour? Here we must remember that the potential opportunity cost of career interruptions, or of allocating more time to domestic tasks, is marginally greater for men than women considering that men normally command higher earnings across all education and skill levels. But the reason this is so has, in the first place, its roots in statistical discrimination, that is, employers expect women to interrupt and to compensate for this risk they pay women less than men. If the risk could be neutralized across gender we would expect greater earnings convergence. In fact, the gender pay-gap is smallest in the Nordic countries across *all* skill levels, most probably because Nordic women are exceptionally 'masculinized' in terms of their labour market behaviour. So here we are back to a different version of the basic Gordian Knot problematic.

A popular strategy in recent years has been to encourage fathers to take extended parental leave. By and large the policy has been a failure. We can, however, learn from the two countries where it has proven successful, namely Norway and Sweden. From the 1980s to the 1990s, the share of fathers who took parental leave doubled to more than 40%, and the duration of the average leave lengthened. The design of policy made the big difference. First, the leave is not transferable from one partner to the other and this means that the 'papa-month' is lost if the father decides not to use it. Secondly, the benefit was raised to 80% of normal earnings. But if we scrutinize the situation more closely we find that father leaves, especially of longer duration, are mainly taken by public sector employees (where the benefit equals 100% of earnings).

Herein lies an important lesson. The career penalty of interruptions is minimal in what we might call 'soft economy' jobs, but this is not the case in the 'hard' economy where competitive pressures operate. The limits to gender equalization via paternity leaves may therefore be narrower than we think. A strategy that pursues gender equalization via the men's day-to-day contribution to child care and domestic work may accordingly be more effective across-the-board. From recent research we know that there are three important ways to stimulate greater male participation. One, as discussed, comes from the wife's relative bargaining strength in the family, and this depends primarily on her earnings power. Another has to do with the sheer volume of work and caring that is required. We can draw very important lessons from our data on inter-generational exchange, namely that the likelihood of giving care in the first place is *inversely* related to its intensity. We see the same logic unfold with regard to fathers' time dedication to their children: it *rises* significantly when the children participate in external day care. If so, a policy of universal early childhood care should contribute importantly to more gender symmetry in family life. The third factor has to do with the length of the standard workday. Within Europe, the Mediteranean countries represent an extreme case with the normal workday lasting until 8 or even 9 in the evening. This will *de facto* prohibit any meaningful male contribution, no matter how gender-egalitarian he may be. A reform of working hour schedules may therefore be relevant.

The gist of a new family policy lies in the apparent paradox that family well-being in modern society presupposes 'de-familialization'. This obviously does not imply coercive intrusion in family life. The essence is to give families realistic options. If lack of affordable child care is a major obstacle to fertility, a universal day care policy enables citizens to form the kind of family the truly desire. There is a widespread belief that externalizing family responsibilities will jeopardize the quality of family life and undermine familial solidarities. All the evidence points in exactly the opposite direction. We have seen that inter-generational kinship ties seem stronger and more frequent if the potential caring obligation is manageably limited, and the same goes for fathers' participation in child care.

A New Welfare Mix?

What, then, should be the relative weight of markets or state in terms of substituting for family welfare production? The debate on privatization frequently pits opponents, who insist that *all* private is bad, against supporters, who maintain that *all* public is bad. The truth lies in the details, not in ideology. The menu of privatization is ample, ranging from a purely commercial regime to quasi-market principles in public provision. In between we find non-profit, regulated or subsidized private providers, voucher schemes, and so forth.

The first point to hammer down is that, macro-economically speaking, total welfare costs will probably not change much however we combine markets and state. Denmark and the United States occupy the polar ends in terms of public social spending but end up virtually identical when we examine total net social outlays (for details, see below). If the market is truly competitive we may expect a quality dividend and, in some cases, it is demonstrably possible to achieve cost savings via private provision. Home help services staffed by public functionaries will inevitably prove more expensive than if provided by contracted personnel. But in most commercial welfare establishments the per unit service cost will normally exceed the public sector equivalent. This is partially due to the profit margin but mainly to higher transaction costs (such as marketing or billing administration). If commercial welfare providers are pricier this does not automatically imply that government provision is the only alternative. Both protestant and catholic welfare organizations play a massive role in some countries' welfare delivery. In Denmark a third of childcare centres are established and run by parental associations, and in Sweden one-in-ten schools are independent. The real issues we should address are, instead, the distributional and behavioural second-order effects of any given mix.

Unless subsidized (say by tax concessions or by vouchers), commercial social services are typically priced out of the market for most households below the median income. The same goes for private health insurance and retirement plans. A tragic example is health insurance in the US: 40+ million Americans have no coverage whatsoever. The important point here is that we must *always* measure any potential efficiency dividend against equity. As a rule-of-thumb the equity price we pay will almost invariably overshadow any efficiency dividend.

In terms of second-order behavioural effects, there are three kinds that especially merit attention. One kind refers to incentive effects – primarily the incentives to save and to work. Although unambiguous empirical findings are hard to come by, it is a plausible argument that a primarily publicly financed welfare model implies a level of taxation that will distort work incentives and reduce household savings. Vice versa, we should expect more savings and labour supply if citizens need to personally finance their welfare. Until we have credible estimates of the relative savings and labour supply effects of either alternative for *each and every* welfare item we will be in no position to make an educated choice one way or another.

A second has to do with information deficits and asymmetries. Competition may be very positive for quality but many welfare fields involve substantial expertise that citizens are unlikely to possess. Very few are able to choose between competing heart transplant offers and even selecting between alternative schools may pose major difficulties. Asymmetries arise because customers become captive to the sellers' expertise. Citizens' ability to inform themselves is also highly unevenly distributed. The resourceful may do well in a competitive market but the low educated can be severely disadvantaged. The weak may be additionally disadvantaged if competitive markets lead to client creaming and exclusion. Any rational private insurer would shun high-risk clients.

The third kind refers to social externalities. If a large segment of the population is priced out of welfare services this may have non-trivial societal repercussions. Take access to childcare. If low-income parents are unable to afford quality care, they may respond by placing children in sub-standard care (parked in front of a TV for example) or by withdrawing the mother from employment. The former is undeniably harmful to children. The latter reduces aggregate employment (and tax revenues) and raises child poverty (that necessitates public income transfers). Alternatively, if childcare is inaccessible fertility may suffer.

My argument is that we must factor all such second-order and distributional effects into our accounting practices. And we must compel the advocates and enemies of either preference to furnish us such a complete kind of social accounting.

The strongest case in favour of privatization is that it enhances freedom of choice and competition; either may raise quality. The weakness of this position is, however, that the implementation of 'quasi-market' principles in public (or publicly regulated) services may yield the same benefits. Greater choice is fully compatible with egalitarian goals if competing providers are adequately regulated and consumers are adequately informed. Empirical research is replete with good and bad practice from which we can learn a lot. If providers are permitted to cream the best risks or to set fees as they like, the result is very likely welfare segregation. The question boils down to a consistent and effective regulatory framework.

Welfare Regime Accounts

However any country decides to combine public and private, an effective new family policy will require more public expenditure. A rough estimate, based on Scandinavian social accounts, suggests that optimal parental leaves, universal high quality child and elderly care require spending equal to 5% of GDP. Considering current pressures on public finances, not least because of aging, such a commitment would appear prohibitive. Yet, we must not forget that there are three welfare pillars that all represent either direct or indirect GDP use. Failure to increase public spending does not necessarily mean less total GDP expenditure, either because citizens compensate by purchasing commercial alternatives or by relying on unpaid family help (which indirectly has a monetary value).

A basic problem we face is that our social accounting systems are too myopically limited to *public* expenditures. In standard international comparisons we are presented only with gross public social expenditure. Here we routinely see that the Scandinavian countries and France are extremely heavy spenders (34% of GDP in Denmark and 30% in France). This seems to compare very unfavourably with the US's low 16% or Britain's 25%.[8]

These numbers are essentially meaningless because they ignore the fact that much spending is taxed back immediately – in particular in big-spending welfare states like the Nordic where most public income transfers are taxable. They also ignore hidden tax-expenditures in the form of tax deductions and subsidies for social purposes. Tax subsidies loom large in those welfare models that encourage the market alternative. When we adjust for taxation and the hidden tax-based subsidies we arrive at a far more realistic *net* public social spending indicator. And now the massive distance between countries begins to narrow: Denmark's net spending is now only 26% of GDP and France's is 29%, while the US' rises to 17%.

But these figures, too, are rather meaningless because they ignore private market expenditures that, again, are likely to be quite large in ungenerous welfare states. Private (net) social spending is predictably marginal in Scandinavia (only 0.8% of GDP in Denmark) and also in France (2.1% of GDP). And it is substantial in the US (11%) and in Britain (4%). When we factor in private spending, international differences begin to look minor. Total net social spending, public-plus-private is now 26% in Denmark, 31% in France, and 25% in the US. Indeed, France is in this accounting procedure the heaviest spender in the entire OECD! I provide an overview in Table 2.

[8] All expenditure data are from OECD and refer to 2001.

Table 2. Apparent and Real Social Expenditure as a percent of GDP.2001

	Denmark	**France**	**USA**
Gross *public* Social spending	**34**	**33**	**16**
Net *public* Social Spending	**26**	**29**	**17**
Net *private* Social Spending	**1**	**2**	**11**
***Total* net Social Spending**	**26**	**31**	**25**

Source: Adema, W.and Ladaique, M**.** *Net Social Expenditure, 2005 Edition.* OECD ELSA Working Paper, 8 (2005: Table 6)

One lesson is that some forbiddingly heavy spenders, like Denmark, in reality are quite lean. In other words, the important issue is not so much the overall burden but rather: a) from which and whose pocket the money is drawn, and b) what are the welfare outcomes for any given level of expenditure. In Denmark and Sweden almost all the money is taken out of the taxpayer pocket; in the US, a lot is taken out of the consumer pocket. At the end of the day the average Dane and American end up paying pretty much the same. But, clearly, the non-average Dane and American will not *receive* the same.

Not all citizens are average and this is where total welfare regime accounting becomes relevant. If a large chunk of the money must come from the consumer pocket, access to welfare will hinge on our spending power. The average American family can, by and large, afford to purchase health insurance and care services but the same items are priced out of range for most households below median income. This is why 40+ million Americans have no health insurance whatsoever, and also why the US exhibits huge quality differentials in child and elderly care. To cite a similar example, in the late 1990s the Blair government embarked on a massive expansion of day care, establishing within few years 600.000 new places. The policy was based on commercial centres and since the public subsidy was modest, families had difficulty accessing the service. As a result, almost half of all were subsequently closed due to ‘lack of demand’.

The added spending on family services must be considered as a realistic scenario. The very simple point that needs to be driven home is that a) if we *do* want to realize such welfare goals, this added financial burden is inevitable however we combine private and public. And b) if the added spending is not forthcoming we should expect major welfare lacunae.

The added financial burden will inevitably vary across the EU. In countries like Denmark and Sweden a very large slice of the added spending needs have already been effectuated considering that child and elderly care is now virtually universal. Denmark and Sweden already commit roughly 5% of GDP to these two items. The additional outlays that will be required over the coming decades will therefore be limited to population size adjustments or to possible quality improvements. At the other extreme are countries like Italy and Spain where catch-up needs to be huge. In between lies France where additional spending requirements will be somewhat more modest but nonetheless significant considering large shortfalls in child care provision and even larger ones in old age care.

In short, we need a consolidated system of accounts that allows us to a) identify real (and not misleading) public spending, and b) examine the joint expenditure trends in markets and government alike. It is total GDP use that matters. The really important value of such an approach is that it puts us in a far better position to assess the distributional aspects of our social model. The relevant question is not *whether* we can afford more welfare spending because this will happen anyway. The really relevant question has to do with *who* are the winners and losers, and what may be the second-order consequences, when we opt for one or another public-private mix. If we could also develop a credible system for measuring the implicit costs of family servicing, we would be able to approach a genuine system of welfare regime accounts.

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