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**Stream 13: Family Policies and the Reconciling of Paid Work and Care**

## **Compensating for child care**

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***Abstract:***

Over the past decades, social protection systems in Western welfare states have designed new ways to facilitate the reconciliation of work and family life. The rationale behind these new policy measures is double. First, it lies in actual social developments, like the increased diversity of family types (e.g. rise of lone parents as well as of dual earner families with each having new demands for social support). Second, it stems from widespread convictions about the social value of employment, with these policies being part of a broader activation strategy.

Often, the new measures were added to existing family policies and family-dependent taxation rules. This has led to heterogeneous policy mixes relating to caring for children, ranging from support of the working mother (e.g. in-work tax credits or benefits, subsidies for formal child care) to measures that are aimed at compensating parents for self-provided care efforts (e.g. through parental leave, tax-share rules or home-care benefits). These policy options often suggest implicit or explicit norms and values regarding good parenthood and social integration. Through this normative framework, but also in their outcomes, these policy options are far from distributionally neutral. Also, they entail complex incentive structures that are not a priori clear.

In this paper, we investigate the different policy measures of both types (work support and home care support) in place in three European welfare states with very distinct care policy systems: Finland, Belgium and Germany. Using microsimulation techniques and survey data, we compare the allocated budget and the distributional outcomes of these policies, both within and between the countries. Our focus is on the differing impacts over the income distribution and for different family types.

Finally, we aim to evaluate the set of policies present in these countries by constructing a benchmark benefit that compensates for child care in a neutral way. Based on actual care needs of children, the amount of this benefit is independent of the labour market decision of parents while having children, but gradually decreases when children grow older and the care burden becomes lighter. The comparison of actual policies with the designed “neutral” policy provides additional insight in the choice incentives that the existing policy sets imply, their distributional implications and the protection they offer for changes in family life.

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