

PRESENTATION COPY

**“EXPANDING CHILD-CARE
CHOICES FOR ALL FAMILIES”**

**ADDRESS TO THE CONFERENCE ON PARENTAL
CHILDCARE AND EMPLOYMENT POLICY
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My academic training is as a social historian, and it is with history that I wish to begin. Contemporary issues surrounding family life, gender roles, and child care usually generate controversy. Accordingly, it is important to remember that the “collision” between home and work – in its origins at least – was not the result of ideological conflict. The child care problems facing the member states of The European Union and other economically developed nations all derive from a common event: what the Hungarian-born economic historian Karl Polanyi called “The Great Transformation.”¹

Prior to the breakthrough of industrialism, the normal human condition had been the unity of work and home. For the vast majority of

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persons, over thousands of years, men and women lived and worked in the same place, be it on the peasant or family farm, in the artisan's shop, or around the fisher's cottage. While subsistence was certainly at a much lower level, this unity of life around the home economy had advantages. There was no real conflict over gender roles in such homes; male and female, husband and wife both worked so that the small family enterprise might succeed, specializing in tasks according to their relative strengths and skills. Moreover, children were usually welcomed into these productive homes as potential little workers, and their "care" fit into the normal rhythms of life. Viewed over the broad sweep of time, human nature was conditioned to this model...perhaps it still is.

The rise and rapid spread of factory production, starting in Europe around 1800, had one massive effect on family life: it severed market work from the home. The demands of steam and water power required large, centralized facilities. Following the new incentives, the husband/father would be pulled into one factory; the wife/mother into another; older children perhaps into a third. With little time left in the day, and increasingly separated from tillable land as the cities grew, most families also abandoned traditional forms of subsistence, such as the growing of

vegetables. They turned instead to industrially produced goods, which accelerated the broad move toward the factories.

Industrialism had several great flaws: it made no natural accommodation for pregnancy, child bearing, maternal breastfeeding, and the care of small children. Indeed, in the short run at least, the existence of children became a liability, a problem for – rather than an asset to – their parents. One result was a sharp decline in fertility: following rational economic incentives, adults increasingly turned away from child rearing.

Another result was a search for new structures or policies that would provide the needed child care. During the late 19th Century, most central and western European nations turned to “family wage” systems, marked by the withdrawal of married women from the labor market and the delivery – through custom and/or law – of a family sustaining wage to married men.² During the early decades of the twentieth century, European policymakers experimented with various forms of child allowances, informally seen as ways of supporting a mother at home. More recently, the favored solution to industrialism’s childcare problem has been collective or group care, subsidized directly or indirectly by the state. Finally, programs of paid parental leave, or parents’ insurance, also emerged.

However, none of these responses has been entirely satisfactory. The “family wage” system – while delivering many positive results – rested on certain restrictions against women in education, employment, and pay. It also failed to give adequate support to homes without a male “breadwinner.” Family allowances were rarely of sufficient size to compensate a full-time parent for the net income lost by staying out of the labor market. Meanwhile, collective child care has proven to be less than optimal for the full development of children. Finally, parents’ insurance programs of sufficient scope have proven to be quite expensive.

Complicating policy making in this area are two related problems. First, accounting schemes used by businesses and governments to measure economic activity give too little attention to investments in human capital. This term encompasses the knowledge, practical skills, health and character traits of persons, which enable them to participate in the broader economy. Long-term economic growth depends on this form of investment. Nobel laureate Gary Becker also underscores that “[n]o discussion of human capital can omit the influence of families on the knowledge, skills, health, values, and habits of their children.”³ Indeed, social research shows that full-time maternal care has an especially positive effect on developing the

human capital of children. For example, such care is tied to better performance by children in schools.⁴

Second, the same forms of economic accounting provide misleading measures of economic growth or decline. Although the “home economy” has been sharply diminished within industrial society, it has not disappeared. Indeed, according to one American analysis, if we translate unpaid work done in the home into its market equivalent, the value of home production in the average modern household is still 70 percent of the family’s money income after taxes. This figure is highest for families with young children cared for at home. Another attempt to measure home production, this time in Australia and called the Gross Household Product, found it to be roughly equal to that of the goods and services produced in the market economy, or 340 Billion Australian dollars each.⁵

However, since market production is counted in public accounts and home production is not, the movement of a child from home-care to institutional care is recorded as economic “growth;” the opposite movement becomes economic “decline.” At best, this is deeply misleading; at worst, it indirectly discourages parents’ investment in their children’s human capital. In addition, this practice unfairly values the work of parents at home.

Among the EU member states, family policies have recently favored expanding paid parental leaves, with the most extensive system found in Sweden. Thereafter, the form of child care most favored by the member states is group day care. Neither of these systems gives help to parents-at-home.

However, eleven EU states – Austria, Bulgaria, the Czech Republic, Estonia, Finland, Germany, Hungary, Luxembourg, Poland, Slovakia, and Slovenia – provide some support after maternity and paternity leaves for parents caring for their own small children full time. Such policies recognize the value of full-time parental care as enhancing human capital.

The model program here is found in the Czech Republic. Following maternity and paternity leaves, a father or mother choosing to provide “care of the child personally and full time” can apply to receive “parental benefits” until the child turns four or, if the child has a disability, until the child turns seven. Depending on the length of support, the benefit ranges between about 300 and 450 Euros per month. Only one parent at a time can receive this benefit.⁶

Another example of innovative policy was the law adopted in Sweden in 1994. It created a Child Maintenance Allowance providing 2,000 kronor (or about 250 Euros) per month for each child cared for fulltime at home, up

to age three. This annualized allowance of 24,000 kronor compared to the average 80,000 kronor annual cost to the public for placing a child in day care. (A smaller allowance was paid to parents who used day care for 30 hours per week or less.) The measure proved highly popular among Swedish parents. Between July 1, 1994, and January 1, 1995, or a mere six months, the relevant proportion of children in regular collective day care fell from 56 percent to 30 percent. Over 167,000 parents signed up for the benefit, 70 percent of all Swedish families with children between the ages of one and three. Clearly, this measure met a real need. At the same time, it reduced overall public expenditures. Unfortunately, a change in government led to a repeal of this law in early 1995.⁷ All the same, it remains a model program for future application.

Most existing parental benefit systems in the EU have a common limitation. The benefit comes through the nation's social security system, and the claimant must have been working and so paying taxes to receive the aid. In consequence, even for those governments which are most generous in this area, full time child care does not exist as a long-term alternative to work in the market economy.⁸ A clear solution is simply to recognize full-time child care (say, through age five of the youngest child) within a marital union as valued work, consider such labor as creating eligibility for the

parental care benefit, and fix the benefit at some proportion (perhaps 35 percent) of the nation's average monthly wage. The latter provision should guard against the moral hazard of abuse of the benefit.

Another example of innovative policy comes from the United States. Currently, parents who place their young children in substitute day care can claim a credit against their income taxes of up to \$2400 per year. The proposed Parents' Tax Relief Act, drafted by Senator Sam Brownback and Representative Lee Terry, would extend the same tax credit to parents caring fulltime for their children at home. In addition, this model legislation would restore full "income splitting" to the American income tax, a technique that gives indirect recognition to the full-time parent at home. It would double the existing income tax deduction for each child, so leaving families with more of their earned income while raising children. And it would grant pension credit to the parents caring for small children in their home.

The conditions of the 21st Century require both more flexibility and more creativity in reconciling the demands of work and home. Throughout the EU, fertility remains well below the replacement level. Surveys routinely show "actual fertility" to be below "desired fertility," suggesting that existing policies are inadequate to the challenge.

Family autonomy is the new imperative, which all policies should respect. Paid and unpaid parental leaves, child allowances, tax deductions and tax credits rising with the number of children, child care support ranging from group care to home parental care, part-time work: all these have places in flexible family policies that expand the child care choices of all parents in Europe.

The truly exciting prospect is that new technologies will help heal, to some degree, the divide between work and home caused by the old industrial imperative. The economy of the future will, I believe, be increasingly decentralized. The personal computer has already delivered enormous economic power to the home. Telecommuting as a form of work is still in its infancy, and has huge potential for the future. The economic democracy of the internet gives small, home-based businesses a potential global market where vast corporate size can be countered by personal creativity. Millions of jobs in the market economy have already moved home, so restoring the productive household. Such a shift also reduces the carbon footprints of all persons involved. Public policy should encourage this historic shift, for it can only benefit families. Measures contemplated in America include simplified, favorable tax treatment for home offices and tax credits for businesses which experiment in telecommuting initiatives.

Moreover, this partial closing of the great divide between home and work should also help close the fertility gap, which threatens European social and political cohesiveness and fiscal stability.

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- ¹ Karl Polanyi, *The Great Transformation* (New York: Farrar & Rinehart, 1944).
- ² See, as examples: George Alter, "Work and Income in the Family Economy: Belgium," *Journal of Interdisciplinary History* 15 (Autumn 1984), 225-276; Kari Skrede, "Familjeekonomi og forsorgerlønn," *Tidsskrift for Samfunnsforskning* 25 (1984), 359-388; Harold Benenson, "The 'Family Wage' and Working Women's Consciousness in Britain, 1880-1914," *Politics and Society* 19 (March 1991), 230-239; and Sara Horrell and Jane Humphries, "Class Struggle and the Persistence of the Working Class Family," *Cambridge Journal of Economics* 1 (1977), 243-244.
- ³ Gary Becker, "Human Capital," *The Concise Encyclopedia of Economics*; at <http://www.econlib.org/library/Enc/HumanCapital.html> (24/1/2009).
- ⁴ See: Wendy A. Goldberg, Ellen Greenberger, and Stacy K. Nagel, "Employment and Achievement: Mothers' Work Involvement in Relation to Children's Achievement Behaviors and Mothers' Parenting Behaviors," *Child Development* 67 (1996), 1512-1527; Matthijs Kalmijn, "Mothers Occupational Status and Children's Schooling," *American Sociological Review* 59 (1994), 257-275; Chandra Muller, "Maternal Employment, Parent Involvement, and Mathematics Achievement Among Adolescents," *Journal of Marriage and Family* 57 (1995), 85-100; Frank P. Stafford, "Women's Work, Sibling Competition, and Children's School Performance," *The American Economic Review* 77 (1987), 972-980; Valerie Kincade Oppheimer, "Women's Rising Employment and the Future of the Family in Industrial Societies," *Population and Development Review* 20 (1994), 293-336; and Jennifer Roback Morse, *Love and Economics: Why the Laissez-Faire Family Doesn't Work* (Dallas, TX: Spence, 2001), 3-22.
- ⁵ Reuben Gronau, "Home Production – A Forgotten Industry," *The Review of Economics and Statistics* 62 (1980), 408-16; John Devereux and Luis Locay, "Specialization, Household Production, and the Measurement of Economic Growth," *The American Economic Review* 82 (1992), 399-403; and Duncan Ironmonger, "The Domestic Economy: \$340 Billion of G.H.P., in *The Family: There Is No Other Way* (Melbourne: Australian Family Association, 1996), 132-146.
- ⁶ José Manuel Valle, "Report on Family Policy in EU Member States," privately commissioned research paper, 5 January 2009.
- ⁷ Tuve Skånberg, "An International Child-Care Policy Model: The Swedish Child Maintenance Allowance of 1994," *Family Policy Review* 1 (Fall 2003), 71-80.
- ⁸ Valle, "Report on Family Policy in EU Member States."