

# Matching Work and Family Commitments

*Issues, Outcomes, Policy Objectives and Recommendations*

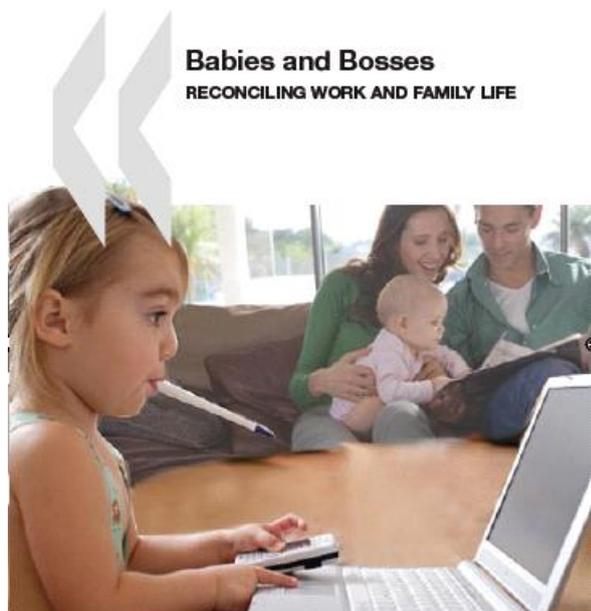


Gender roles used to be much more clear-cut than they are now. The male-breadwinner model involved a clear allocation of responsibilities and time within households: men spent their time at work earning family income, while women spent their time at home caring for the children. However, with greater investment in education, female aspirations and female labour market behaviour has changed so that in the majority of OECD countries, “dual-earnership” in couple-families has become the norm. The rise in “dual earnership” and sole-parent households means that finding an optimal balance between work and family commitments has become an issue for almost all parents.

## The issues for families

Some parents are fortunate and wealthy enough to choose the work/family balance of their liking. These parents have the number of children they desire and while some choose to work full-time (or part-time) and pay for formal childcare for their children, others prefer to provide full-time personal care to their children, no matter their career opportunities.

This new OECD report synthesizes the findings of the four previous Babies and Bosses studies of family-friendly policies released in 2002 (Australia, Denmark the Netherlands), 2003 (Austria, Japan and Ireland), 2004 (New Zealand, Portugal and Switzerland), and 2005 (Canada, Finland, Sweden and the United Kingdom) and extends the analysis to include indicators for all OECD countries, where possible. The report explains cross-national differences in work and family outcomes in terms of tax/benefit policies, parental leave arrangements, childcare, out-of-school-hours care, and supportive workplace practices, as, for example, part-time and flexible working hours’ opportunities.



A SYNTHESIS OF FINDINGS FOR OECD COUNTRIES



Media-brief for the launch of *Babies and Bosses, Reconciling Work and Family Life – A Synthesis of Findings for OECD countries*, 29 November 2007.

The majority of people, however, face barriers to achieving a good work-life balance. Some people postpone having children, or do not have as many as they may have intended, or have no children at all. Some parents have the number of children they desire, but by providing full-time personal care their children, they sacrifice their careers.

There are also parents at home (or working part-time) who would like to be in paid work (for more hours), but who cannot as they have no access to affordable child- and out-of-school-hours care for sufficient hours. On the other hand, some working parents would prefer to reduce hours at work to provide the care they would like to give to their children but cannot afford to take a pay-cut or perhaps their employer is unwilling to offer them a part-time job. One way or another, as long as there are people facing constraints in their work/family choices, there are both too few babies and too little employment.

Whether or not parents are in paid work is a key determinant of the poverty risk of families and children. On average across the OECD, children in households without an adult in work are *three times* more likely to grow up in poverty than children in one-earner households, who in turn are three times more likely to grow up in poverty than children in dual-earner couples. Parents finding a good work/life balance is thus a critical issue for child well-being, as both poverty and a lack of personal attention can harm child development. A good work/family balance also reduces parental stress, and thus benefits both parent-child and parent-parent relationships.

### Why do policymakers care?

OECD governments all want to enhance the well-being of parents and children, and thus they all aim to give parents more choice in finding their preferred work and family outcomes. Public family-support policies therefore aim to reduce barriers to both parenting (*e.g.* through cash transfers and time-related support) and employment (*e.g.* through formal childcare support).

The common rhetoric masks the large differences individual countries can put on underlying policy objectives, including:

- Declining **fertility rates** have very significant implications for the shape of future societies and concerns about low fertility rates are increasingly widespread. In view of the persistently low birth rates, it is no surprise that family policy development in Japan and Korea is largely driven by fertility concerns. By contrast, British and Dutch policy makers, for example, rarely discuss the issue as it is widely regarded to be a private family matter and not a public policy concern.
- In many OECD countries, **mobilising female and maternal labour supply** is seen as key to maintaining economic growth and ensuring the financial sustainability of social protection systems. In the EU, there is an explicit aim to achieve a female employment rate of 60% by 2010.

- Growing up in poverty can harm child development. **Reducing child poverty** has become an explicit policy objective in many OECD countries. Increasing financial support to families can provide some immediate relief, but in the longer term, increasing maternal employment is often a more effective way of raising family incomes and reducing poverty risks. This concern has motivated UK policy reform, particularly since 1997, which has increased the value of child benefits as well as in-work benefits and childcare support.
- **Child development** concerns also help shape childcare policy. For example, in the Nordic countries and New Zealand, childcare policy stresses the pedagogic role of participation in pre-school arrangements. By contrast, labour supply concerns largely shaped childcare policy in the Netherlands.
- Mothers spend fewer hours in paid work when they have young children, while fathers sometimes increase hours worked. This contributes to the persistence of gender pay gaps and “glass ceilings”. Nevertheless, **gender equity** objectives are often secondary considerations in family-support policies in most OECD countries, with the exceptions of Nordic countries and Portugal. Policy reform in Iceland appears to have been most successful in getting fathers to take parental leave and care for their children (see below).

In general, the different underlying policy objectives do not conflict with another. Childcare policy is a case in point. Policy has promoted the provision of childcare because of labour supply, fertility, gender equity, and child development concerns, as well as trying to reduce benefit dependency and poverty risks among adults and children in sole-parent families.

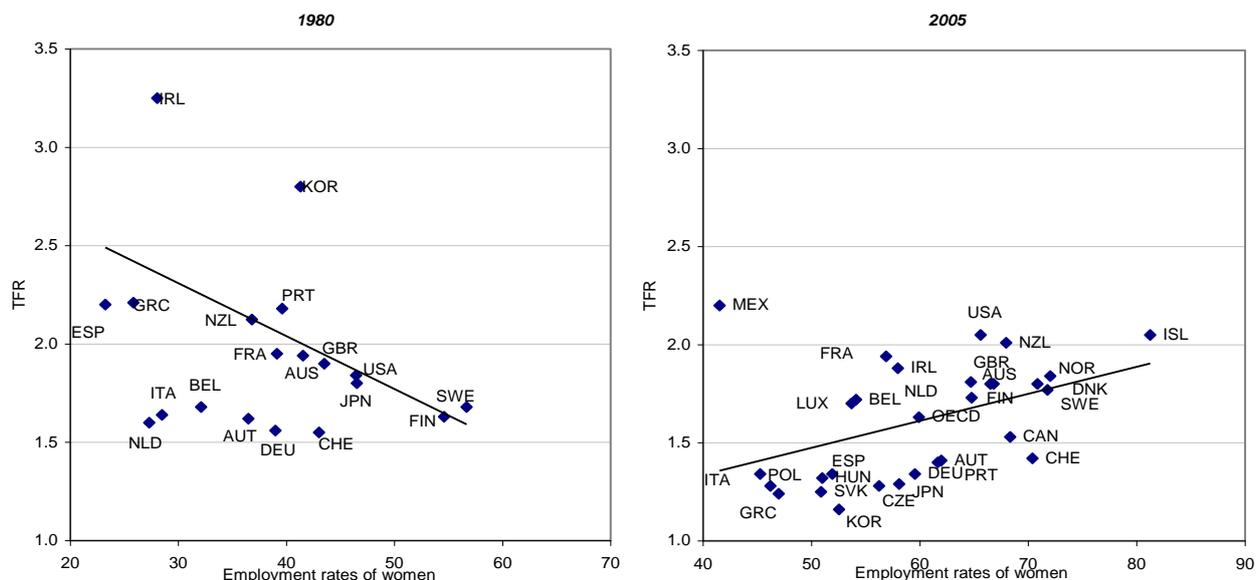
### Key work and family outcomes

Looking at changes over time in work/family outcomes, two key trends emerge: (i) female employment has risen; and (ii) fertility rates have fallen. However, with changing female aspirations the **relationship between**

**employment and fertility** has also changed (Chart 1). In 2005, the countries with the highest female employment rates were also among the OECD countries with the highest birth rates. In

many OECD countries, difficulties with reconciling work and family life contribute to parents having fewer children than they may have desired.

**Chart 1: Countries with high female employment rates now also have relatively high fertility rates, a major turnaround compared with 1980**



Source: *OECD Babies and Bosses – A Synthesis of Findings across OECD countries.*

At the individual level, this means there is an increasing number of women (and men) who remain **childless**. In many countries, this is related to levels of educational attainment, earnings capacity, and opportunities to combine work and care. In Switzerland, for example, on average 15 to 20% of women remain childless around age 40, but this figure rises to 40% for women with tertiary education. By contrast, in Sweden, with its longstanding policy emphasis on giving parents the opportunity to maintain employment relationships, at age 40, only 15% of the women born in 1961 remained childless, while this is around 20% for women with a university degree.

Looking across OECD countries, birth rates, **work and parenthood** seem to be particularly difficult to combine in many southern and central European and Asian OECD countries. Policy and labour market characteristics may be very different in Nordic countries and English-speaking countries such as Australia, New Zealand, the UK and the US. But, all these

countries have relatively high female employment rates as well as fertility rates which are not too far below replacement level (TFR = 2.1).

There are huge cross-national difference in employment (Chart 1 and Table 1). In 2006, **female employment** rates were highest at over 80% in Iceland, and were over 70% in Denmark, Norway, Sweden and Switzerland, well above the OECD average of 57%, while female employment rates are below 50% in Greece, Italy, Mexico, Poland and Turkey. The intensity of female labour market participation also differs, with part-time employment being very common in Australia, Germany, Japan, Switzerland, the United Kingdom, and nowhere more so than in the Netherlands where 60% of employed women work on a part-time basis. On the other hand, part-time employment is rare in the Czech Republic, Hungary, and the Slovak Republic and concerns less than 15% of employed women in Finland, Greece, Korea, and Portugal.

Table 1: Key Work and Family outcomes across countries compared to the OECD average

	Total fertility rate 2005	Employment population ratio Women, 2006	Employment population ratio Sole parents, 2005 or latest year	Childcare enrolment (aged 0 - 3) 2004 or latest year	Child poverty around 2000	Gender pay gap 2004
<b>OECD Average (intervals)</b>	1.63 (+/- 0.16)	56.8% (+/- 5.73)	70.6% (+/- 7.09)	22.9% (+/- 8.21)	12% (+/- 3.19)	18.5% (+/- 4.07)
Australia	●	●	●	●	●	●
Austria	●	●	●	●	●	●
Belgium	●	●	●	●	●	●
Canada	●	●	●	●	●	●
Czech Republic	●	●	●	●	●	●
Denmark	●	●	●	●	●	●
Finland	●	●	●	●	●	●
France	●	●	●	●	●	●
Germany	●	●	●	●	●	●
Greece	●	●	●	●	●	●
Hungary	●	●	..	●	●	●
Iceland	●	●	..	●	..	..
Ireland	●	●	●	●	●	●
Italy	●	●	●	●	●	..
Japan	●	●	●	●	●	●
Korea	●	●	..	●	..	●
Luxembourg	●	●	●	●	●	..
Mexico	●	●	..	●	●	..
Netherlands	●	●	●	●	●	●
New Zealand	●	●	●	●	●	●
Norway	●	●	●	●	●	..
Poland	●	●	..	●	●	●
Portugal	●	●	●	●	●	●
Slovak Republic	●	●	..	●	..	..
Spain	●	●	●	●	●	●
Sweden	●	●	●	●	●	●
Switzerland	●	●	●	●	●	●
Turkey	●	●	..	..	●	..
United Kingdom	●	●	●	●	●	●
United States	●	●	●	●	●	●

● Better than the OECD average    
 ● Around the OECD average    
 ● Worse than the OECD average

Countries are categorised in “better” or “worse” groups if they are half a standard deviation above or below the OECD average. *OECD Babies and Bosses – A Synthesis of Findings across OECD countries*, includes detailed information on data sources, definitions and reference years.

Employment rates among **sole parents** (usually sole mothers) are over 80% in Denmark, Greece, Iceland, Luxembourg, Japan, Spain, Switzerland and Sweden and below 60% in Australia, Ireland, the Netherlands, New Zealand and the United Kingdom (see below).

Access to **childcare** arrangements is crucial for parents, especially mothers, with very young children to permit them to engage in paid employment. On average across the OECD, three quarters of 3 to 5 year olds participate in kindergarten, childcare or other early education, but only one quarter of the 0 to 2 year olds is enrolled in some form of formal childcare. Given their comprehensive support it is no surprise that at around 40% or above enrolment rates are high

in Finland, Norway, and Sweden. Enrolment rates are even higher in Denmark and Iceland, where periods of paid leave are relatively short. Because of the relatively low cost of services, enrolment rates for under threes in the United States (often in private centres) are similar to those in Finland. At below 10% in 2004, participation in childcare by very young children is lowest in Austria, the Czech Republic, Italy, Greece, Germany, Mexico and Poland.

Countries, as for example the Nordic Countries, have very low **child poverty** rates when they combine effective distribution of resources through the tax/benefit system with high levels of parental employment. Children in dual-earner families are least likely to be in

poverty, while the most disadvantaged families with children are those without an adult in paid employment.

Across the OECD, **gender pay gaps** are considerable; on average at median full-time earnings women get paid about one-sixth less than men. Gender pay differences are below 15% in a relatively large group of countries (Table 1). They are largest in Japan and Korea, where female earnings are on average one third less than male earnings. In these circumstances, it is no surprise that women who wish to pursue a career often decide not to leave their regular employment (and have no children), while potential ‘mother returners’ will stay at home if family income allows it.

Looking across indicators on fertility, female and sole-parent employment, childcare participation, child poverty and gender pay disparities, Denmark and Iceland appear to be the countries with the best **overall work/family outcomes**, while indicators for Finland, France, Norway and Sweden are also generally good. English-speaking countries generally also do well on work and family outcomes, but have high rates of child poverty, mainly because fewer lone parents work in these countries. On the other hand, Germany, Korea, and the Slovak Republic do not out-perform OECD average on any of the indicators.

## Public family support policy

### *Tax/benefit support*

The biggest source of **support for families with children** has been public spending on primary and secondary education, which in the majority of OECD countries ranges from 3 to 4 % of GDP. In 2003, however, the same amount was spent on family benefits including child allowances, paid parental leave, fiscal support and family services including child- and out-of-school hours (OSH) care, in Luxembourg, Denmark, France, Hungary, Sweden, Australia, the UK, Belgium, Iceland, Austria, Finland and Germany (Chart 2). However, spending large sums is no guarantee for good work/family

outcomes; smart spending also involves devoting considerable resources to childcare support, as, for example, in Nordic countries.

Not all OECD countries are prepared to accept high Nordic public spending and tax levels; in Denmark and Sweden the tax-to-GDP-ratio is close to 50%. Hence, in many countries, there are gaps in support at some point in a child’s life, for example, between expiry of parental leave and the start of childcare support, and/or family support is targeted at categories of (sole) parents and/or low-income families.

However, targeting benefits on low-income families means that when earnings of such families increase, public support is withdrawn at a rapid pace, and the parents involved will think twice about entering work or increasing working hours. Hence, many women with low-paid partners and families receiving welfare payments face weak **financial incentives to work**. In order to raise work incentives, low effective tax rates on paid work are desirable, and tax/benefit systems should be so designed that they give *both* parents in couple-families equally strong financial incentives to work.

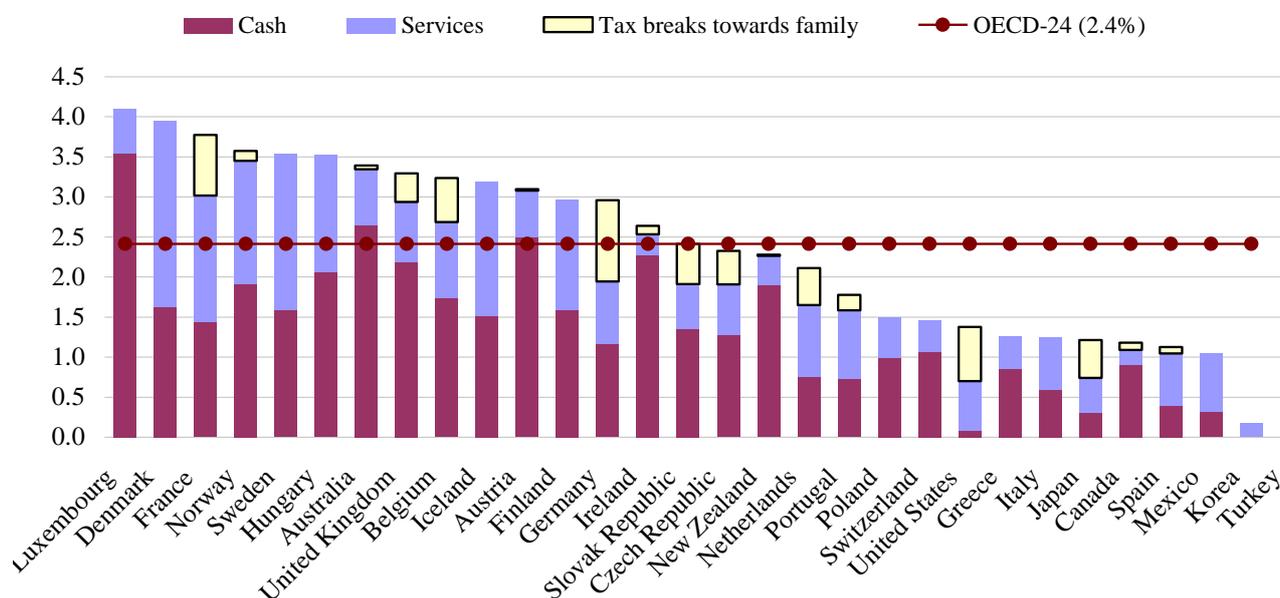
### *Helping sole parents back to work*

Public policy has a large effect on the labour market behaviour of sole parents. Low levels of public benefits (*e.g.* in southern Europe) effectively force sole parents to work for a living, often while relying on informal networks for care support. At the other extreme, the comprehensive formal care support system in Nordic countries enables all parents to work, regardless of their marital and/or partnership status.

However, when adequate benefits are provided without a clear signal to clients that they are expected to work and/or without adequate employment (including childcare) supports, sole-parent **employment** rates are low and **poverty** risks high. This is the case in Australia, Ireland, New Zealand, and the United Kingdom; all countries which, until recently in Australia, did not require parents on income support to look for work when children are of pre-school or primary school age.

Chart 2: Spending on family services, including childcare, is highest in Nordic countries

Public social spending on family benefits, cash payments, services, and fiscal support, 2003, as a percentage of GDP



Public support included here only concerns support that is exclusively for families (e.g. child payments, paid leave and childcare support, etc.). Spending recorded in other social policy areas such as health and housing support also benefits families, but not exclusively, and is not included here.

OECD-24 excludes Greece, Hungary, Luxembourg, Poland, Switzerland and Turkey where tax spending data are not available.

Source: OECD (2007), *Babies and Bosses - A Synthesis of Findings for OECD Countries*.

But it is not in the interest of sole parents and their children to become dependent on benefits for many years. There is a need for earlier and more active support interventions to facilitate work by (sole) parents on income support. The countries with the best outcomes for sole parents combine a system of employment and good-quality childcare supports with activity-requirements for all unemployed persons. With public investment in employment and childcare supports, a system of **mutual obligations** is needed, including the threat of moderate benefit sanctions if benefit recipients do not take active steps to find work or improve their employability.

### Parental leave entitlements

Finding an appropriate balance in parental leave policy is difficult as this is one of the few areas in family policy where underlying policy objectives can clash. For example, from a narrow **labour market** perspective, the optimal period of parental leave seems to be around four to

six months, and the use of longer leave periods by mothers can permanently damage their employment and earnings profile. In many OECD countries, the parental leave period is about one year, and in some countries home care leave is available until children are 3 years old.

At the same time, available evidence also suggests that **child development** suffers when an infant does not get full-time personal care for the first 6-12 months of his/her life. Cognitive development of a child benefits from using good-quality formal care from age 2-3, with the evidence being ambiguous regarding the intermediary period. If both parents were to take their individual leave entitlements consecutively where these are available (or take leave simultaneously on a part-time basis), this would go some way towards covering this period.

Mothers predominantly take parental leave, but policy in many European countries tries to stimulate fathers to spend more time with their children by legislating periods of paid parental

leave exclusively for their use. There is some success, as **many fathers use** these **short** (two to four weeks) **periods of paid leave**. However, taking such short periods of leave does not reflect a fundamental behavioural change on the part of fathers. Paternal attitudes are not the only issue, as mothers frequently are reluctant to give up leave in favour of their partner.

Iceland seems to have made the most progress in getting **fathers to spend more time with their children**. Since reform in 2001, each parent has the right to a *non-transferable* three-month paid leave period, with another three-month period of paid leave to be shared among partners. In 2000, the share of parental leave days used by fathers was only 3.3%, but since reform this has gone up to around 35%. In other OECD countries, the debate about individualisation of paid parental leave entitlements and a more equal sharing of care responsibilities has yet to start in earnest.

### ***Childcare and out-of-school hours care***

The absence of affordable, good-quality formal child and out-of-school-hours (OSH) care can be a major barrier to being in paid work and/or working more hours. In Nordic countries, subsidies to parents using quality childcare centres are generally so high, that one is almost “a thief of one’s own wallet” if one does not use public childcare facilities and engage in paid work. In other countries, the story is rather different. Parental fees are often high, and formal childcare support may not be universally accessible for (working) parents. In Ireland and the United Kingdom, the costs of childcare can be so high, that in the short-term work does not pay for many second earners in couple families and this also applies to sole-parent families in the Canadian province of Ontario, Ireland, France, and the city of Zürich in Switzerland.

The *Babies and Bosses* reviews advocated the use of a mixture of **financing** tools for **childcare**. Direct supply-side subsidies should be made towards capital investment, providers in deprived and/or scarcely populated areas and/or concerning the provision of services to children with special needs. In addition, as in Australia

and the Netherlands, the private sector can be relied upon to provide childcare if the incentives are right. Demand-side funding to parents (e.g. subsidised vouchers to pay for childcare) can help achieve relatively high coverage of the population. This approach also gives parents more choice in terms of provider, and type of service. Budgetary costs can be controlled through income-testing and targeting of public supports on those families which need it most. Finally, fee support for childcare can also be linked to working hours, to make sure that parents who work most receive the most support.

Public funding of (private) providers should be strictly tied to compliance with pre-set quality standards. Such **quality standards should** not merely cover health and safety aspects, rules on the number of certified staff among personnel, and staff-to-child ratios, but should also **include child developmental goals** and involvement of parents in the supervision of child-care facilities.

Work and care issues do not stop when children enter primary school, as school hours do not match working hours. In theory, the cost of providing **out-of-school hours (OSH) care** is much lower than for childcare as child-to-staff ratios for this older age group are relatively high and no new capital investment is necessary as existing school buildings could be used. This is what happens in Denmark and Sweden, the only countries with comprehensive OSH-care systems. Policymakers in other OECD countries should prioritise the development of OSH-care and be more forceful in overcoming the traditional reluctance among educational authorities to allow schools to be used for this purpose.

### ***Family-friendly workplaces***

Family-friendly **workplace supports** for a better reconciliation of work and family life, include part-time work, flexible working hours, days off to care for sick children, employer-provided parental leave and/or childcare support, teleworking or school-term working.

Potentially, there is a “**business case**” for provision of family-friendly workplace supports,

as this can motivate current staff, reduce staff turnover, help attract new staff, reduce workplace stress and generally enhance worker satisfaction and productivity. However, hard-nosed statistical evidence that providing family-friendly measures will improve profitability of companies introducing such measures is scarce. Access to workplace supports is unequal and varies across employment sectors and occupations.

Governments are generally **reluctant to intervene in the workplace** because of the fear of increasing labour costs, and in the belief that this is an area best left to employers and employees to negotiate over freely. However, there may be “externalities” that matter to government, which employers and unions did not account for when they bargained. For example, the decline in birth rates and demographic trends are unlikely to determine workplace outcomes, therefore policy may wish to intervene to ensure that parents have sufficient time to spend at work and with their children

Some governments have, indeed, **legislated employee entitlements** to flexible workplace practices. For example, in the Netherlands employees of enterprises with 10 workers or more can change their working hours for whatever reason, unless the courts uphold employer objections, and in Sweden working parents are entitled to reduce working hours until their youngest child enters primary school.

Policy in the UK has granted parents with children under age 6 the right to request flexible working hours (which includes reduced working hours). The “**right-to-ask**” approach is a middle way which emphasises employer and employee involvement (they have to motivate their request or possible objections), is flexible enough to focus on measures that suit the workplace and the worker, and extends access to many low-income workers whose bargaining position is relatively weak.

## The bottom line

If parents have to choose between earning money and looking after their children, the result is that there will be too few babies and too little employment. Policymakers cannot ignore this as in issue – in almost every OECD country the government is concerned about either fertility rates, or gender equity, or female employment rates, or child poverty and child development. Governments are spending more money to help families reconcile work and family life than before. But a little bit more support here and there is not of much use if there are ‘gaps’ in support. Such gaps often happen when parental leave ends but before childcare support is available, for example; or when children go to school but only for part of a day; or when parents go back to work but find that their hours are so inflexible that they cannot cope when children are sick. Much money will be wasted unless the various policies ‘fit together’ better than is the case now.

## Follow-up

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