RESEARCH PAPER



# HELPING AMERICA'S WORKING PARENTS: WHAT CAN WE LEARN FROM EUROPE AND CANADA?

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Across the industrialized countries, nearly five decades of steady growth in female employment has radically changed life for many parents and children. One of the most striking changes in Europe, Canada, and the United States has been the increase in employment among mothers with very young children. Nearly 85 percent of American mothers employed before childbearing now return to work before their child's first birthday. Rising women's employment – among both single and coupled women – is an encouraging trend from the perspective of women's economic independence. It is consistent with the promotion, particularly in the U.S., of employment as an alternative to public assistance. But it is also raising a host of new and difficult concerns. Do the large majority of parents who are now working for pay have time for both parenting and employment? And who is caring for their children when parents are at the workplace?[1]

Many parents in the industrialized countries find themselves navigating uncertain new terrain between a society that expects women to bear the primary responsibility for caring in the home and one that expects, and increasingly requires, all adults to work for pay. Although these pressures are not unique to the U.S. they may be more acute in this country because families have access to so little public support. Our nation's policymakers and opinion leaders talk more about "family values." Yet in comparison with most of Europe and, to some extent, Canada, the U.S. provides exceptionally meager help to children, their parents, and the workers – mostly women – who care for other people's children. And despite the current concern with getting everyone, particularly low-income mothers, into the work force, the U.S. does much less than several other countries to remove employment barriers for women with young children.

Work-family reconciliation policies that are common in much of Europe are often criticized, in the public rhetoric of the U.S., for imposing "one size fits all" government programs that restrict parental choice. The reality is that many parents in the U.S. have a much narrower range of options than parents living elsewhere because many parents lack paid family leave, access to affordable quality child care, and opportunities for rewarding and

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[1] Portions of this brief appeared previously in an article by the authors ("Support for Working Families: What the United States Can Learn from Europe," *The American Prospect* 12(1), January 1-15, 2001: 3-7) and in their book (Families That Work: Policies for Reconciling Parenthood and Employment, New York: Russell Sage Foundation, 2003).

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remunerative employment at fewer than 40 hours per week and 50 weeks per year.[2] In the absence of supportive public programs and regulations, American parents are struggling to craft private solutions that reconcile work and family responsibilities. But, unfortunately, these private solutions often reinforce gender divisions of labor, leave parents stressed and exhausted, and/or expose their children to poor-quality child care provided by poorly-paid female workers.

U.S. critics have also been quick to suggest that the work-family reconciliation policies that are common throughout Europe are economically unsustainable and losing their traditional political support. But a closer examination of the evidence suggests that these policies continue to enjoy broad political support. They are compatible with high-employment and high-productivity economies. In fact, in the last two decades, while several European countries trimmed social programs in other areas – retirement, unemployment, and disability pensions – public work-family provisions grew steadily nearly everywhere.

## THE PROBLEM OF PRIVATE SOLUTIONS

One private solution to balancing work and family adopted by many parents in the U.S. is a combination of parental caregiving with part-time and/or intermittent employment. Because the parents who work part-time and intermittently are overwhelmingly mothers, this strategy exacerbates gender gaps in both paid and unpaid work. Part-time work schedules, career interruptions, and intermittent employment relegate many women to the least remunerative and rewarding jobs. These employment patterns contribute to wage penalties that persist long after the children are grown (Crittenden 2001; Budig and England 2001, Waldfogel 1998). In the U.S., married mothers' earnings account for only one-quarter of families' total labor market income in dual-parent families with children below school-age. This is considerably less than the one-third of family earnings contributed by married mothers in several European countries (authors' calculations, Luxembourg Income Study).[3]

Women's lagging connection to employment is problematic for several reasons. Weak labor market attachment can be risky for women as it leaves many wives lacking in bargaining power at home, possessing less ability to exit the family if they face domestic abuse or other serious problems, and facing precarious financial circumstances if and when they need to rely on their own earnings (and pensions). Many economists argue that women's underemployment leads to inefficient labor market outcomes, especially if women invest in education or training but fail to make optimal use of these investments in their workplace. Strengthening women's employment over the next decades will also be crucial for maintaining solvent social security systems – in the U.S. and in all of our comparison countries – as the ratio of retired persons to labor force participants is expected to rise sharply everywhere.

[2] See Gornick and Meyers (2003) for a detailed analysis of the constraints that working parents face in the U.S.
[3] At the same time, many American parents, overwhelmingly fathers, work exceptionally long hours, in part to compensate for their partners' partial withdrawal from paid work.

An alternative to reduced or intermittent work by mothers is full-time employment by all parents and reliance on non-parental child care. Although this works well for some families, many others find themselves overburdened by the demands of employment and childrearing. Some women – the mothers of preschoolers, in particular – work especially long hours, combining full-time paid work with substantial caregiving at home. In an article in *Demography,* Suzanne Bianchi (2000) concludes that despite the increase in mothers' labor market activities, mothers' average time spent with their children remained nearly constant between 1965 and 1998. Where do employed mothers get the time? Bianchi's results suggest that they spend less time doing everything else, including housework, volunteering, engaging in leisure activities, and sleeping.

More parental employment also means children spend much more time in substitute care. Recent increases in the use of child care in the U.S. have been particularly sharp for very young children. Two-thirds of children with employed mothers are in non-parental care before their first birthday, as are three-quarters of two- and three-year-old children (Capizzano, Adams, and Sonenstein 2000). The extensive reliance on substitute child care imposes a heavy financial burden. For example, child care consumes nearly a quarter of household income among poor working families who purchase this service (Giannarelli et al 2003; Giannarelli and Barsimantov 2000). It also raises concerns about the quality of care in children's youngest and most developmentally sensitive years. These concerns are particularly acute in the U.S. where the large majority of care is provided in private, minimally-regulated settings. Experts conclude that, for children under age three, as few as one in 10 U.S. child care settings provide care of "excellent" or developmentally-enhancing quality (Helburn et al 1995; Galinsky, Howes, Kontos, and Shinn 1994; National Institute of Child Health and Human Development Early Child Care Research Network 1997).

The private child care solution to the work-family dilemma creates another, often overlooked problem. It impoverishes a large, low-wage child care work force dominated by women. Child care workers in the U.S. are among the most poorly paid members of the work force. Of the 770 occupations surveyed on a regular basis by the U.S. Bureau of Labor Statistics, only 18 have lower average wages than child care workers (Center for the Child Care Workforce 2004).

## POLICIES TO SUPPORT WORKING FAMILIES

Whereas parents in the U.S. are left largely to their own devices, parents in several European countries and, to some degree, in Canada, can count on three important forms of support to help them reconcile paid work and family responsibilities: paid family leave benefits, working time regulations, and public early childhood education and care. In this brief we compare work-family reconciliation policies in the U.S. to those in place in eleven other countries: Canada and a diverse group of ten European countries. Comparative research suggests that these countries fall into three clusters that employ similar policy approaches. We use these clusters in our comparisons: four Nordic countries (Denmark, Finland, Norway, and Sweden), five Continental European countries (Belgium, France, Germany, Luxembourg, the Netherlands), and three English-speaking countries (the U.K., Canada, and the U.S.).[4]

**Ensuring Time to Care During the Early Years: Family Leave Policy**

Although their family leave programs vary substantially, nearly all of our comparison countries provide generous maternity, paternity, or parental leave during the first year after the birth or adoption of a child. This leave is typically funded through some combination of national sickness, maternity, and other social insurance funds.

*Family Leave Policies*

Family leave policies vary across countries on two important dimensions. First, countries vary in the total number of weeks and the level of wage replacement available to new mothers, assuming that mothers take all of the leave available to them through existing maternity and parental leave schemes. Second, they vary in the extent to which family leave policies are egalitarian with respect to gender. This latter variation concerns the generosity of family leave provisions for fathers and the extent to which policies encourage fathers to take up the leave to which they are entitled.

In Figure 1, we compare the twelve countries on the generosity of the paid leave available to mothers. This figure captures the combined effects of duration and benefit generosity in a measure of equivalent “weeks of paid leave with full wage replacement.” On this indicator, similar levels of provision may reflect diverse policy designs. For example, in Finland, 29 weeks results from 44 weeks at about two-thirds pay, whereas in Canada 28 weeks corresponds to 50 weeks at 55 percent wage replacement.[5] For the U.S., we exclude weeks of job-protected leave under the Family Medical Leave Act (FMLA), since the law provides no wage replacement, and Temporary Disability Insurance (TDI) programs, which offer some maternity pay but operate in only five American states.

In Figure 2, we compare the gender-egalitarian features of these policies. Our "gender equality scale" captures two elements of policy design that research indicates encourage male take-up of benefits. Non-transferable benefits – or leave rights and benefits that cannot be transferred to female partners – encourage fathers to use benefits that are otherwise lost to the family. High wage replacement rates also encourage fathers’ take-up

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[4] For more detailed information on European and Canadian policies, as well as sources of data for our comparisons, see Gornick and Meyers 2003. Also, 18 detailed policy tables excerpted from our book are available on-line: http://www.lisproject.org/publications/fampol/fampol03.htm. These tables include descriptions of family leave, working time, and early childhood education and care policies.

[5] Figure 1 reports only earnings-related components of family leave. It assumes earnings below any existing earnings caps. About half of these countries supplement these benefits with additional leaves (up to three years in duration) paid at a low flat-rate – most substantially in Finland, France, and Germany. We exclude these low-paid benefits from this comparison for several reasons. In some cases, the benefits are not conditioned on employment. Thus, it is not fully accurate to characterize them as wage replacement. Take-up of extended leaves is also much lower than it is in the earnings-related programs, so including these provisions distorts the level of provision upward. Additionally, it is important to note that a growing body of research establishes that shorter term leaves – in the range of six to twelve months – strengthen mothers’ attachment to paid work. Yet longer term leaves – leaves of two or three years, for instance – have deleterious effects on women’s employment because long work absences reduce future employment opportunities and lower wages.

because, if wage replacement rates are less than 100%, couples face an incentive for the lower-earner – more often than not, the mother – to take the leave. We assigned countries one point on this scale if they offer any paid paternity leave, two points if fathers have parental leave rights that are non-transferable, and up to three additional points for the generosity of wage replacement (three points if benefits are wage-related and at 80 percent or higher, two points if benefits are wage-related but at less than 80 percent, and one point if benefits are paid but at a flat rate).

Figures 1 and 2, taken together, suggest two conclusions. First, we see that generosity and gender equality are distinct dimensions. While there is clearly some correlation between the two dimensions, countries vary in the combinations that they have enacted. For example, while all of the Continental countries have programs that are similarly generous, leave policy designs in France and Germany are substantially less gender-egalitarian than those in place in Luxembourg and Belgium. Second, we see that, overall, the most generous and gender-egalitarian family leave policies are found in the Nordic countries. In the Nordic countries, mothers have access to about 30 to 42 weeks of full wage replacement. Fathers receive comparatively generous benefits bolstered by incentives for take-up. The Continental countries provide substantially less generous benefits for mothers – about 12 to 16 weeks of fully-paid leave. Additionally, provisions and incentives for fathers are, in general, weaker than those found in the Nordic countries.

Whereas the English-speaking countries overall provide exceptionally little paid leave to mothers, Canada stands out as an exception. When we compare equivalent weeks of fully paid leave, mothers in Canada have access to benefits nearly as generous as those offered in Finland. Although the duration of paid leave is long by European standards (mothers may take 50 weeks of paid leave), Canadian family leave policy provides substantially less economic security to mothers and their families (wage replacement is 55 percent) than either the Nordic or Continental European systems. In addition, the Canadian benefit is capped at a substantially lower level than benefits in most European countries. The Canadian system is also weak with respect to egalitarian policy designs. Leave benefits are equally available to both parents, but mothers in Canada may take 100 percent of the family's maximum allocation. There are no "use or lose" provisions to encourage fathers' use of benefits in the Canadian system. In combination with low replacement rates (and low benefit caps), this system creates few incentives for mothers and fathers to share family leave benefits.

On paid family leave, the U.S. is a stark outlier. It is alone among these twelve countries (and one of only a handful of countries in the world) with no national policy of paid maternity leave. In addition, gender-egalitarian provisions in the U.S. are weak. Fathers in the U.S. have some incentive to use the unpaid leave granted to them through national law (the Family and Medical Leave Act) because their unused entitlements are lost to the family. The absence of wage replacement, however, constitutes a substantial disincentive because for most men use of the leave would result in a serious loss of income. (Note that California is a now partial exception to the absence of paid leave for American fathers. In 2002, California became the first state in the U.S. to extend its disability-based benefits to fathers. The California law grants six weeks of paid leave to both mothers and fathers at approximately 55 percent wage replacement, subject to an earnings cap.)

How well does this system work for American families? Almost 41 million Americans – more than 40 percent of the private sector work force – lack even the right to an unpaid leave because the FMLA excludes workers in establishments with fewer than fifty employees (U.S. Department of Labor 2000). As of the middle 1990s, only 43 percent of women who were employed during their pregnancies received any paid leave during the first 12 weeks after childbirth through either public provisions or voluntarily provided employer benefits. This figure includes maternity pay, sick pay and/or vacation pay (Smith, Downs, and O'Connell 2001). The rest of these women received unpaid leave (40 percent), quit their jobs (27 percent), and/or were fired (4 percent). Fathers fare even worse. A recent survey of personnel managers revealed that only about 7 percent of employers offer paid paternity leave to their employees (Office of Personnel Management 2001). Access to both maternity leave benefits and parental leave rights is not only limited, but also sharply regressive. Workers with greater needs and fewer resources are the least likely to have job-protected leaves or cash benefits (Heymann 2001).

*Financing Paid Leaves*.

Our comparison countries also provide instructive lessons about how to finance family benefits. Nearly all of the European leave programs, and the Canadian program, are funded through either social insurance schemes or general tax revenues. None relies on mandating employers to provide wage replacement for their own employees. Those countries in which social insurance funds draw heavily on employer contributions do not "experience-rate" – or adjust contributions to reflect the number of leave-takers at the firm level. These financing mechanisms reduce employer resistance by spreading the cost among employers and supplementing employer contributions with general revenue funds. By reducing the risks faced by individual employers, these mechanisms also minimize the likelihood that employers will discriminate against potential leave-takers who might otherwise be seen as unusually expensive employees.

How costly are these family leave schemes? Spending on maternity, paternity, and parental leave is substantial and rising (due to deliberate policy expansion) in nearly all of these European countries and in Canada. Costs relative to population and gross domestic product (GDP) are, however, surprisingly modest. As of the late 1990s, annual family leave expenditures per employed woman (in 2000 U.S. dollars) were about $800 in Norway, $700 in Finland, and about $600 in Sweden and Denmark. France spent a more moderate $431 per employed woman. The higher-spending Nordic countries invested approximately 0.5 to 0.7 percent of GDP in family leave, whereas France spent a less substantial 0.4 percent.

**Protecting Caregiving Time Throughout Childhood: The Regulation of Working Time**

Family leave provides time for caregiving when children are very young. Yet employed parents require time for family care well beyond their children's earliest years. Our comparison countries, particularly in Europe, also protect family caregiving time by regulating working time. Limits on normal weekly employment hours, which are generally set through overtime thresholds, reduce actual hours worked on a regular basis throughout the year.[6] Guaranteed vacation rights ensure workers unbroken periods of time they can spend with their families and a reduction in child care needs during summer months.[7] Policies that grant workers the right to work part-time without changing jobs and/or that prohibit discrimination against workers who choose part-time work greatly increase parents' options for allocating time between the labor market and caregiving in the home.

In Figure 3, we compare working time and vacation time policies. Normal weekly hours reflects the shorter of normal hours set by either statute or standard collective agreements. Vacation time captures the minimum number of paid vacation days required by national statute.

As of the year 2000, following several years of working time reductions enacted throughout Europe, all of the European countries in this study set normal (full-time) employment hours in the range of 35 to 39 per week. The highest-profile case has been France, where in 2000 labor legislation reduced the statutory work week to 35 hours. France's 35-hour law was enacted both to secure the decline in unemployment achieved in the 1990s – unemployment has held steady at about 9 percent since the law was passed – and to support work-family reconciliation. Recent evidence suggests that many French workers are spending some of their newfound time with their families. According to a 2001 survey, among parents with children under age twelve, 43 percent of French mothers and 35 percent of fathers say that their work-family balance has improved since the enactment of the policy. Almost half report that they spend more time with their children (see Kamerman et al 2003 for a review of the evidence concerning the impact of the French law on families).

Active efforts to reduce working time even further continue in several European countries. While standard work hours in some European countries have remained unchanged since 2000, hours in other countries have continued to fall. In both Belgium and Finland, for example, collectively agreed upon hours fell between 2000 and 2003 from about 39 hours to 38 and 37.5, respectively (EIRO 2004). While some European working-time scholars characterize the ongoing changes as indicative of an unfinished, continent-wide shift to a 35-hour week, it is also the case that working time reductions are contested in some countries. As reported in the *New York Times* (7/7/04), for example, a German union negotiating with one of the country's larger employers recently agreed to an increase in weekly hours (after the company threatened to move cellular phone production jobs to Hungary). Some political leaders in France are calling for a repeal of the 35-hour law. Nevertheless, a careful look at recent data from Europe reveals no evidence of any reversals in working time reductions at the national level over the

[6] A one-hour reduction in the statutory work week is associated with a decrease in actual weekly work hours of approximately 45 to 60 minutes (see Gornick and Meyers 2003 for a review of this literature).

[7] It is interesting that in the U.S. paid vacation days are often viewed as a "perk" or even a luxury, whereas in the European context vacation rights are more typically framed as a regulatory tool for protecting workers' well-being and family time. In addition, the regulation of vacation time is generally viewed as analogous to the regulation of the length of the work week. While the latter codifies the meaning of "full-time work" (typically, at 35 to 39 hours per week), the former establishes the definition of "full-year work" (most commonly, at 48 weeks per year).

last five years. As summed up by the European Industrial Relations Observatory, which issues an annual report on working time regulations and practices in the EU and Norway:

> …the early years of the 21st century [1999-2003] have been ones of relative ... standstill in average collectively agreed normal working time. In the majority of countries, most reductions have been slight overall (though there have been exceptions in specific sectors and companies) and often accompanied by new flexibility measures. However, it is still the case that the EU/Norway average has continued to creep downwards, albeit slowly, in recent years (EIRO 2004).

There is no question that the reshaping of working time across Europe remains a work in progress.

In addition to limiting weekly hours, all of the European countries included in this study provide a minimum of twenty days (approximately four weeks) of paid vacation. Many now exceed this minimum (see Figure 3). France and three Nordic countries – Denmark, Finland, and Sweden – grant most or all of a fifth week. Intra-European homogeneity is partially explained by the enactment of the 1993 European Union *Directive on Working Time*, which stipulates that employees be granted not less than four weeks of paid vacation per year. In several countries, collective agreements add even more vacation time. Agreements in Denmark, Germany, and the Netherlands provide the most generous benefits of about 30 days a year. And, as with normal weekly hours, changes continue to unfold in a number of countries. After 2000, collectively-bargained vacation rights increased in about half of these countries.

Policies aimed at improving part-time work – generally at 30 hours or less per week – are also widespread and expanding throughout Europe. The 1997 European Union *Directive on Part-Time Work* required member countries to enact measures, "to eliminate discrimination against part-time workers and to improve the quality of part-time work" (European Foundation 2003). The *Directive* required that all member countries implement qualifying measures by January of 2000. They have all done so. Country measures, enacted via legislation and/or collective bargaining agreements, prohibit employers from treating part-time workers less favorably than "comparable full-time workers" vis-à-vis, for example, pay, social security, occupational benefits, training and promotion opportunities, and bargaining rights. While the exact provisions vary across countries, they all include a non-discrimination clause. Furthermore, several explicitly assert the principle of *pro rata temporis*, meaning that part-time workers must receive pro-rated pay, benefits, or both.

The *Directive* also encouraged, but did not require, member countries to increase the availability of high-quality part-time work. A number of countries followed by enacting "right to work part-time" laws for all workers in some cases and for parents only in other cases. In a sense, Sweden had already set the "gold standard" on the right to part-time work. Since 1978 Swedish parents have had the right to work six hours a day (at pro-rated pay) until their children turn age eight. Since the 1997 *Directive*, other European countries have added substantial new protections. Germany, for example, granted the right to work part-time to employees in enterprises with 15 or more workers. The Netherlands has established a similar right for employees in enterprises of 10 of more workers. Belgium grants employees the right to work 80 percent time for five years. And France has enacted a right to part-time work exclusively for parents. In most cases, these regulations give employers a safety valve. Employers can refuse a change on certain business grounds, but those grounds are often subject to judicial review.

In terms of regulating working time, the U.S. stands out as exceptionally meager in its protections. The U.S. – along with Canada – continues to set the normal work week at 40 hours (with little ongoing activity aimed at lowering that threshold). American parents work the longest hours of any of our comparison countries. When we consider the joint weekly work hours of dual-earner couples with children, American parents spend an average of 80 hours per week at the workplace (authors' calculations, Luxembourg Income Study data). Similar couples in the U.K. log almost nine fewer hours per week, while a typical Swedish working couple works for pay about eleven fewer hours per week. The U.S., alone among our comparison countries, has no nationally-mandated vacation policy. In the U.S., vacation rights and benefits are left to the discretion of employers. In practice, employees at medium and large enterprises are granted an average of about ten days per year during their first five years of service, rising to about 14 days after five years of service and about 17 days after ten years (U.S. Department of Labor 1999). Workers use about 93 percent of earned days with slightly higher take-up reported by non-professionals and by women (Jacobs and Gerson 2004). Not surprisingly, the U.S. has been dubbed "the most vacation-starved country in the industrialized world" (Woodward 2002).

American workers who want to work for fewer than 40 hours per week also face very limited options, partially due to the absence of policies protecting the rights of part-time workers. The U.S. does not guarantee the right to shift between full- and part-time work in the same job; does not prohibit employers from granting part-time workers lower wages than their full-time counterparts; and does not prohibit discrimination in benefits – such as health insurance and retirement benefits – between part-time and full-time workers. In the U.S., part-time jobs are disproportionately offered in a subset of occupations and industries that tend to be poorly paid. Part-time jobs, on average, pay lower wages and grant fewer non-wage benefits than do full-time jobs. These jobs also offer less job security and fewer promotional opportunities (Bassi 1995; EBRI 1993; Gornick and Jacobs 1996; Wenger 2001). Thus, for many working parents in the U.S., a preference for working part-time is rendered infeasible by the prospect of substantial losses in pay and benefits.

**Investing in Non-Parental Care Options: Early Childhood Education and Care**

Beyond periods of paid leave, our comparison countries – particularly in Europe – support employed parents and gender equality through high-quality, public early childhood education and care. Public care is limited in all of our comparison countries for children in the first 12 months of life, during which time parents in Europe and Canada have paid leave options. Beyond this period, these countries vary substantially in the extent and organization of early care and education arrangements.

Figure 4 compares enrollments in publicly provided or publicly subsidized child care and early education programs. In the European countries this includes primarily public child care, nursery schools, preschools and, in some countries, public school from age four. In the U.S., enrollments include children in public Head Start and preschool programs, public pre-kindergarten and kindergarten programs, and those in families receiving subsidies for the purchase of private child care.[8]

The most extensive public provisions are found in the integrated "edu-care" systems of Sweden and Denmark. One-half to three-quarters of children aged one and two – and about 80 to 90 percent of children aged three and older – are in these "edu-care" arrangements. Dual systems for early child care and later preschool in the Continental countries of Belgium and France enroll fewer children in public care before the age of two-and-a-half or three. Nearly all children from age three onward are enrolled in universal full-day preschool.

Publicly-provided or subsidized care for one- and two-year-olds is very limited in all three English-speaking countries, where government subsidies have been limited almost entirely to low-income parents.[9] With respect to the "over threes," the U.S. – along with Canada – is a cross-national laggard. In the U.S., just over one-half (53 percent) of three-, four-, and five-year olds are in publicly-subsidized care or education programs. Of those in public care, most are five-year-olds in part-day kindergarten programs.

The quality of care in many of the European systems is assured through national-level quality standards and curricula. Increasingly, these national standards are being adapted at the local level to reflect community priorities and preferences. National standards set a high floor under the education and compensation of caregiving professionals. Child care workers in the integrated Nordic systems earn close to the national average for all women workers – and, in Denmark, considerably more than average. Workers in the dual systems in Belgium and France are also well compensated – particularly teachers in the *ecoles maternelles* (the country's preschool program), who earn substantially more than average women workers (see Gornick and Meyers 2003 for details on child care workers' compensation across countries).

Like leave benefits, early childhood education and care services in European countries are financed largely by the government. Funding is provided by national, state or regional, and local authorities, with the national share typically dominant in services for preschool-age children. Care for very young children and, to a lesser extent, for preschool children is partially funded through parental co-payments that cover an average of 18 percent of costs. Because co-payments are scaled to family income lower-income families typically pay nothing, while more affluent families pay no more than 10 to 15 percent of their income.

Public early childhood education and care expenditures are large and growing in these European countries but – like leave expenditures – they are relatively modest in per capita terms. Total spending per child under school-age in the integrated child care systems of Denmark and Sweden was about $4,000 and $4,900, respectively, in the

[8] This does not include federal and state child care tax credits. Although widely used, these tax credits provide very modest benefits. Tax expenditures for the Federal Child and Dependent Care Tax Credit average about $440 per tax filer (among those who claim the credit). As noted below, spending through the federal credit averages about $100 per child under age seven. The latter figure is substantially lower because many parents do not benefit from these credits.

[9] The U.K. has recently expanded part-day nursery school services for four-year old children, with the goal of expanding down to age three in coming years.

mid-1990s. In France, expenditures for the dual child care/preschool system totaled a little over $3,000 per child under school-age (i.e., age five).

In contrast, substitute care in the U.S. is overwhelmingly private in both provision and financing. In the middle 1990s, the U.S. government spent about $550 on child care assistance per child under school-age through means-tested subsidies and public preschool programs. This figure represents a little over one-tenth of the spending in Sweden and less than one-fifth of that in France. Although public investments in early childhood education and care are rising in the U.S., per capita child care spending increased to only about $680 per by 2000. Additional benefits are available for some families – about 6.4 million taxpayers in 2000 (NWLC 2003) – through federal child care tax credits, which allow parents to deduct a portion of their child care expenses from taxable incomes. Some states offer additional tax benefits for child care expenses. Yet the per child benefit is small. As of the middle 1990s, tax expenditures were, on average, only about $100 for each child under the age of seven. Because they are not refundable, child care tax benefits are entirely unavailable to families whose incomes are too low to incur tax liabilities.

Unfortunately, the U.S. gets what it pays for. Minimally-regulated, private child care arrangements provide uneven and generally low-quality care. A research team from the National Institute of Child Health and Human Development (1997) recently estimated that only 11 percent of child care settings for children age three and younger meet standards for "excellent" care. In part, quality is poor because the care is provided by a minimally educated and inadequately trained work force. According to data collected by Marcy Whitebook and her colleagues (1999), some 22 percent to 34 percent of teachers in regulated child care centers and family child care settings do not have a high school diploma. Ellen Galinsky and her colleagues (1994) report that in unregulated family-and-relative child care settings between 33 percent and 46 percent of caregivers have not completed high school.

Child care providers are a poorly educated work force in large part because families cannot afford to pay more highly trained professionals. Full-time child care for a four-year-old averages between $3,500 and $6,000 per year, which is more than college tuition at many state universities. Yet despite this expense, child care workers often earn poverty-level wages. The Center for the Child Care Workforce (2004) estimates that they earn an average of $8.37 per hour – about the same as parking lot attendants and less than service station or locker room attendants.

## ARE THERE LESSONS FOR THE UNITED STATES?

Americans are often resistant to drawing social policy lessons from abroad. In recent years, that resistance has been fueled by vivid press reports of the collapse of the European social policy systems. American reporters, particularly in the mainstream print and financial media, have been preoccupied lately with the death of the European welfare state. In 1992 the *Los Angeles Times* noted that: "Britain ... finished dismantling much of its welfare system in the 1980s under former Prime Minister Margaret Thatcher." *The San Francisco Chronicle* reported in 1993 that: "nowhere is the dismantling of the social security net more drastic than in Sweden, ... [though] similar retreats from the expansive days of social democracy are under way in virtually every European Community nation." And in 1995 *BusinessWeek* reported that: "France ... in recent weeks has been at the center of what may well be the last great Continental convulsion in this century: the dismantling of the European welfare state."

As Mark Twain is said to have observed about premature rumors of his demise, reports of the death of the European welfare state turn out to be greatly exaggerated. Spending trends in Europe suggest that while some countries have taken steps to curtail certain areas of program growth – retirement, unemployment, and disability pensions for the most part – overall social spending continued to rise throughout the 1980s and 1990s. Growth in public fiscal commitments was particularly steep in programs that support working parents and their children. Between 1980 and the mid-1990s, per child spending on cash benefits for families in the western European countries increased by 52 percent (Gornick and Meyers 2001).

Within the arena of family policy, the growth in expenditures on maternity and parental leaves was especially high. Across western Europe, average spending per employed woman doubled during this period. The increased spending on leave was largely due to deliberate policy expansions. Some countries initiated entirely new programs while others extended existing ones. At the same time, throughout the 1990s, most European countries actively reduced weekly work hours and increased vacation days. During the last decade, expansion of work-family reconciliation policies was encouraged – in some cases, required – by the European Union, which issued binding policy directives setting minimum standards for parental leave and vacation time.

Rising investments suggest that political support for family policies is strong in these European countries, a finding confirmed by public opinion research. Family policies are popular mostly because they are universally available. Family leave and child care have been institutionalized as universal benefits that support new parents, relieve parents of the financial burden of private child care, and provide high-quality early education for children. Universal provision of these benefits avoids stigmatizing or isolating recipients, while simultaneously providing broader social benefits. Cross-national policy research has linked generous leave and child care benefits in Europe to lower child poverty rates and to less disruption in employment among mothers with young children, in comparison to the U.S. (Gornick and Meyers 2003).

Steadily growing investments in family policies suggest that these European countries – and Canada as well – remain committed to work-family reconciliation policies. The mounting investment also suggests that policy decision-makers understand them to be economically feasible. Yet American critics of "European-style" policies often describe them as incompatible with good macroeconomic outcomes, especially productivity-related outcomes. A closer read of the evidence suggests otherwise. Peter Lindert's comprehensive new study on the impact of welfare states on growth – Growing Public: Social Spending and Economic Growth Since the Eighteenth Century (2004) – concludes that: "Contrary to the intuition of many economists and the ideology of many politicians, social spending has contributed to, rather than inhibited, economic growth." Mishel, Bernstein, and Allegretto (2004) concur. Their own empirical results lead them to conclude that: "although the U.S. economy saw increased productivity in the last few years, it under-performed relative to other OECD economies for most of the past 20 years… This suggests that those formulating policy may benefit from looking beyond the U.S. model" (p 433-34).

### What Would it Cost?

Translating these policies to the U.S. context remains challenging. One obvious concern is the direct costs. We estimate that if the U.S. were to offer an extremely generous package of paid family leave and child care – combining, for instance, Swedish family leave policies with French child care provisions – the U.S. would need to spend between 1 and 1.5 percent of GDP, or about $100 to $150 billion per year (as of 2000), depending on parents' level of take-up. As of about 2000, U.S. public expenditures on leave were negligible, while public investments in early childhood education and care totaled only about $19 billion. Thus, in order to provide this package of leave and child care benefits, we would need an additional $80 to $130 billion per year. These figures surely represent a high-end estimate. Costs would be lower if policies were partially means-tested and/or benefits were taxed in higher-income families.

Are these direct costs a lot or a little to spend on the well-being of families and children? This level of spending would be comparable to what some of our European counterparts now invest in these programs for families. Some research suggests that a portion could be recouped by employers and investors via the productivity gains associated with lower employee turnover, fewer work absences, and lower stress levels. Considered from the perspective of investments in children, some of these costs are likely to be recovered through improved child outcomes and increases in future productivity. There is now substantial evidence of the benefits of high-quality early childhood education, particularly for disadvantaged children. Although the literature is smaller, research also suggests that children benefit from intensive parental caregiving during their early months. The social benefits of public investments in public education are well understood. Consequently, the U.S. now commits about 3.4 percent of GDP to public primary and secondary education. Together, the benefits we have proposed would extend similar, universal benefits to children in the years before public school at a proportional cost: about 44 percent of what the U.S. now commits to public education (using the higher estimate of parents' take-up).

### Summing Up

The western and northern European countries – and Canada – vary widely in their work-family reconciliation policies. They also vary in the extent to which these policies are designed to encourage an egalitarian division of labor between women and men in employment and at home.

Among our comparison countries, the Nordic countries have enacted policies that are the most generous and the most gender-egalitarian. Policies in the Continental European countries help to secure time for caring and family economic stability, but they do much less to enable or encourage gender equality. Not surprisingly the division of labor between women and men is still most evident in these countries.

In the more market-based, English-speaking countries, policies that support employed parents are far more limited. Canada's paid family leave program is a partial exception to this pattern. It is often cited as a model for the U.S. Yet Canadian leave policy lags behind the policies of many European countries. While Canadian parents clearly enjoy leave rights and compensation that American parents do not, low replacement rates limit the program's value for low-wage workers. In addition, the overall policy structure fails to prioritize fathers' leave-taking.

The U.S. is the extreme case even among the English-speaking countries. Most American parents are left to design private solutions to the dilemma of supporting and caring for children. They are left to negotiate, often unsuccessfully, with their employers for paid family leave, reduced-hour options, and vacation time. The vast majority of American parents rely on private markets for child care, especially during the first four years of their children's lives. They pay a substantial portion of their earnings for this care at a point in their careers when they may be least likely to have accumulated savings or to have advanced to high wage positions. And, ironically, they are often purchasing poor-quality care that may jeopardize their children's healthy development, while simultaneously impoverishing an overwhelmingly female child care work force.

Political debates about family policy in the U.S. often turn on the issue of "choice." In a country in which consumers expect to exercise choice in everything from athletic shoes to their children's schools, government interventions are often characterized as imposing single solutions on families that vary in their preferences regarding the care of children, gender divisions of labor, and employment arrangements. But leaving families on their own to devise private solutions to work-family dilemmas does not promote "choice" if options are limited, expensive, or unacceptable. Policies that provide parental leave with wage replacement, set limits on working hours, protect the right to work part time, and provide high quality, affordable child care would *increase* parents' options for combining earning and caring.

The U.S. has experimented with mostly private solutions. The results have been costly for families: gender inequalities in paid and unpaid work, exceptionally long hours of paid work and time poverty for many parents, low-quality child care, and poorly paid child care workers. The distribution of these costs is also highly regressive. In the U.S., families and workers with the fewest resources have access to the most limited employment-based family leave provisions and the least vacation time. Low-income parents also spend the largest share of their disposable income on substitute child care while receiving the lowest quality care.

Several of these comparison countries provide lessons for the U.S. about the design of family leave, working time, and child care policies that can both increase choices and improve outcomes. However, these countries have not completely solved the dilemma of providing gender-egalitarian support for working parents. The supply of child care for children under age three is very limited in many countries. In some countries, child care is limited for older preschool children as well. Child care constraints tend to suppress maternal (but not paternal) employment. Also, both short- and longer-term leaves are still used overwhelmingly by mothers. Part-time work remains almost entirely women's work. A fully egalitarian package of work-family reconciliation policies is not completely realized even in the most progressive countries. Yet in some – most notably, the Nordic countries – the overall framework for such policies is in place.

Finally, it is crucial to note that these work-family reconciliation policies provide necessary, but not sufficient, support for working parents who are experiencing the pressures of single parenthood and/or low-wage work. In several European countries, and in Canada, work-family reconciliation policies are part of a larger package that ensures families' economic security through universal health coverage, family allowances, and various forms of wage support. While many American parents would still need more extensive support to ensure that they can raise their children in economic security, the implementation of work-family reconciliation policies in the United States would provide an important foundation.

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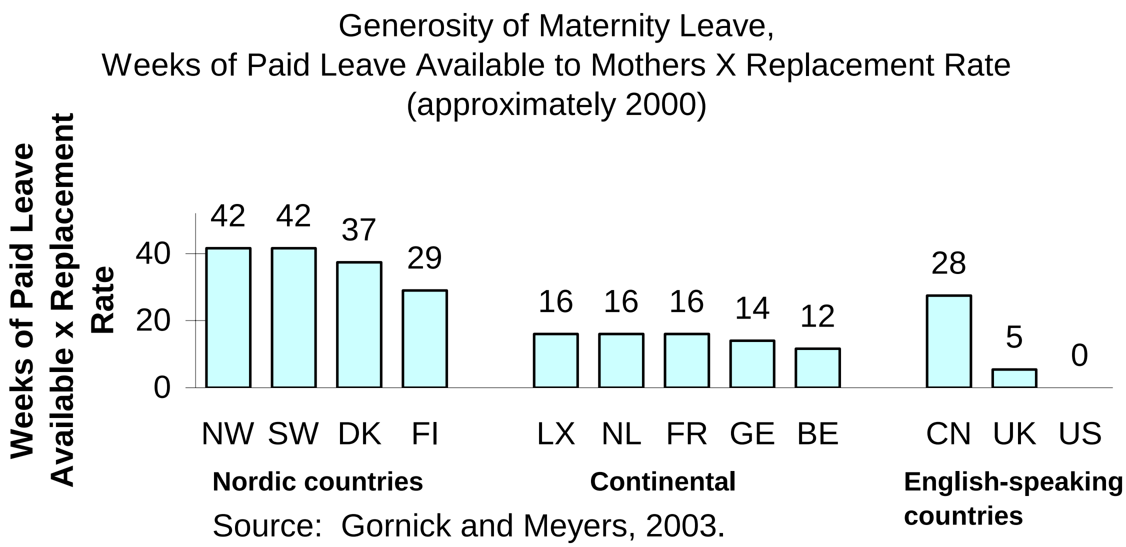
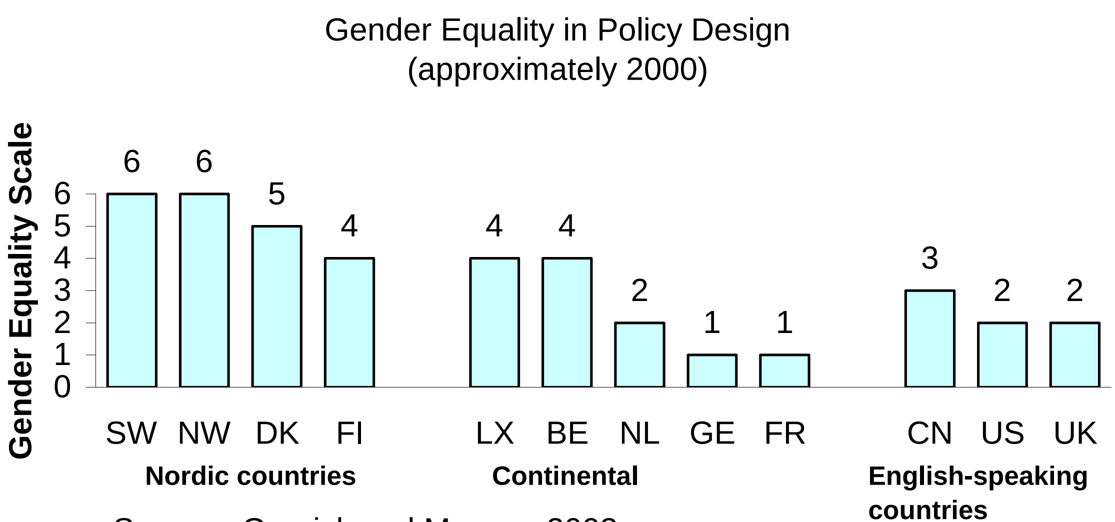
**Figure 1**
**Paid Family Leave Policy**




Source: Gornick and Meyers, 2003.

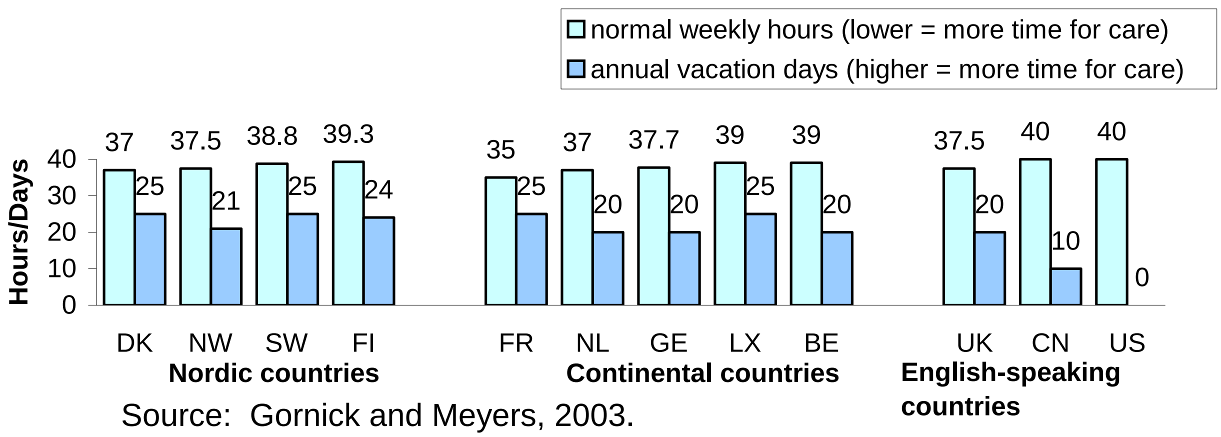
**Figure 2**
**Paid Family Leave Policy**




Source: Gornick and Meyers, 2003.

**Figure 3**
**Working Time Regulations**

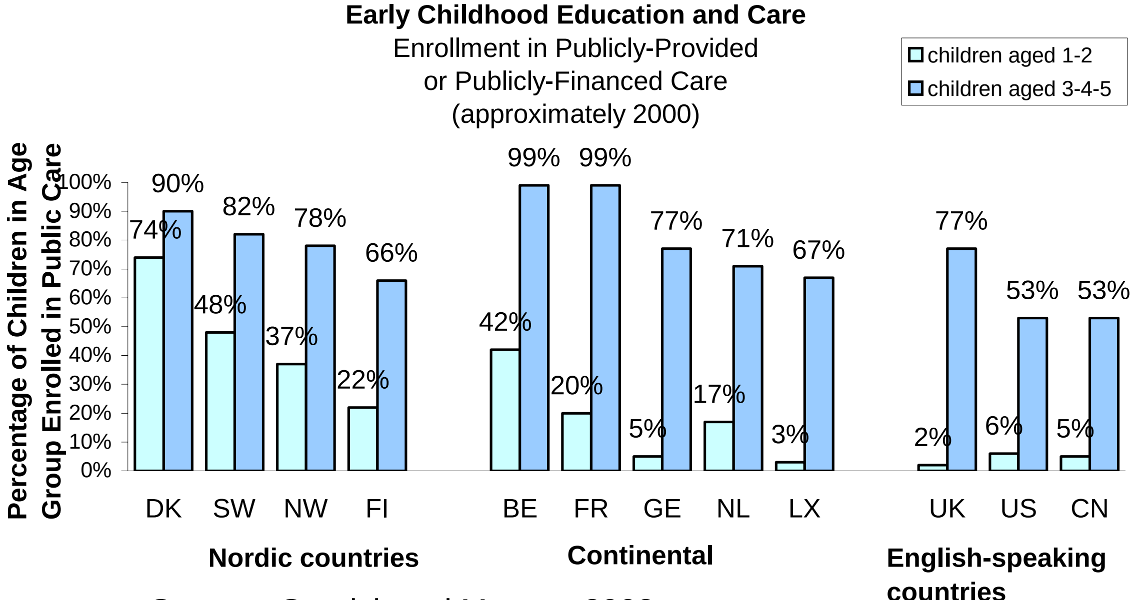
Normal Weekly Hours (overtime threshold)
and
Annual Paid Vacation (minimum number of days)
(approximately 2000)




Source: Gornick and Meyers, 2003.

**Figure 4**

**Early Childhood Education and Care**
Enrollment in Publicly-Provided
or Publicly-Financed Care
(approximately 2000)




Source: Gornick and Meyers, 2003.