

April 24, 2006

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An optimal work-life balance for parents?: International comparisons and policy levers

Bob Stephens and Paul Callister, School of Government, Victoria University

Paper presented at the *Reconciling work and family: Research and policy perspectives* conference, 21 April 2005.

Introduction

Is there an optimal work-life balance for parents and, if so, how does this have an impact on the development of children? Cross-country comparisons show a considerable variation in the paid working patterns of parents, but particularly mothers (Gornick 2006, Johnston 2005). There is also much variation in parent's working patterns within countries. Yet, over the long term, in all industrialised countries, including New Zealand, mothers have been increasing their attachment to the labour market.¹ Nevertheless, despite the growth of employment of women in New Zealand, in early 2005, the government stated that, while our overall labour force participation rates are high, the rate for some groups of New Zealand women, particularly those aged 25-34, were below the OECD average (Clark 2005).

Papers presented at a 2005 conference in Wellington emphasised that New Zealand had a somewhat unique patterns of participation of mothers of young children (Callister 2005, Bittman 2005, Johnston 2005, Ruhm 2005). This was, for partnered mothers, a high rate of withdrawal from the labour market when children are very young but high participation rates when children are school age. But for sole mothers, New Zealand has relatively low employment rates compared with many other countries both when the children are young and when they are at school. This information led to a debate as to whether endeavouring to increase women's, particularly mothers', participation in the labour force was a worthwhile goal. There were two major research and policy issues: first, does time out of the workforce have an adverse impact on future employment and promotion prospects; and second, does encouragement of mothers back into work have a negative effect of future child outcomes? However, a third issue was part of the public debates. This was over the 'choice' or preferences of mothers. It was seen by many that society should allow women to have the choice to be full time mothers at home but, equally, they should have the ability to be full time workers should they wish to do so.

¹ In number of countries, including New Zealand and Australia, there have also been some significant changes in the employment patterns of fathers (Callister 2005, Birrell and Rapson 1998).

There is much debate about preferences of women and what might assist or constrain them (Hakim 2000, Stier and Lewin-Epstein 2003). Potentially many factors influence 'choices' made by parents in relation to their paid work, unpaid work and leisure. These include: research findings (such as whether childcare 'harms' or 'assists' child development); country 'norms'; individual skill levels of parents and, if they have one, the characteristics of their partner; characteristics of children (such as whether they have special needs); costs of home services (technology and labour); level of labour demand; biology (e.g childbirth and breastfeeding); supports given by employers; and finally, the main focus of this paper, the support given by governments (such as subsidised childcare, paid leave or tax credits for employed parents). In this paper we are particularly interested in the early years of a child's life, given that the age of children strongly influences paid and unpaid working patterns of parents.

As Gregg and Waldfogel (2005) note, one of the more contested topics in social policy is what support governments should provide to parents with young children, including paid leave entitlements, out of home childcare and support for sole parents to stay at home to care for their children. In contrast to the debate about childcare provision for pre-school children, Gregg and Waldfogel also demonstrate that in industrialised countries once children are of school age, age six in much of Europe and five in many other industrialised countries, there is widespread agreement that government should provide free and appropriate schooling for all. However, if the concern is with child development, then the emphasis on school-age children is restrictive as recent research has shown that it is the first three years of life that much development of cognitive and socio-emotional capacities happens (Duncan 2005).

In both research and policy discussions the types of questions being investigated in relation optimal parenting/paid working patterns include:

- Is it better for pre-school children, in terms of health and development, to be home with parents, particularly mothers, for a period of time and, if so, for how long?
- How does a withdrawal from the labour force affect the well-being of mothers and children?
- Can, and should, government policies influence parents' decisions about the care of their young children and, through that mechanism, potentially children's health and development?
- Should sole mothers be treated differently from partnered mothers?
- Should fathers be brought more in to the discussion of work-life balance and child development?

And an even more fundamental question that influences how many children there are in a society:

- Is it possible to have high employment rates for women as well as women having similar opportunities as men in managerial and professional occupations yet maintain replacement fertility levels?

To set the scene, this paper begins with some of the contextual background against which work-life balance discussions in New Zealand need to take place. Clearly, there are many influences that could be important but we have highlighted a few that we think are particularly relevant to discussions at this conference. Next, we consider some research on the optimal work-life balance for parents in the early years of a child's life. This includes a discussion of ways of supporting optimal fertility and women's employment patterns and then optimal patterns of paid and unpaid work once a child is born.

In relation to these research findings we consider the level of support we give New Zealand parents and how this compares internationally. This includes some discussion as over ways to measure 'family friendliness'. In this section, we focus mainly on childcare support and paid parental leave.

Finally, we put forward some suggestions as to how New Zealand policy might change to support an optimal work-life balance for parents of dependent children.

Some contextual information for work-life balance discussions

There are several factors that influence policy toward work-life balance and its socio-economic outcomes.

1. Population ageing. Like other industrialised countries, New Zealand's labour force is ageing. A new concern could then be about work-life balance of older people including their responsibilities for their own parents who are living longer. However, the normal policy issue is whether pension levels can be maintained without the need to raise tax rates. Achieving this requires both increasing labour force participation in both prime working ages and in older age groups. In terms of actual numbers of potential prime age workers, currently there are 5.5 people aged 15-64 for every person aged 65 or older, yet in 30 years time this is projected to have reduced to 2.7. While not an immediate problem, in the longer term this will place more pressure on the prime age population in terms of participation, possibly in working hours, and ultimately in productivity. While, based on historical patterns of working, employment rates for men may be able to be lifted (Figure 1), the largest potential gains coming from higher female participation rates, and through increasing productivity of the workforce based on improvements in educational attainment.

Figure 1



Women in prime childbearing/rearing age groups are projected to continue to be a very important part of the labour force, particularly given that there may be on-going labour shortages and the new cohorts of workers are better qualified than older cohorts. Statistics New Zealand show that in 1991 women aged 25-44 made up 22% of the labour force, but despite ageing of the workforce they are projected to comprise 18% in 2026 and 17% in 2051. Many of these women will have male partners who will also face work life balance challenges. While work-life balance issues will be important across the whole labour force, possible conflicts between paid work and the raising of young children will continue to be a very significant part of work life balance discussions in the future.

In 2005 in New Zealand women's employment rates were the highest since WW2 (Figure 1). But despite a rapid rise in employment rates of mothers of young children in recent decades (Johnston 2005), New Zealand rates remain low by international standards (Table 1). However, employment rates rise rapidly as the age of the youngest child increases and rates for women with older children are high relative to the rest of the OECD (Johnston 2005). The lower rates of employment of mothers of younger children may reflect active choices made by parents or may reflect severely constrained choices due to lack of support in areas such as paid parental leave and childcare.

Table 1: Female and Maternal Employment Rates, New Zealand

| | Women | | Mother child 0-16 | | Mothers Child <3 | | Mothers Child 3-5 | | Mothers Child 6-16 | |
|------|-------|------|-------------------|------|------------------|------|-------------------|------|--------------------|------|
| | All | %PT | All | %PT | All | %PT | All | %PT | All | %PT |
| | | | | | | | | | | |
| 1986 | 57.8 | 28.5 | 53.6 | 45.2 | 29.1 | 58.3 | 47.4 | 54.0 | 68.7 | 40.3 |
| 1991 | 55.1 | 31.1 | 51.4 | 45.6 | 30.5 | 57.7 | 46.1 | 55.1 | 67.3 | 39.6 |
| 1996 | 63.4 | 35.6 | 58.1 | 47.6 | 40.4 | 59.3 | 55.4 | 54.3 | 70.6 | 41.0 |
| 2001 | 65.8 | 35.3 | 62.2 | 45.8 | 43.2 | 56.0 | 58.2 | 52.2 | 74.7 | 40.5 |

Source: derived from OECD (2004).

Education levels have been rising rapidly for both men and women (Table 2). But in recent years women have been increasing their participation in tertiary education faster than men. Ministry of Education data for year ended 2004 show that there were 30% more women than men enrolled in tertiary education, and for those undertaking degrees or higher qualifications there were 43% more women than men. The imbalances are even stronger for Maori and Pacific communities. Part of this represents a 'catch up' by women in older age groups, and foreign students can disguise New Zealand trends. But when the age range is restricted to those under 30 and to only domestic students the imbalances are still significant (Table 2).

Table 2: Total tertiary enrolments - Under 30 year old domestic students, 1996-2004, Year ended data

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| Female | 81,261 | 80,323 | 79,982 | 93,467 | 97,797 | 104,925 | 110,889 | 118,672 | 116,238 |
| Male | 81,847 | 78,300 | 75,897 | 84,645 | 87,152 | 91,477 | 92,875 | 101,967 | 98,571 |
| Ratio women to men | 0.99 | 1.03 | 1.05 | 1.10 | 1.12 | 1.15 | 1.19 | 1.16 | 1.18 |

Source: Ministry of Education

This change in education potentially flows through to decisions made in both labour and marriage markets in a number of ways. For example, much research indicates that well-educated women are more likely to invest more heavily in careers, delay childbearing and, particularly if paid work and childbearing/rearing are seen as being incompatible, have fewer children. Increasingly in couples both partners are well educated and, in some couples, the woman has a higher level of education than their partner. These changes may affect choices about paid and unpaid work within couples. For example:

- There are more dual career couples. This increases income inequalities between households (O’Dea 2000). It may even make it more difficult to fill managerial and professional jobs in small towns and cities as both partners may be looking for career positions (Costa and Kahn 1999).
- With more women marrying ‘down’ educationally (Callister 2006), it is possible that they will have greater negotiating power, though higher earnings, when living in couples. This may mean that amongst couples raising children a greater number of men will be the primary caregiver even if employed themselves. This may mean a greater demand for family friendly benefits by men.

Through these education effects there is the possibility that views about an optimal work-life balance for parents may be changing. For example, there may be more pressure to support women working full-time in paid work when children are young than policies that support part-time work.

2. Working Hours. Comparative data indicate that New Zealand is at the high end of the spectrum in terms of the proportion of individuals and couples working long hours (Callister 2004, Gornick 2006) – above 50 hours per week for individuals. But it is a complicated story, with data showing that for individuals, average working hours have actually declined in recent decades. This is because the proportion of the workforce working short hours has also increased. There is much diversity in working hours in New Zealand.

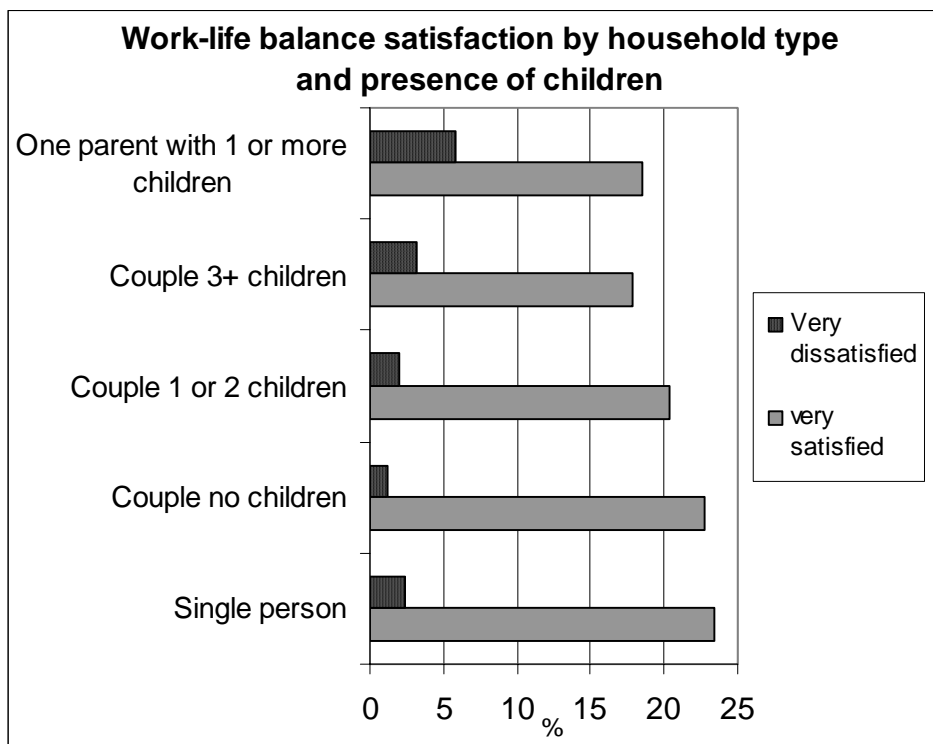
While little research has been carried out in New Zealand directly on working hour preferences, overseas research suggests that there is also a diversity of opinions about whether current working patterns for individuals match preferences. Many people working short hours are happy, but others want to work longer hours. Some people working very long hours, including parents, are also happy with their hours, but others

want to reduce their hours (Callister 2004). Data on couple working hour preferences in New Zealand also show some variation (Gomes 2006).

In addition, while much international literature can be found on the stress of long working hours (see Sloan database)², there is also some literature suggesting that leisure hours have also increased for many workers in industrialised countries – what has declined is unpaid work – through technological changes and marketisation of unpaid work (e.g. Hamermesh and Lee 2003).

One recent study on work-life balance satisfaction in New Zealand suggests that despite many people working long hours relatively few are very dissatisfied with their ‘balance’. Crothers (2006) uses data from both the 2004 Supplementary Social Report Survey (Smith 2004) and from several years of surveys from the Big Cities Quality of Life project. Analysing data on satisfaction -balance between work and other aspects of life (a question asked only of those in the workforce) he found that the overall distribution of satisfactions is that nearly one half were ‘satisfied’ with their balance, with another one-fifth each at the two adjacent levels as either ‘very satisfied’ or neutral’. Perhaps one-sixth are ‘dissatisfied’ and a very small proportion ‘very dissatisfied’. Figure 3 shows the two extremes of responses for parents versus non-parents. This shows that few in each group are very dissatisfied, but on the basis of these descriptive data the presence of children does increase the level of dissatisfaction and sole parents are the most dissatisfied.

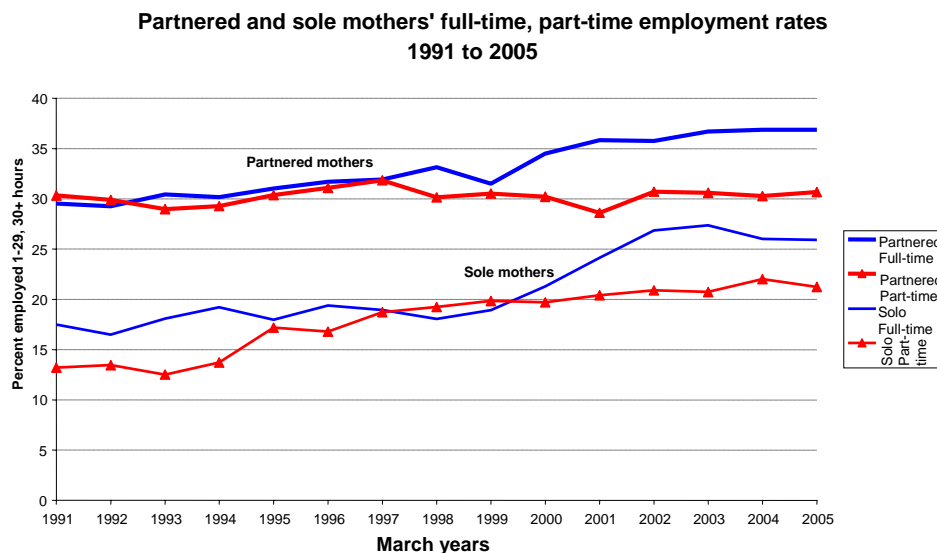
Figure 3



3. Sole Parenting. After the US, New Zealand has the greatest proportion of children living in 'sole parent' families, predominantly headed by mothers. This presents particular problems for supporting work-life balance issues as the mothers have the dual responsibility of breadwinning and childrearing. But overseas studies indicate that in many of these families both the biological parents have some on-going involvement with their child(ren). Flows of care and income support can run across households, adding complexity to work-life balance issues (Callister and Birks 2006).

Figure 4 shows that the employment rates for sole parents are far lower than for partnered mothers, though the gap between the two has narrowed since 1999. In 1992, New Zealand had one of the lowest employment rates for sole parents, and the largest gap between sole and partnered mothers in the OECD (Bradshaw et al 1996). As most countries had similar employment rates for partnered and sole parents, the suggestion was that the operation of the Domestic Purposes Benefit, with its implicit emphasis on child-rearing rather than bread-winning, had not encouraged sole parents into work at a time when female employment rates in general had risen. Since then, the combination of the 1991 benefit cuts, the post-1999 economic recovery, the shift in expectations for sole parents of work, especially when the child is of school-age, have all resulted in the significant increase in employment rates. However, the gap between partnered and sole parent rates indicates that there is still a potential reservoir of labour, provided the appropriate work-life-child development balance is achieved.

Figure 4



4. Fertility. In New Zealand the fertility rate is currently just under replacement level. Along with the United States, New Zealand stands out as having maintained fertility levels in spite of rising employment of women. New Zealand's relatively high fertility is one reason for lower than OECD average participation rates for women aged 25-34 (Johnston 2005).

Across OECD countries the level of fertility actually increases with female employment levels, and by OECD standards, New Zealand and the US have above average fertility for the level of female employment, (OECD 2004). This may indicate that the US and New Zealand have good policy settings that support female employment and fertility. But New Zealand research shows that below replacement levels are to be found amongst sub-populations, particularly well-educated women and, connected with this, within key labour markets within main urban areas. New Zealand research indicates that women are making tradeoffs between career decisions and fertility decisions. Fertility issues are addressed in more detail in the following section.

5. Poverty amongst Families with Dependent Children. Poverty, especially when of long duration or severe (in terms of extent below the poverty line), obviously impacts on the quality of life, the level of child development and reduces the ability of families to trade-off work with other objectives. UNICEF (2005), using a poverty line of 50% of median household income, showed that in 2001 New Zealand had one of the highest poverty rates for children, with the poverty rate being much higher for children than adults due to the lack of assistance to families with children. With an income poverty line set at 60% of median income, Table 3 shows that the incidence of poverty in 2004 was highest for those largely reliant upon benefits, and they make up the majority of the poor. Part-time work combined with abated benefit receipt significantly reduces the incidence of poverty and its severity as measured by the size of the poverty gap (the extent to which households fall below the poverty line). Having one person in work in the household (either through sole parenting or one partner being at home child-rearing) results in a major reduction in the incidence of poverty. It is this group that should be most influenced by the new in-work payment. Households with two or more workers have a very low poverty incidence. Although these households still account for 16% of the total poor, this data provides the empirical justification for the trend towards work-rich households (Callister 2000).

Table 3: Incidence and Severity of Income Poverty, by Employment Status, 2004. Poverty Measure: 60% of median household equivalent income.

| Employment Status | Poverty Incidence (%) | | | Structure People % | Poverty Gap \$m |
|-------------------|-----------------------|--------|----------|--------------------|-----------------|
| | People | Adults | Children | | |
| Benefit Receipt | 67.3 | 66.7 | 69.2 | 45.6 | 599.7 |
| Benefits+Income | 34.9 | 27.1 | 59.3 | 19.6 | 194.8 |
| 1 worker | 18.5 | 14.1 | 30.4 | 18.3 | 216.3 |
| 2 workers | 5.9 | 5.0 | 8.4 | 11.1 | 56.6 |
| 3+ workers | 5.2 | 4.6 | 7.8 | 5.4 | 44.4 |
| Total | 19.4 | 17.4 | 25.8 | 100.0 | 1111.8 |

Source: derived from New Zealand Poverty Measurement Project data base.

6. Size of Firm. Firm size may influence employer attitudes to work-life balance issues. Large firms have sufficient staff to provide flexibility over work-life balance items such as parental leave or minding of sick children, but can get caught up in bureaucratic rules. Small firms are less rule-based but often do not have sufficient staff to permit flexible leave taking. New Zealand has many small employers. Yet most people do not work for

small employers. New Zealand is not that different to other countries in the number of people who work for small employers (Carroll et al 2002, Mills and Timmins 2004). Where New Zealand is different is that there are few really large employers (10,000+ employees).

7. Labour market outcomes. There have been significant changes away from a standard work week, with increasing reliance upon non-standard work hours as well as part-time and casual labour. This increasing diversity in labour market outcomes for both men and women adds further complexity to work-life balance discussions. Increasing income inequality, especially at the top end of the income spectrum due a combination of higher salaries and work-rich households, affects the level of disposable income to pay for childminding activities. Men still are still highly over-represented in senior management positions and on private and public sector boards. But there are a group of men, generally those with few formal qualifications, who increasingly face difficulties in the labour market either in terms of lower employment rates or decreasing real wages. These men also face difficulties in the marriage market which has some influence on family type and potentially fertility (Callister 2000).

8. Changing societal norms. Parenthood has taken lower relevance for life satisfaction with greater desires of women to be economically and financially independent. Mothers are increasing expected to be both caregivers and income earners. But fathers are also expected now to fill both roles. On average, mothers undertake more unpaid work than fathers, but fathers undertake more paid work with both mothers and fathers potentially facing a 'double burden' (Callister 2005). Fathers of young children are over-represented amongst those working long hours in New Zealand, probably indicating greater pressure for financial security.

Research on the optimal work-life balance for parents

Supporting optimal fertility and employment

...if women are provided with opportunities nearly equivalent to those of men in education and market employment, but these opportunities are severely curtailed by having children, then, on average, women will restrict the number of children that they have to an extent which leaves fertility at a precariously low, long-term level (McDonald 2000: 1).

As already noted, one crude measure of whether there is an optimal work-life balance is by examining employment and fertility choices. Below-replacement fertility rates (under 2.1 births per woman³) are the norm in industrialised countries and, along with a decline in mortality, this is the driver for the ageing of the population in these countries.⁴ The transition to sub-replacement occurred in Sweden in the late 1960s, in the United States in the early 1970s and in other countries in the mid 1970s. However, Sweden experienced

³ Statistics New Zealand (2001: 20) notes that while the level of replacement is usually taken to be 2.1 births per woman, the actual replacement levels vary. The actual replacement rate depends on factors such as infant mortality and abnormal adult sex ratios.

⁴ Bongaarts (1999) warns that published total fertility rates in industrialised countries might be understating actual fertility rates as they do not take into account the rise in the age of childbearing.

a brief recovery with fertility rates lifting to replacement levels in 1990 to 1991. The decline in fertility between 1970 and 1980 occurred for both women aged 15-29 and aged 30-45, but from 1980 onwards, the fertility rate decline continued for women aged 15-29 (d'Addio and d'Ercole 2005).

The United States currently has a higher overall fertility rate than any other high income industrialised country in the OECD although New Zealand is not far behind (Table 4).⁵

Table 4: Total Fertility Rate (Average births per woman over reproductive life)

| | latest estimate by UN Population Division | |
|--------------------|--|--------------|
| Mexico | 2.75 | -2002 |
| Turkey | 2.46 | -2002 |
| United States | 2.01 | -2002 |
| Ireland | 1.98 | -2001 |
| New Zealand | 1.95 | -2003 |
| Iceland | 1.93 | -2002 |
| France | 1.88 | -2002 |
| Norway | 1.8 | -2003 |
| Denmark | 1.76 | -2003 |
| Australia | 1.75 | -2003 |
| Netherlands | 1.75 | -2003 |
| Finland | 1.72 | -2002 |
| United Kingdom | 1.72 | -2003 |
| Belgium | 1.66 | -2000 |
| Sweden | 1.65 | -2002 |
| Luxembourg | 1.63 | -2002 |
| OECD(1) | 1.63 | |
| Canada | 1.51 | -2001 |
| Portugal | 1.42 | -2001 |
| Switzerland | 1.41 | -2001 |
| Austria | 1.4 | -2002 |
| Germany | 1.35 | -2001 |
| Hungary | 1.31 | -2002 |
| Korea | 1.3 | -2001 |
| Greece | 1.29 | -2001 |
| Japan | 1.29 | -2003 |
| Poland | 1.29 | -2001 |
| Italy | 1.24 | -2001 |
| Spain | 1.24 | -2001 |
| Slovak Republic | 1.19 | -2002 |
| Czech Republic | 1.17 | -2002 |

Source: Statistics New Zealand UN Demographic Yearbook 2002 and statistical yearbooks of individual countries

⁵ Israel, currently not a member of the OECD, stands out as being a high fertility industrialised country.

Fertility in the US rose during the late 1980s, in part due to migration (Riche 2000). Immigrant families often bring school-age children with them when they migrate and also often have more children once in the United States. In 1998, nearly 20 percent of all United States births were to foreign-born women. The mean age of mothers at first childbirth remained constant in the US, whereas most countries had a substantial increase, with New Zealand having the largest increase, resulting in New Zealand having the oldest mean age of mothering at first childbirth in the OECD at 30 years (d'Addio and d'Ercole 2005). Postponement of childbearing reduces the number of children they can have over their lifetime (and may mean not having children at all), as well as having potential health consequences for both the mothers and children.

There has been much theorizing about the relationship between trends in fertility and trends in female employment. In a summary of literature on this topic, the OECD (2001) makes a number of points. First, they suggest that there are two main schools of thought about women's employment and fertility. One suggests that the increase in both women's employment and relative earnings raises the opportunity costs of childbearing. The other is that rising consumption aspirations encourage both partners in couple families to remain in paid work. However, the OECD observes that these theories are not inconsistent and both can explain increased employment and lowered fertility. As noted, other theories point to modern contraception lowering the chance of unplanned pregnancies. The OECD also points out that fertility levels have remained high mainly in countries where a major proportion of births occur outside marriage. These tend to be countries where the employment of women is also relatively high. The OECD makes the point that while fertility and women's employment are generally seen as substitutes, paradoxically there is currently a positive correlation between female employment and fertility rates across the OECD. Part of this can be explained by labour market conditions. For example, high unemployment and unstable contracts, common in Southern Europe, have been found to depress fertility, particularly of younger women (Adsera 2004). Too much paid work might suppress fertility but so might too little work.

So can fertility levels be influenced by government policies? From an economic perspective, Gauthier and Hatzius (1997) argue that government measures aimed at reducing the cost of children will theoretically have an effect on parents' 'demand for children'. They suggest there are two ways of reducing the cost:

1. Reducing the direct cost of children. Policies could include free childcare, free health coverage for children, or cash benefits to families with children.
2. Reducing the opportunity costs of children – e.g. reducing the forgone earnings by women (or men) who withdraw from the labour market to look after children. Paid parental leave would be an example of a policy that allows parents to withdraw temporarily from employment but to retain a strong connection to the labour market.

Family-friendly policies can potentially reduce either the direct cost or the opportunity cost of children for parents. However, Heitlinger (1993) makes the point (p. 13) that "family friendly" reorganisation of employment and childcare is typically advocated as a

measure of equal opportunity rather than pronatalism.’ She goes on to state (p. 20-21) ‘...demographers and feminists have often seen the goals of emancipation of women and pronatalism as mutually exclusive.’ Drago and Varner (2001: 5) have also argued that “public policy discussion in the United States has not, to date, considered issues of fertility and delayed childbearing in the context of work/family policies.” Drago and Varner discuss both a marked decline in overall United States fertility rates over time and the increased use of fertility treatments associated with delayed childbearing among highly educated employed women. Amongst a range of causes for these trends they suggest that to become ‘ideal workers’ women in professional careers have limited their fertility and, connected with this, have not fully utilized the family responsive policies that might be available. McDonald (2001) highlights the problems facing low fertility countries, in particular those with total fertility rates of under 1.5. These include Hong Kong (1.0), Czech Republic (1.1), Spain (1.2), Germany (1.3) and Canada (1.4). He suggests that in Southern and Western Europe (including Italy) as well as in East Asia, low fertility appears to be ‘associated with the persistence of a male-dominated family structure combined with economies that provide major advantages to women so long as they do not have children’ (p. 8). He suggests that the following policies could help reverse patterns of low fertility:

- supporting parental leave
- encouraging the sharing of leave
- letting employees switch to part-time work, with the right to return to full-time work
- providing quality, affordable child care, including after-school care
- recognizing the costs of children in the tax system.

Heitlinger provides a matrix of components of possible non-coercive and non-traditional sex role policies that could promote fertility (Table 5).⁶ The two policy options raise the ‘equality’ versus ‘difference’ debates that have been so important in many industrialised countries.

⁶ Coercive policies would include reducing the availability of contraception and restricting abortions. In her original table, policies that support traditional gender roles are also outlined.

Table 5: Heitlinger’s Matrix of egalitarian components of specific pronatalist policies

| <i>Type of non-coercive pronatalism</i> | <i>Type of sex equality</i> | |
|--|---|--|
| | <i>Sex equality based on sex differences and special needs of women</i> Couples (single parents) where the woman stops working temporarily after childbirth and intends to return to her previous employment; can benefit from: | <i>Androgynous gender-neutral sex equality</i> Measures for all parents or couples: |
| <i>“facilitative” measures associated with “social protection of motherhood”</i> | Full access to birth control information and safe techniques; Protective labour laws for women in general and pregnant women in particular; Free obstetrical and paediatric care; Short-term and long-term, paid and unpaid pregnancy and maternity leaves; Day-care facilities at the woman’s place of work; Flexible working hours and conditions for women workers; Pay and employment equity; Reduction of the age at which women are entitled to pension depending on the number of children they have had; | Full access to birth control information and safe techniques; Occupational health legislation applicable to all workers; Free obstetrical and paediatric care; Paid parental leave; fully or almost fully paid leaves to look after sick children for the individual parent, which cannot be transferred to the other parent; Community or gender-neutral workplace day care; Flexible working hours and conditions for parents of young children |
| <i>“positive” fiscal incentives</i> | Childbirth grants/family allowances payable to the mother only; maternity (childcare) grant payable during extended maternity leave; special awards for women who have a large number of children, coupled with preferential treatment for housing, day-care and holiday homes | Low-interest loans to newlyweds that are (partially) written off when children are born; tax and rent deductions according to the number of dependent children; (progressive) family allowance payable to either or both parents; state subsidies for children’s goods and services |

Source: Heitlinger (1993 p. 312-13) Note: Some of the items in this table are not listed in the same order as in the original table.

As an example of preferential treatment for large families, in France the *carte famille nombreuse* (large family card) provides a 30% reductions on trains and half-price on the metro, and the *carte Paris-famille* gives free entrance to swimming-pools and other amenities, as well as about UK£150 a year towards extra-curricular arts and sports.⁷

Do any of these types of policies actually increase fertility and, as important, are they consistent with women having high levels of employment? The international research provides some guide as to the effect of these policies (e.g. Alm and Peters 1990, Andersson 2000, Blau and Robins 1989, Chesnais 1996, Drago and Varner 2001, Ermisch 1988, Gauthier and Hatzius 1997, Hoem and Hoem 1996, Krull 2001, Phipps 2000, Rønsen 2001, Sceats 2003, Sundström 1993, Sundström and Stafford 1991, Sz. Oláh 1998, Tommaso 1999, Zhang, Quan and van Meerbergen 1994).⁸ In many of these

⁷ French government eyes 'le baby boom': <http://news.bbc.co.uk/1/hi/world/europe/4856992.stm>

⁸ There are two important components to fertility (Statistics New Zealand 2001: 11). The first is the initial decision to have a child (i.e. not to remain childless). The second is the decision as to the number of children to have. Statistics New Zealand notes that “childless” women have a proportionately greater impact on fertility.

studies, often a particular policy or a small set of policies are analysed rather than the effect of a much wider range of policies. Some of these policies could be considered 'facilitative measures associated with the social protection of motherhood, while others may be better described as "positive fiscal incentives" (Heitlinger (1993).

In New Zealand, while not directly studying policies to support fertility, Didham (2004) shows associations between female employment and lower levels of fertility as well as higher education (which itself is linked to higher employment) being associated with lower fertility. Increasingly there is also an interest in the role of men's decisions in relation couple formation and ultimately to decisions about fertility (e.g. Birrell 2000, Rendall *et al* 1999).

In a recent comprehensive review undertaken by Rand Europe the authors note that while national policies can slow fertility declines under the right circumstances:

1. No single type of policy intervention will necessarily slow fertility declines.
2. What works in one country may not work in another. Social, economic, and political contexts influence policy impacts. Therefore, policies indirectly aimed at fertility which target improvements in broader conditions may have beneficial fertility effects, and
3. Population policies take effect slowly, and therefore may be politically less attractive (Grant *et al* 2004: xiv).

In their report, the researchers note that France currently has the second highest rate of fertility in Europe (behind Ireland) and has one of the most interventionist set of policies aimed at encouraging families to have children. They note that France was the first country in Europe to witness fertility decline but that the long-term fertility decline prompted a deep and ongoing concern about population. Family policy has been high on the political agenda ever since the late 1930s. It is worth noting that both France and Ireland provide increased financial assistance to families with three or more children, though Bradshaw and Finch (2002) show a limited correlation between generosity of financial assistance and fertility rates.

The Rand report also notes that in most countries, policies that affect fertility typically have other objectives. For example, in Sweden, family policy and employment policies are linked to the primary objective of allowing couples to combine family formation with work. Thus, they suggest it would be wrong to describe the primary aim of policies such as parental leave, public childcare, etc. as increasing fertility (or preventing its further fall). The impact on fertility is secondary.

Overall, the literature on family-friendly supports and fertility suggests that there may be some policies, particularly when delivered as part of a coherent package, which will potentially lead to a small increase in fertility in industrialised countries. These supports are most likely to have an effect in countries with low levels of fertility, such as Italy, and amongst those groups of women who would prefer more children but face financial and/or employment disincentives to doing so. But perhaps more importantly, many of these policies are those that also support the employment of women in their prime childbearing ages. So work-life balance policies should be thought about in parallel to

discussions about fertility. Ian Pool, a speaker later at this conference will also consider this issue. In addition, later in 2006 the Institute of Policy Studies plan to hold a workshop considering fertility and employment.

An optimal work-life balance for parents of dependent children?

This section focuses primarily on research on an optimal work life balance in the early months/ years of a child's life. In New Zealand, Brewerton (2004) undertook a review of New Zealand and international literature on the influences of maternal employment and early childhood education (ECE) on young children's outcomes. This also included some discussion about the effect of fathers paid work on children. Since this time additional papers on the effect of mothers working on children, based on British and US data, have been published (Berger et al 2005, Gregg et al 2005, Ruhm 2005, Tanaka 2005).

Also since the Brewerton review, Galtry and Callister (2005) published a paper that endeavoured to assess the optimal length of parental leave for child and parental well-being. In focussing on parental the focus was the first year of a child's life. This paper argued that parental leave and childcare literature generally focuses on single issues. In this paper, the focus was widened to encompass mothers' labour market outcomes, concerns surrounding childbirth and maternal recovery, parent-infant bonding, children's cognitive development, breastfeeding, and, associated with each of these, gender equity objectives.

While some issues become relatively clear from such reviews (such as the optimal length of breastfeeding based on biomedical research) the advice that can be drawn from these types of studies can be best summarised by the statement: It depends! It depends on factors such as:

- Quality of out of home care versus parental care
- Whether gender equality in the home and the workplace is a goal of individuals and society
- The qualifications and labour market prospects of individuals (for example a temporary withdrawal from the labour market by a poorly qualified individual is likely to be less harmful to long term earnings than by a well qualified individual)
- How long a parent withdraws from the labour force when they have children
- How much emphasis is put on supporting WHO recommendations for optimal breastfeeding.
- How much weight is put on child health outcomes versus mother's labour market outcomes

In terms of the initial year of a child life, it seems that a short period of leave following childbirth is less costly to most employees in terms of its economic and employment effects. However, the negative economic consequence of longer leaves appear to be less observable in countries like Sweden where such behaviour is more predictable. Conversely, other research, mainly from the biomedical arena, suggests that longer and, ideally, *paid* parental leave periods are required if the highest attainable levels of child

health are to be achieved. With regard to fetal and maternal health, leave policies must include measures that offer pregnant workers the opportunity to take a period of their leave entitlement prior to childbirth. However, taking a portion of leave in the prebirth period should not, ideally, reduce the length of leave available to women following the birth. In the prenatal period, however, it is difficult to determine a universally appropriate length of leave as this is largely determined by the nature of the pregnancy as well as the woman's job type and working conditions. Following childbirth, women's physical and mental health is generally facilitated by a period of leave. Moreover, research establishing the importance of a period of time out of the workplace to support longer periods of breastfeeding justifies on both public health and equal employment opportunity grounds the need for a six-month period of postnatal leave so that mothers can exclusively breastfeed their infants for this period. In addition, workplace measures are required to enable those employees who wish, or are economically compelled, to return to work immediately following childbirth to better integrate their work and family commitments. These include measures for 'phasing back' through part-time work, shorter working days and/or flextime, as well as provisions for breastfeeding breaks and facilities. Such measures are also required to enable employees returning to work after a period of leave to continue breastfeeding.

However, if an initial, six-month period of leave following childbirth is warranted primarily on maternal and child health grounds, leave then comes to be seen as unavoidably female-specific, i.e. pertaining primarily to women. Herein lies a gender equity conundrum within couples. In heterosexual, two-parent families, if greater equality both in the home and the workplace is to be achieved parental leave needs to be shared equally by both parents, thereby avoiding the entrenchment of traditional gendered roles and responsibilities. This then necessitates parents taking leave concurrently or, alternatively, an even longer period of leave, so that they can then take it consecutively. Leave longer than six months would ensure that fathers have the opportunity, and are also actively encouraged through education and policy measures, to both spend time with their child and balance the breastfeeding mother's potential time input during the early months, if indeed she takes leave for this purpose.

One way of achieving this scenario would be to emulate the Swedish-type model. Although still having a considerable way to go with regard to attaining full gender equality, Sweden has nevertheless managed to design and develop a parental leave policy package that recognises and endeavours to address the dual objectives of child health and gender equity.

Impact on Child Development

Policies designed to influence work-life balance for parents need to be aware of the impact on their children. In terms of child development, there is an emerging consensus that the pre-school years of life are crucial in terms of cognitive and socio-emotional development (Esping-Andersen 2004, Feinstein 2003, Heckman and Lochner 2000, Waldfogel 2004). This research, largely based on longitudinal data, shows that much inequality has occurred by the time a child enters school, and that schools have less

impact on child development compared to pre-school years. Whilst differences in genetic endowments play an important role in the level of child attainments, the degree of parental care and nurture, preschool care and education, and levels of parental income and standards of living are possibly of greater significance.

Adding child outcomes into the equation complicates parental work-life balance decisions. On the one hand, additional income from employment reduces the impact that poverty has on child attainments. Brooks-Gunn and Duncan (1997) and Mayer (2002) indicate that the move from low to moderate incomes has a large impact, even though further income increases have relatively small effects. On the other hand, maternal employment increases stress and reduces the availability of time for child-rearing, both of which can adversely affect child outcomes. However, the trade-off between these two varies by age group, with a general impression that for the first year of life, the child is probably better at home with a parent, and between ages 3 and 5 some form of quality child interaction is desirable, with a grey area for children aged 1 and 2.

In a literature review, Waldfogel (2004) indicates that for the first year of life, maternal employment, particularly if started on a full-time basis soon after birth, results in poorer cognitive development and more behavioural problems. However, the quality of that child care is important when parents are in employment. Paid parental leave results in better maternal and child health, but unpaid leave does not have the same beneficial effects, partly resulting from the lower income levels. For children aged 1 and 2, it is the quality of childcare, whether from a parent or minder, that is important for cognitive and behavioural outcomes, though group childcare reduces health. In the US, among the disadvantaged, quality group childcare has resulted in both improved child outcomes, and that these effects last through at least into teen years, and mothers' earnings increased as well.

For those aged 3-5 years, maternal employment has little impact on cognitive development, but adversely affects health, while poor quality care adversely affects child behaviour. Longer hours also have adverse impacts (Waldfogel 2004). UK research shows that children who attend pre-school, whether full- or part-time, have an advantage when entering school.

Societal and employer family friendly supports

In 2001 the OECD published a comparative study on balancing work and family life. New Zealand was not part of this study. The first part of study focussed primarily on childcare and parental leave measures. This included the proportion of young children using formal child-care arrangements and, in terms of parental leave indicators of duration of maternity leave weeks and maternity benefits as a percentage of average wages. These are quite crude measures. As an example, if it is decided that an optimal work-life balance suggests that childcare for under 1 year olds should not be strongly supported by the state but instead paid leave should be, then having a high level of under 3s may not represent an optimal work-life balance outcome.

The OECD also calculated summary indicators of work/family reconciliation policies and relevant flexible work arrangements. As an example of this work, Table 5 shows four of the eighteen countries ranked relative to the other countries in the study (1 is the most ‘family friendly’).⁹ Table 5 indicates that, while, as might be expected, Sweden ranks as the most family-friendly country in the composite index and Italy as one of the least, this ranking is not true in all of the categories that comprise the index. For example, Italy ranks relatively high in childcare coverage for children over three year olds, the United States is high in flexitime arrangements, while the United Kingdom is strong with regard to voluntary part-time work.¹⁰

Table 5: Rankings for selected countries using OECD summary indicators of work/family reconciliation policies and relevant flexible work arrangements

| | Childcare coverage for under 3s | Childcare coverage for over 3s | Maternity pay entitlements | Total maternity / childcare leave | Voluntary family leave in firms* | Flexi-time working | Voluntary part time working | Composite index | Employment rate for women 30-34 |
|--------|---------------------------------|--------------------------------|----------------------------|-----------------------------------|----------------------------------|--------------------|-----------------------------|-----------------|---------------------------------|
| USA | 2 | 10 | 17= | 18 | 15 | 2 | 13 | 7 | 72.0 |
| UK | 6 | 13= | 13= | 15= | 11 | 6 | 3 | 5= | 69.4 |
| Sweden | 3 | 7 | 1 | 7 | 16 | 5 | 7= | 1 | 76.7 |
| Italy | 14= | 4 | 5 | 11 | 3 | 15= | 14 | 14 | 52.6 |

Source: OECD (2001a). For full notes on how the underlying data were calculated refer to this OECD publication.

The OECD notes that when all the countries were considered, the composite index had a high level of correlation with the employment rate for women aged 30-34. While New Zealand was included in some of these data, it was not considered in all the comparisons.

Gornick, Meyers, and Ross (1997) have also constructed indices of employment-supportive policy for 14 OECD countries. These were based on data from the mid to late 1980s and took into account a wide range of factors. These included coverage for legislated job protection, the wage replacement for paid maternity leave, guaranteed childcare coverage, tax relief for childcare and length of school day and year. These indices ranked policies for mothers with children less than three years old, less than six years old, from three years old to school age, and school-aged children. The system devised by Gornick *et al* placed the United States at or near the bottom with regard to policies that support the employment of mothers with pre-school children, but highest for mothers of school-aged children. Again New Zealand was not part of this study.

Two lessons for New Zealand can be learnt from this type of comparative study. First, no one policy on its own ensures a country is family friendly. It is how a combination of policies work together that is important. But secondly, the absence of New Zealand in these studies makes it harder for us to see where we stand internationally and, more importantly, how we might improve our policies. Both studies drew heavily on international data collections, some critical ones New Zealand is not part of. This

⁹ The additional countries in the original table were Canada, Japan, Denmark, Finland, Portugal, Spain, Greece, Ireland, Austria, Germany, Netherlands, Belgium, France and Australia.

¹⁰ In this OECD report there is a section on voluntary family-friendly arrangements in firms, a topic, which they note, that has been relatively underdeveloped at the international level. In New Zealand, Treasury has also noted the importance of the policies of employers (Varuhas, Fursman and Jacobsen 2003).

includes the Luxembourg Income Study (which includes income and labour market data) and the Essex Time Use study.

However, it is also important to note that these studies do not include the full range of policies that may affect work-life balance. These include:

- Weekly working hour regulations such as seen in the UK and France, and being considered currently in New Zealand (within a broader bill supporting workers choice of flexible working arrangements)
- Holiday regulations
- Shop trading hours
- Tax credits for working families
- Preferential treatment for large families
- Housing and education policies
- Student loans policies
- Parental leave policies
- Childcare support
- After school care
- Public health care

It is beyond the scope of this paper to examine where New Zealand stands internationally in relation to the wide range of policies that might support an optimal work-life balance in families. Instead, we focus on paid parental leave, then some types of assistance to families with dependent children, particularly out-of-home childcare support.

Paid parental leave

Paid parental leave is designed to improve both work-life balance and child development. It permits retention of (in part at least) living standards while the parent is on leave, reducing hardship and thus this adverse impact on child development, and it occurs at a time when cognitive and socio-emotive development best occurs through interaction with parents. By providing a guaranteed return to work, skill levels should not be affected, with limited impact on career development.

As the turn of the century approached, the United States, New Zealand, and Australia were the only OECD countries without a nationwide, publicly funded, paid parental scheme (Wisensale, 2001).¹¹ However, in New Zealand a Parental Tax Credit was introduced as part of a wider Family Assistance package outlined in the 1999 Budget. It was available to qualifying families with a child or children born on or after 1 October 1999. The government at the time did not support the provision of European models of paid parental leave, but nevertheless wished to provide some financial support to new

¹¹ This section only considers taxpayer funded paid parental leave. Employers can, and do, offer paid leave to some employees. Estimates of the prevalence of paid parental leave funded directly by New Zealand employers prior to the introduction of the 2002 paid leave legislation varied from just 13% to 43% of workplaces. Just over a third of employees (35%) had some form of PPL in their contracts (http://www.eeotrust.org.nz/news/index.cfm?content_id=212).

working parents with low incomes. In 2001, the Labour-Alliance government introduced the *Parental Leave and Employment Protection (Paid Parental Leave) Amendment Bill* to Parliament. From 1 July 2002 biological mothers and a nominated adoptive parent who had been employed by the same employer for at least 10 hours per week over the previous year were eligible for 12 weeks paid parental leave. However, as a backup to this scheme, the government announced the extension of the existing tax credit scheme for new families.

Subsequently, the paid parental leave legislation has been reviewed. In historical debates about paid leave many issues have been considered but three have come up time and time again. These are: eligibility criteria, length of leave and, more recently, whether fathers should be eligible for paid leave. These issues continue to be debated. The official reviews of paid parental leave have resulted in the length of leave being first changed to 13 weeks then to 14 weeks in December 2005. It is also proposed that from 1 July 2006 14 weeks paid parental leave be available to self-employed mothers who have been working an average of 10 hours per week during the six months before the birth or date of adoption of a child (with the same right to transfer to their partners as applies to employees). At the time of this conference, this extension was still under consideration.

So how does our leave stack up against other countries? The OECD (2001) provide a summary of paid maternity leave provisions and total period of job protected leave as at 1999-2001. Data for New Zealand in 2005 has been added. Table 6 shows that New Zealand is no longer in the same group as the US and Australia, but have moved more towards a mainstream European model. The current period of paid leave is only few weeks shorter than that of France or the Netherlands. But New Zealand's the duration of paid parental leave is well short of that offered by the Nordic countries.

Table 6: Duration of paid maternity leave and total duration of job protected leave, Selected OECD countries, 1999-2001

| Nordic countries | Duration of paid maternity leave (weeks) | Total duration of leave (weeks) |
|-------------------------|--|---------------------------------|
| Denmark | 30 | 82 |
| Finland | 52 | 164 |
| Norway | 42 | 116 |
| Sweden | 64 | 85 |
| | | |
| Southern Europe | | |
| Greece | 16 | 42 |
| Italy | 21.5 | 64.5 |
| Portugal | 24.3 | 128.3 |
| Spain | 16 | 164 |
| | | |
| UK and continent | | |
| United Kingdom | 18 | 44 |
| Ireland | 14 | 42 |
| Austria | 16 | 112 |
| Germany | 14 | 162 |
| Netherlands | 16 | 68 |
| Switzerland | 16 | 16 |
| Belgium | 15 | 67 |
| France | 16 | 162 |
| Luxembourg | 16 | 68 |
| | | |
| Other Anglo | | |
| New Zealand (2005) | 14 | 52 |
| Australia | 0 | 52 |
| United States | 0 | 12 |

Source: OECD (2001: 144)

Table 6 shows maternity leave provisions. According to the OECD specific paternity leave entitlements are still relatively uncommon, and often of short duration. Based on 2001 data, they vary from three days or less in Greece, Portugal, Spain, the Netherlands, Belgium and France to ten days in Sweden, fourteen days in Denmark, Iceland and Norway and eighteen days in Finland.

As well as the overall length of leave (but also connected with this), the Nordic countries stand out in terms of their encouragement for fathers to take a more extended period of leave. In Sweden a specific ‘pappa’ month was introduced in 1995 and a second ‘pappa’ month followed in 2002. It should also be noted that, unlike New Zealand, Sweden does not offer taxpayer support for out of home childcare in the first year of a child’s life. This sends a clear official signal about what is considered the optimal work-life balance for parents in the early years of a child’s life.

While Sweden actively encourages fathers to take a period of paid leave some other paid leave legislation is entirely gender neutral. For example, the Californian Paid Family Leave Law that became effective in mid 2004 is gender neutral. It can be used as a maternity leave, but fathers or adoptive parents can equally use it.

When assessing the optimal design of parental leave policies a number of potentially conflicting goals must be considered:

- Should paid parental leave be primarily designed to support child health and child development goals?
- Is it designed to primarily to assist women remain attached to the labour force?
- Does it have an aim of promoting gender equity in paid work or should it also be designed to support gender equity in unpaid work?
- Should it provide support primarily to parents in standard work or should it be a universal payment for new parents?¹²
- Do we need to consider support of fertility when designing paid parental leave schemes

Some of these potentially conflicting goals are set out in Table 7.

¹² This issue is discussed in more detail in Callister and Galtry (2006).

Table 7: A diversity of goals of parental leave

| <i>Policy areas</i> | <i>Some of the issues to consider</i> | <i>Possible design of paid parental leave</i> |
|----------------------|---|--|
| Health | Mother's well-being in pregnancy, birth and recovery; breastfeeding; health problems related to group childcare | Paid leave not linked to job protection but universal payment; relatively long periods of leave; no taxpayer support for out of home childcare in first year of child's life |
| Employment | Cost of time out of workplace for parents; problems faced by employers with employees taking leave; increasing non-standard work affecting eligibility criteria | Paid leave linked to job protection; relatively short leave periods |
| Gender equity | Inequality in the workplace; roles of mothers and fathers in the home; differing family types (same sex couples etc) | Short gender-specific leave or longer gender-neutral leave; specific 'daddy' leave; promote leave taking by fathers |
| Supporting fertility | Higher opportunity costs associated with taking leave for well-educated women | High level of leave payment; universal payment |

Overall, the health and child development goals and, if father can be encouraged to take a significant period of leave, gender equity in the home goals appear to be best supported by the Nordic model of paid parental leave. Gender equity in paid work can also be supported in this model if leave is shared and if extensive childcare is supported once parents finish their leave period. The Swedish model would seem to represent an optimal parental leave policy. But it is an expensive model and it is unclear as to how far New Zealand will move towards adopting this policy design.

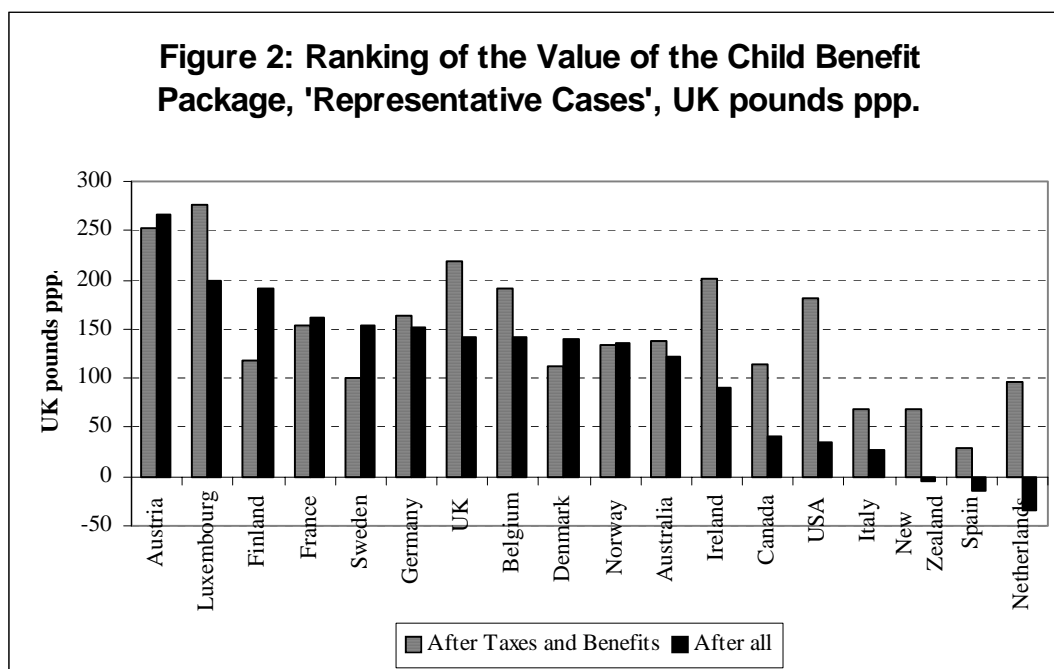
Assistance to Families with Dependent Children

One of the important issues in determining whether parents will work is whether they can afford to do so. Several variables are important here – the hourly wage rate, the personal income tax rate, the level of social assistance benefits, the abatement rate for benefits as people enter work, the level of financial assistance to families with dependent children, how that assistance varies with family income, and the net costs of childcare, including after-school care costs. Several recent comparative studies have looked at the interaction of these variables (Bradshaw and Finch 2003, Bradshaw 2006, Immervoll and Barber 2005, Stephens 2003), recognising that countries use different approaches to offset the costs of children, and have different strategies to encourage workforce participation.

Prior to the introduction of the Working for Families (WFF) package, New Zealand was one of the least generous OECD countries in terms of financial assistance to families with dependent children. Using a model family approach, based on 6 family types and 6 income levels, Bradshaw and Finch (2002) and Stephens (2003) showed (Figure 2) that

the New Zealand government provided relatively limited assistance in terms of cash, tax credits to offset the additional costs of children, compared to a couple without children. When the costs of service provision such as health, education, housing and childcare were included, New Zealand's families with dependent children were actually worse off than couples on the same income level. New Zealand was seen as having a very tightly targeted regime, only providing assistance to those below average earnings, but even at low income levels, relatively little assistance was provided (Figure 3)¹³.

The WFF package, introduced in Budget 2004¹⁴, and largely implemented by April 1 2006, represents a significant increase in the value of financial assistance, and changes the philosophy underpinning the package from vertical equity or targeting for poverty relief to horizontal equity, with the state taking a larger share of the additional costs of children. The package was in several parts, with the first aspect being a significant increase in the level of the Family Support Tax Credit, from \$47 for the first child to \$82, and from \$32 to \$57 for second and subsequent children (with additional amounts for older children). The increased payment for Family Support effectively returned it to its real value when introduced in 1986.

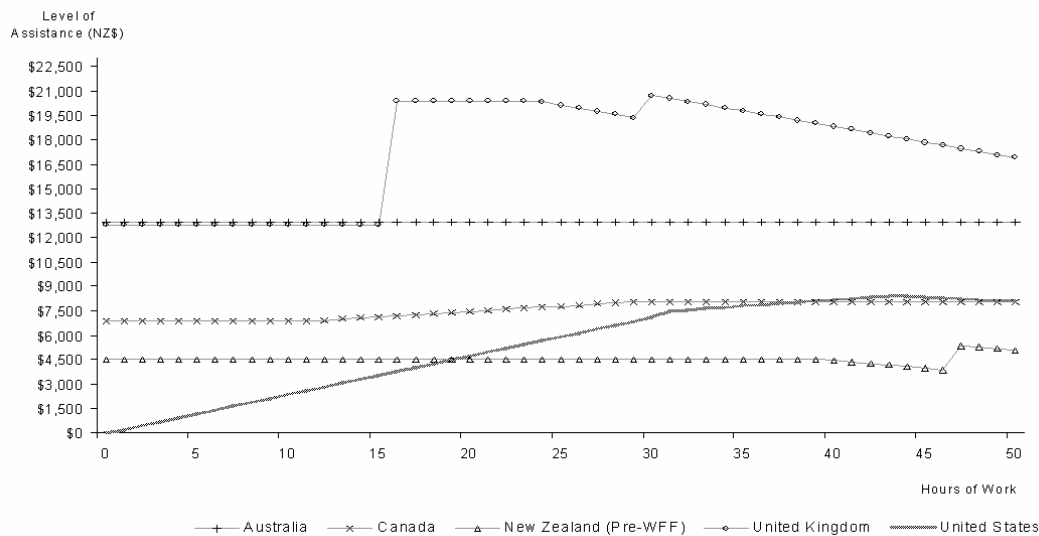


Source: Bradshaw and Finch (2002), Stephens (2003).

¹³ For the same fiscal cost, targeting should provide greater poverty alleviation. However, countries that use targeting tend to provide less assistance in total and to the poor, due to lack of political support for the programme (Saunders 1995), while the stigma from targeting reduces take-up rates and the abatement of benefits with income gives workforce disincentives, lowering self-help solutions to poverty alleviation (Atkinson 1995).

¹⁴ In the lead-in to the 2005 election, Labour substantially reduced the abatement rate for all financial assistance from 30% above \$27,000 to 18%, increasing significantly the number of families eligible for the package, reducing EMTRs for existing recipients, but increasing EMTRs for new recipients.

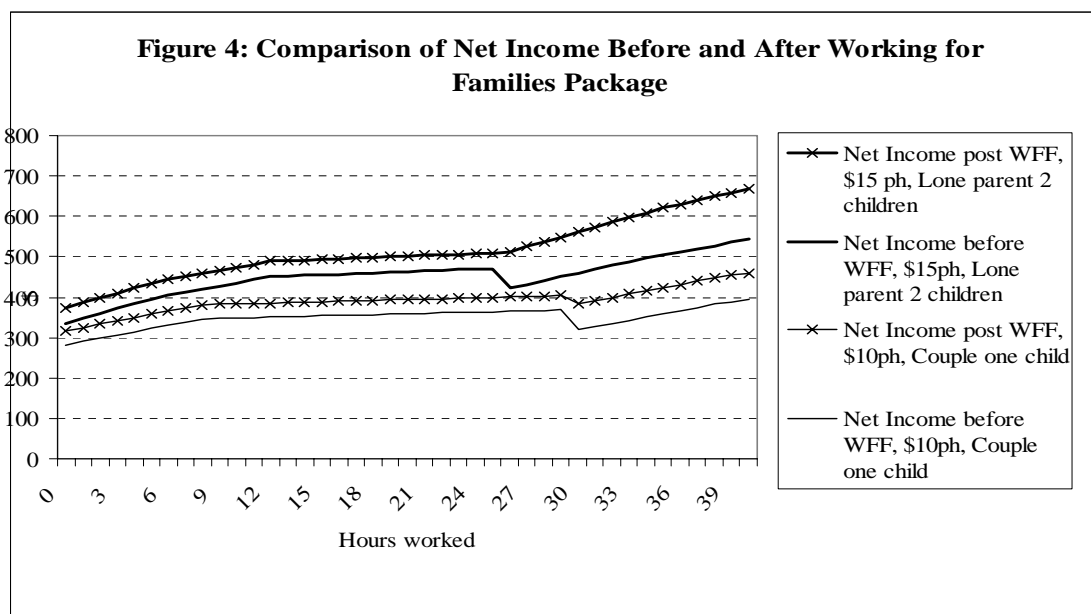
Figure 3: Family and Employment Tax Credits for a Sole-Parent with Two Children (Aged 3 and 5) and Earning \$10.00 Per-Hour (2004-05)



Source: Nolan (2006)

The second aspect was a change in the form of an in-work benefit, from one paying \$15 per week per child for non-beneficiaries in work to one paying \$60 per week for 20 hours work for a sole parent and 30 hours work for a couple. The third aspect was a significant increase in the level of childcare subsidy, plus an increase in the threshold before the subsidy abates. Excluding the childcare subsidy, Figure 4 shows the impact of WFF package on net incomes (wage rate times hours of work, less personal income tax, plus social assistance benefits plus family assistance) for two family types at two income levels¹⁵. The increase in Family Support makes a small but significant increase in disposable income at low income levels, and the increase in disposable income up to 8 hours for a couple and 12 hours for a sole parent (given their wage rates), provides some encouragement to work effort. However, for the sole parent between 12 hours work and 27 hours, and for the couple between roughly 8 hours and 30 hours of work, there is virtually no increase in disposable income as benefit abatement and income tax on earnings give an EMTR of 91%, and hence little inducement to increase working hours. The new in-work benefit provides a significant inducement to enter work on an almost full-time basis, and the lower abatement rate of family assistance further increases the attractiveness of work.

¹⁵ The shape of the graph varies with family type (sole parents have a lower abatement regime for benefits than those on the unemployment register), wage rate (hours worked before the abatement threshold commences), family size (family support varies with number of children), and when the family switches from abated benefit to the in-work benefit.

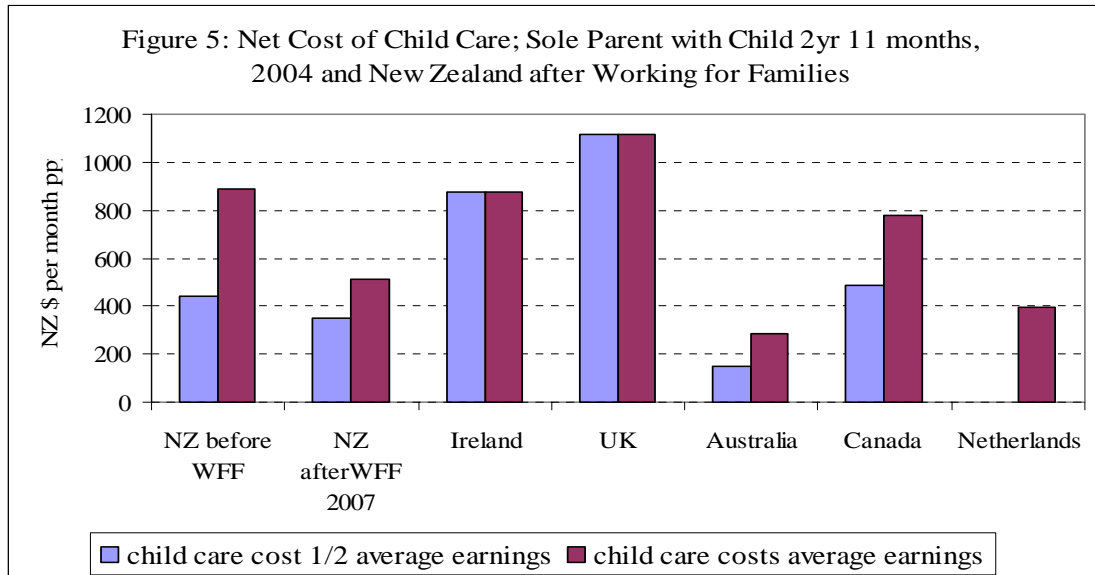


For parents with a child under 5 years of age, childcare costs are likely to significantly reduce the net return to work. Bradshaw et al (1996) and OECD (2003) show a high correlation between the employment of women with a child under 5 and the availability of high quality, affordable childcare and until the WFF package, New Zealand was characterised as having high cost, but high quality childcare. In 2002, Immervoll and Barber (2005) show that 40% of New Zealand children aged 0-2 were in registered childcare, a percentage only topped by the Scandinavians, with most other OECD countries making greater use of informal care, of variable quality and thus of questionable value for child development objectives. They showed that net childcare costs varied by family type and income level – at average earnings, net childcare costs for a sole parent with two children in New Zealand were 42% of net income, second highest to Ireland, whereas at 67% of average earnings, net childcare costs were at the OECD average. For couples with one child, childcare costs in New Zealand were well above the OECD average, irrespective of income level.

Primarily in recognition of changes in the employment of women, and particularly mothers with young children, New Zealand has in recent decades increased its support of early childhood education and care. This has resulted in a rise in out of home childcare. For example, between 1990 and 2001 enrolments in ECCE grew by 45%. In 2001, just over 10% of children under one attended an early childhood service, and for 3-4 years old around 90% of them attended a service. In total, by 2001, an estimated 60% of all children under 5 years of age attended one or more service. As Figure 5 shows, the WFF package substantially lowers net childcare costs, especially for those on average earnings, giving a further inducement to enter full-time work¹⁶. The UK has by far the net highest

¹⁶ While the New Zealand data have been updated to when the WFF package has been full implemented in April 2007, information for the other countries shown is based on January 2004 policy settings.

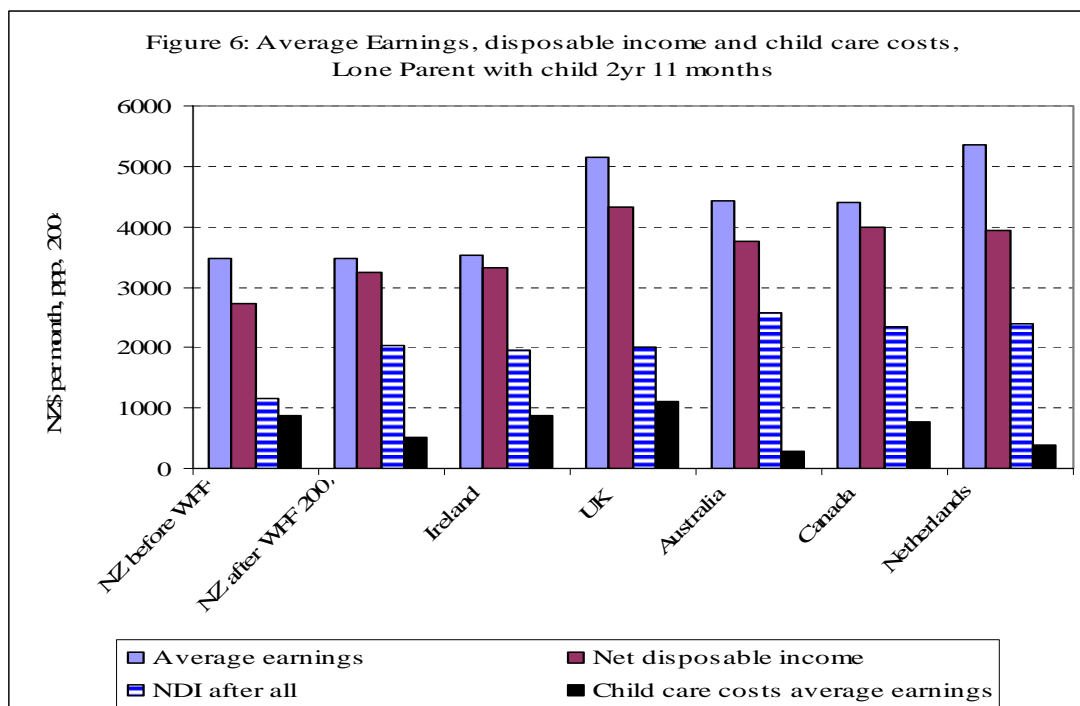
childcare costs, with Ireland also having substantial costs (and low female labour force participation).



Source: Adapted from Bradshaw (2006), calculations by authors.

Childcare costs are only one component of the child assistance package. While the UK has expensive childcare, it also one of the most generous countries in terms of cash assistance or tax credit allowances. Equally Ireland has explicitly stated that the considerable increase in its universal child benefit since 1999 has been to allow parents to afford childcare (Stephens 2006). Figure 6 shows the net impact of the interaction between average earnings, taxes and benefits and service costs. Adjusting countries to NZ\$ through purchasing power parties, the UK and Netherlands have the highest average earnings, and New Zealand and Ireland the lowest¹⁷. The differences in net disposable income are much less, especially for New Zealand after the implementation of WFF, though there is still over \$ NZ1000 difference per month with the UK. After adjusting for the additional costs of education, health care, housing and childcare due to the presence of children, New Zealand after WFF is on a par with the UK and Ireland, but slightly below Australia and Canada.

¹⁷ The Irish result seems curious given that it has the 4th highest GDP per capita in the OECD.



Source: adapted from Bradshaw 2006, calculations by authors.

In conclusion, following full implementation of the Working for Families package, New Zealand should no longer be seen as a laggard in terms of the generosity of assistance to families with dependent children, probably being close to the OECD average. The package should substantially reduce the incidence and severity of poverty for children (Perry 2004). The In-work benefit should provide a significant incentive for many sole parents to move into full-time employment, with the childcare subsidy increase making that move a feasible option without there being too much of an impact on child development. However, increasing the level of financial assistance and the abatement threshold may mean that work is not such a necessary or preferred option for a spouse in a couple relationship – but if the choice is voluntary then this aids work-life balance even if there is an economic cost. Immervoll and Barber (2005) show that on internationally comparative scale, that effective marginal tax rates for a second earner moving back into work are comparatively modest in New Zealand, with a substantial net income gain even after childcare costs.

Policy Implications

While there are several inter-related policy implications that can influence or regulate work-life balance, the majority of the factors impinging on that balance lie outside of the realm of direct policy prescriptions, instead either being influenced by individual choice or employer/employee relationships. Policy prescriptions can impose a minimum standard, relying upon negotiations at firm level to improve the minimum where that is affordable and desirable.

There are several policy levers that can be developed further to improve work-life balance, while maintaining a child development focus:

a) Parental Leave. The existing paid parental leave scheme should be gradually extended to one year, with options for both parents to take leave at some time over that period (the Nordic model). The gradual extension is in recognition of the related fiscal and business costs. Compensation must be adequate when the parent is on leave, with a guaranteed income floor for full-time workers at a rate in excess of the proposed new single core benefit. Access to the In-work benefit must also be allowed (in the same way that ACC benefit recipients retain entitlements). For post-paid parental leave periods, it is necessary to ensure some degree of employer flexibility when child is ill, or on school holidays, though regulation on this will be subject to abuse.

b) Flexible Labour Markets. It is recognised that flexible labour markets creates high and growing employment levels and results in increased productivity, but it is necessary to ensure that employees with children also have a degree of flexibility to look after their children. Increasing the availability of after-school care and holiday programmes are a step in the right direction, without the need for legislation. However, sick children, and the need to cater for those too old for care-type programmes but under age 14, means that employers also have a role to play. The current investigation of European legislation, and its outcomes, prompted by the select committee consideration of the Green's flexible working hours draft legislation, should provide useful information and policy options.

c) Fertility. Although New Zealand's fertility rate is currently just under replacement levels, the likelihood is that the fertility rate will fall as the education levels of women improves. Although some policy instruments probably have little direct influence on fertility decisions, policy needs to be developed to try and prevent further falls in fertility. All of the work-life balance options considered here point in the right direction of allowing child-rearing without significantly affecting other life satisfaction objectives such as economic and financial independence. Women need to be able to choose both motherhood and paid work, not one or the other as in some countries. One possibility would be to increase the Family Support rate for children under five – it is at that stage that parents often face the major set-up costs in their lives, with house purchase, need to acquire furniture as well as possibly having a reduced income when one partner leaves the workforce. Another option is for a larger payment for large families as occurs in France and Ireland, both countries with high fertility rates by European standards. But overall more general policies such as extended paid parental leave and affordable quality childcare are probably more important.

d) Child Development. This is something that should be brought into the centre stage in discussing work-life balance, thereby reducing the parent-centric model. As well as paid parental leave, child care should continue to be education focussed, not geared directly toward parental employment. This means that most childcare should be done through registered outlets, with trained teachers. However, policy here has to cognisance of the move to non-standard hours of work, and this will require continued use of informal childcare arrangements. For child development policy should also further lower costs of child care, both for employees and non-working parents, especially for over threes.

e) Data. For evidence-based policy development, it is necessary to ensure New Zealand data is deposited in international collections such as the Essex time use survey, and the LIS income inequality and poverty comparisons. Best practice information on

effects of child care and costs on child and parent outcomes should be collected, and the new longitudinal studies should ensure that the effects of childcare on later child (and adult) outcomes are able to be analysed.

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