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Is Public Policy Valuing Families in Europe?

Ricardo Arroja

Brussels, October 17th 2016

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Assessing the current situation

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Background

- Decades of sustained decline in fertility indicators
- Demographic sustainability part of the political agenda
- Ideological bias need not be an obstacle to public policy

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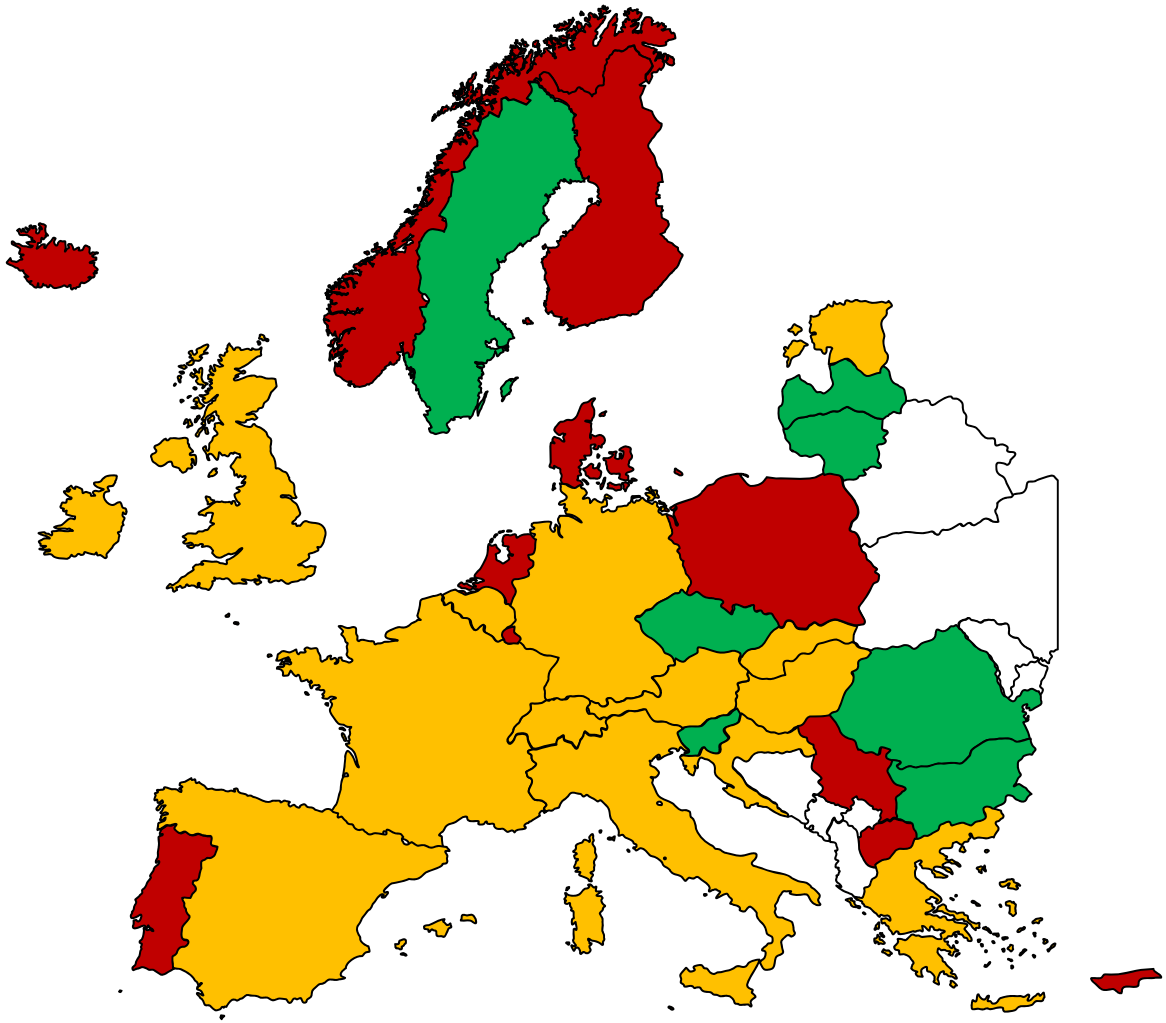
Total Fertility Rate (2000-2014)



-30% - 0%

0% - 15%

15% - 40%

Source: EUROSTAT| Analysis APFN

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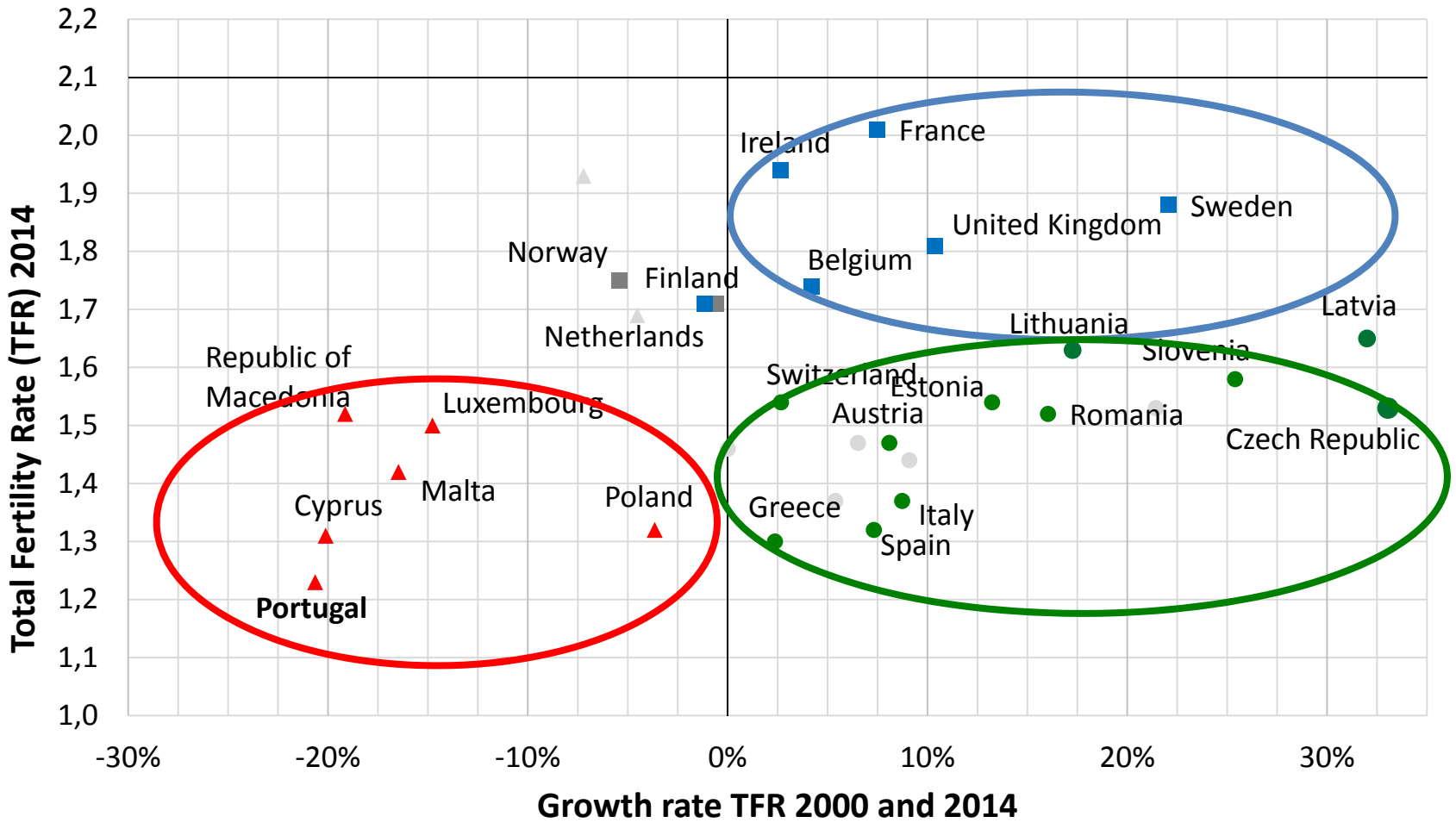
Changing generational dynamics (2000-2014)



Source: EUROSTAT | Analysis APFN

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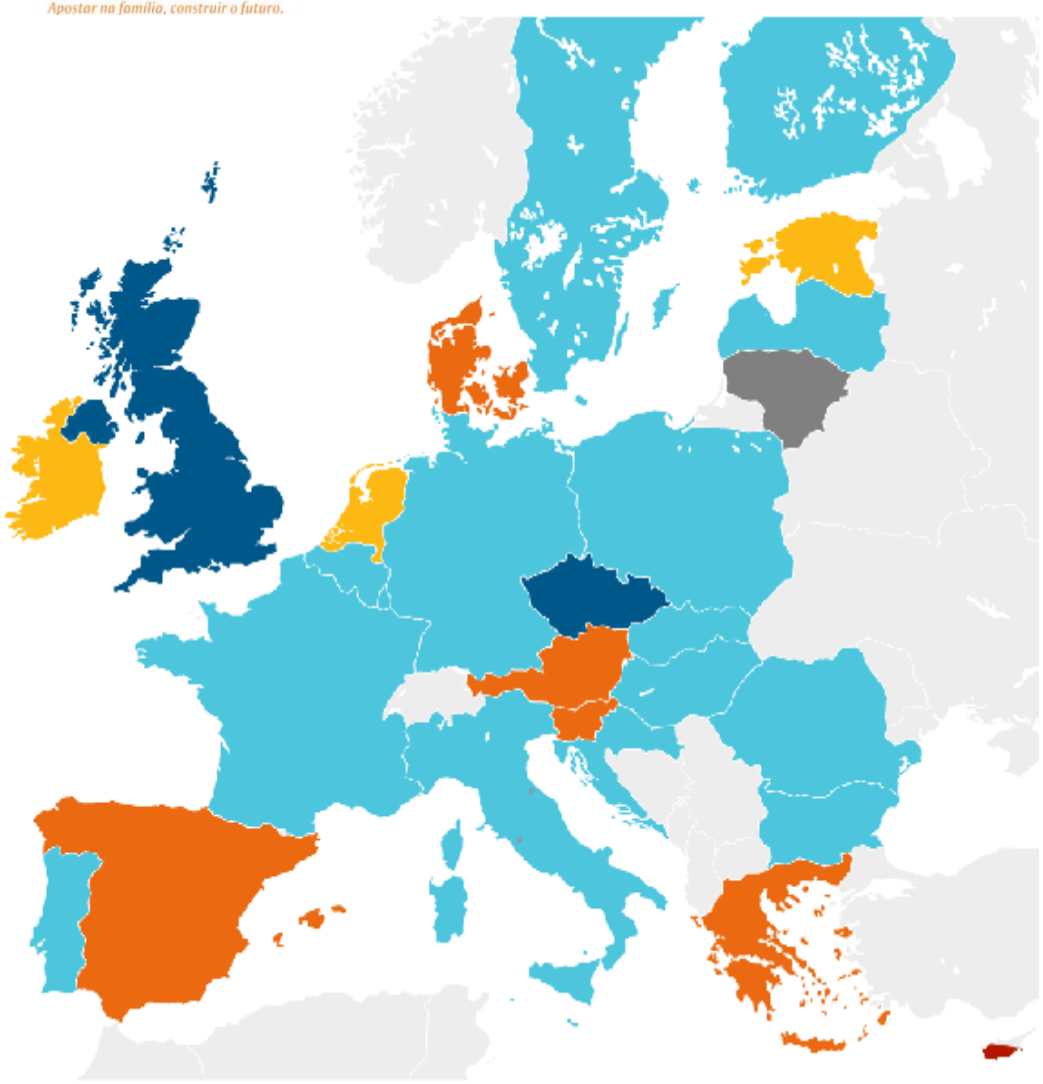
Fast forward to present family public policy



2011

GUE/NGL (left-wing) | S&D (centre-left) | Alde (liberal)
EPP (centre-right) | ECR (conservative-right) | Independent

Blue Group:

- France: UMP (**EEP**)
- Ireland: Fianna Fáil (**Alde**)
- United Kingdom: Conservative Party (**ECR**)

Green Group:

- Spain: PSOE (**S&D**)
- Germany: CDU (**EEP**)
- Greece: PASOK (**S&D**)

Source: Guardian Research

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Understanding the impact

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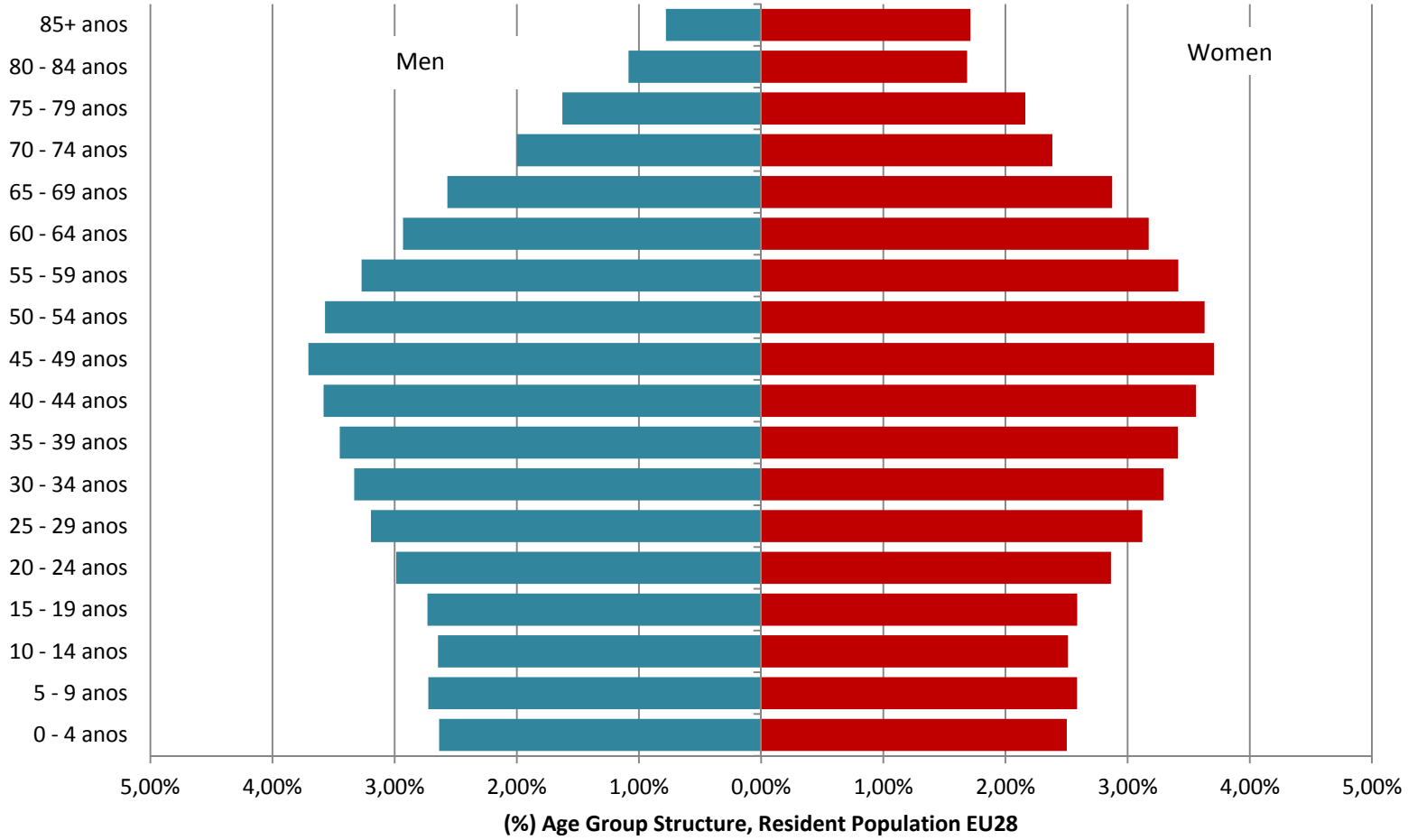
No longer a demographic pyramid (2015)



EU 28

Source: EUROSTAT | Analysis: APFN

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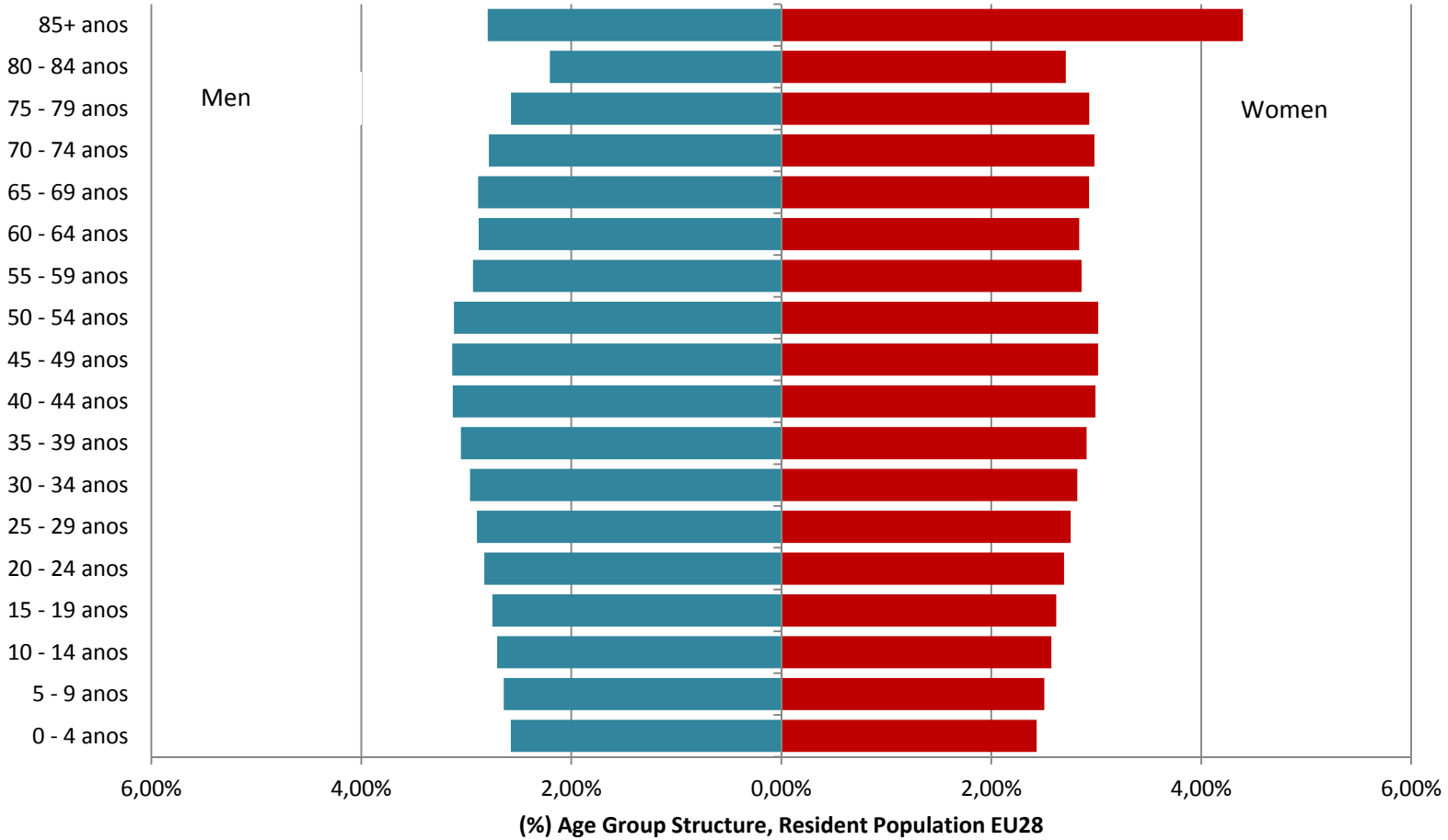
No longer a pyramid (2060)



EU 28

Source: EUROSTAT | Analysis: APFN

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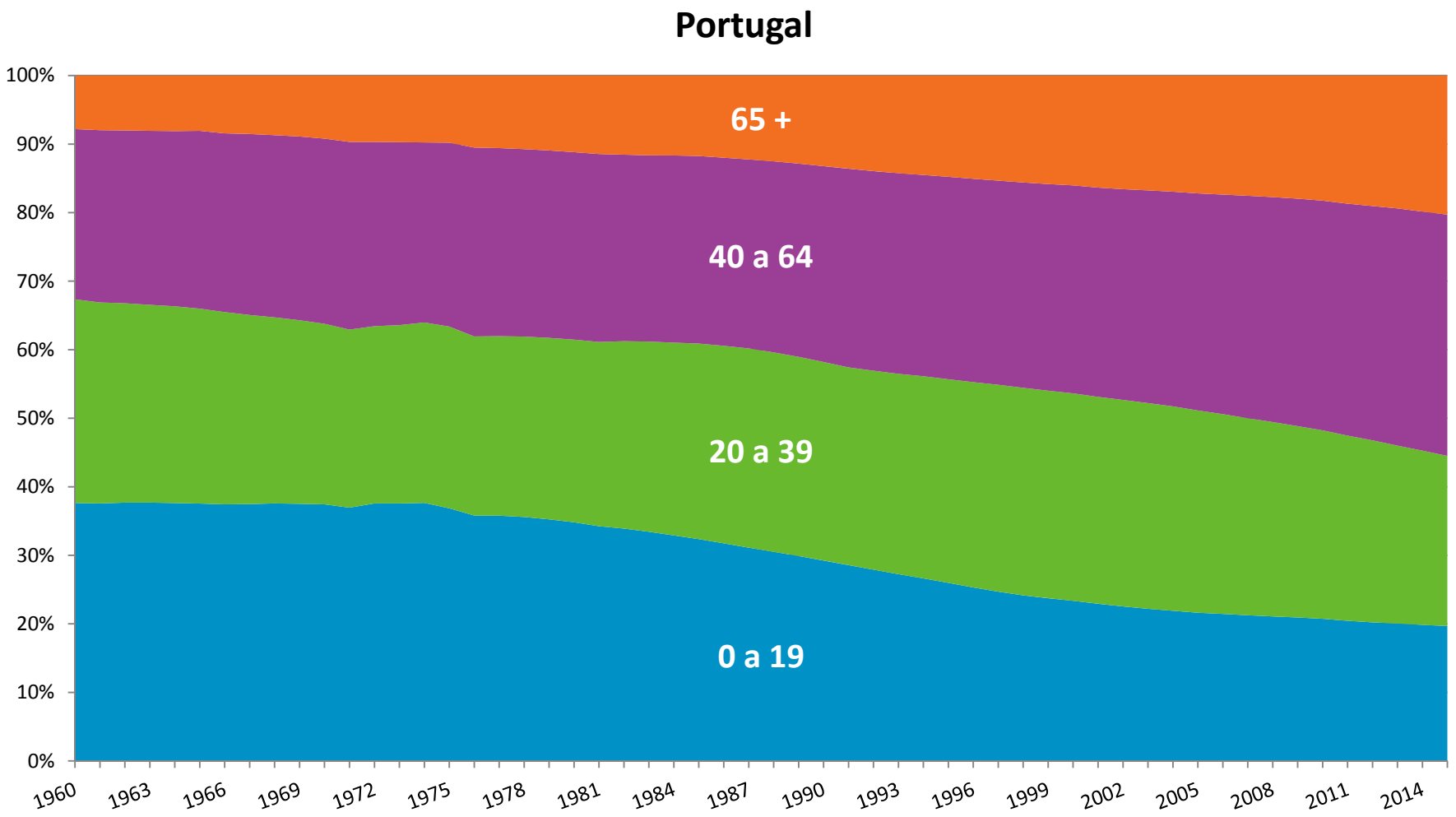
Portugal's population by age group



Source: EUROSTAT | Analysis APFN

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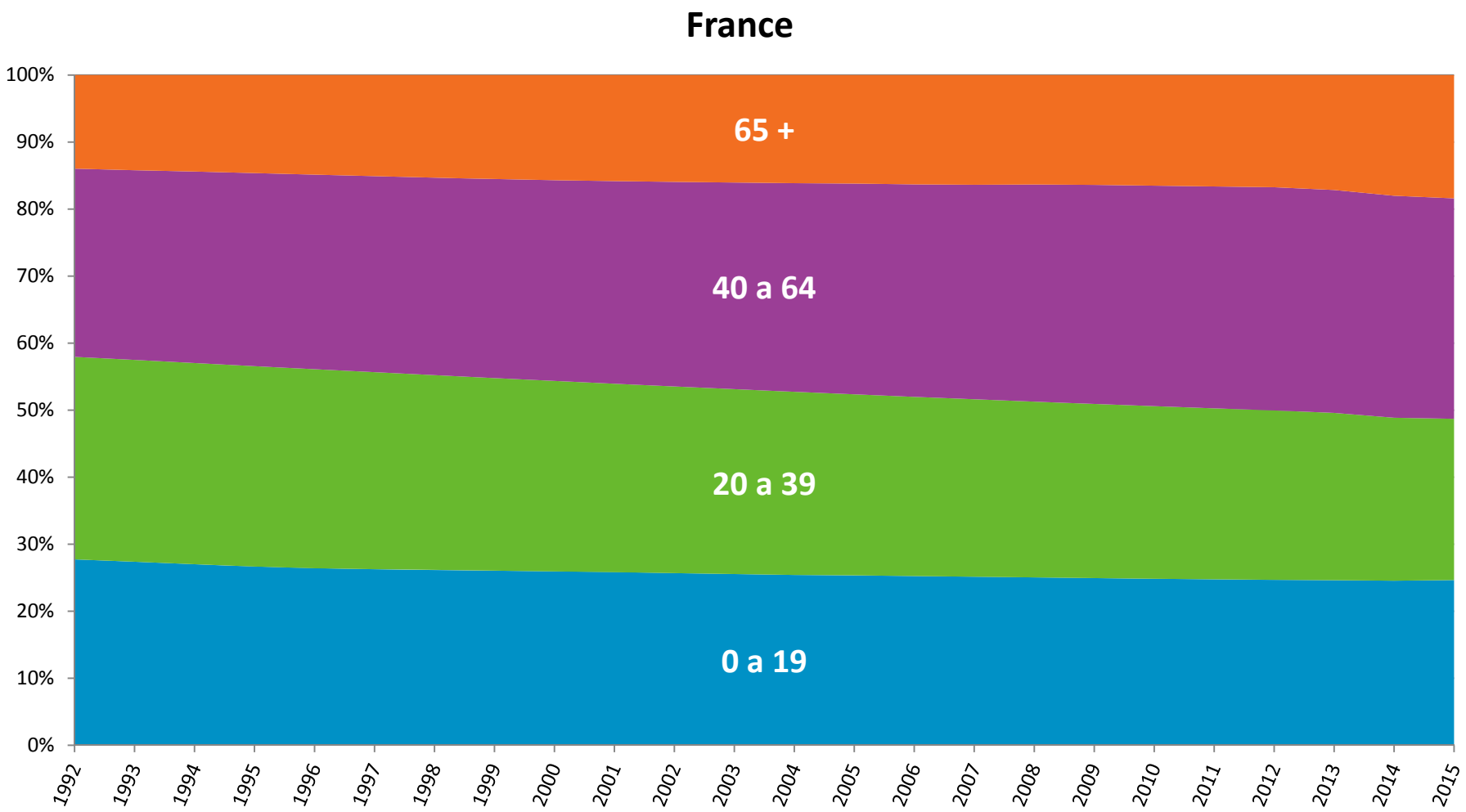
France's population by age group



Source: EUROSTAT | Analysis APFN

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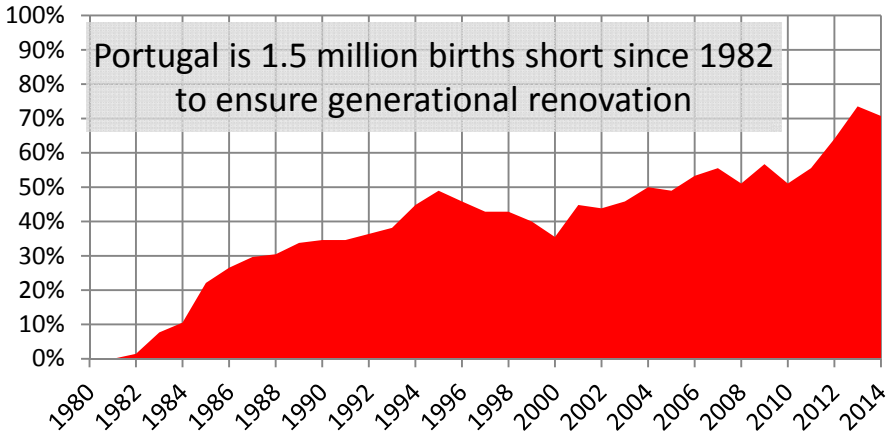
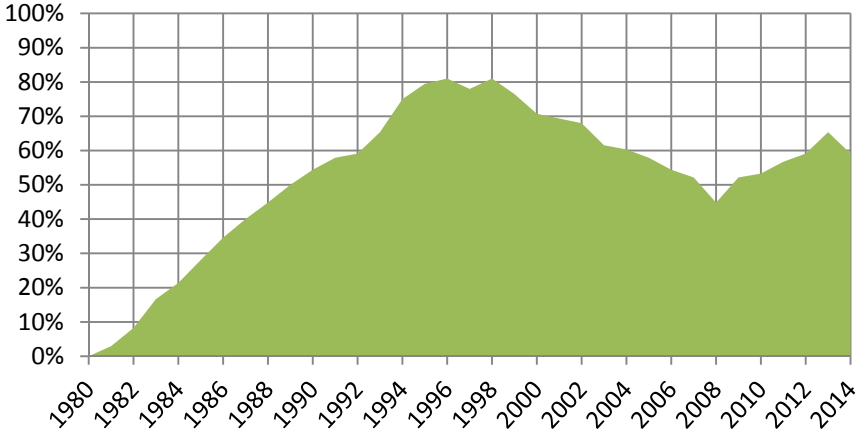
Demographic and generational gap

% additional births needed each year to achieve Total Fertility Rate of 2,1

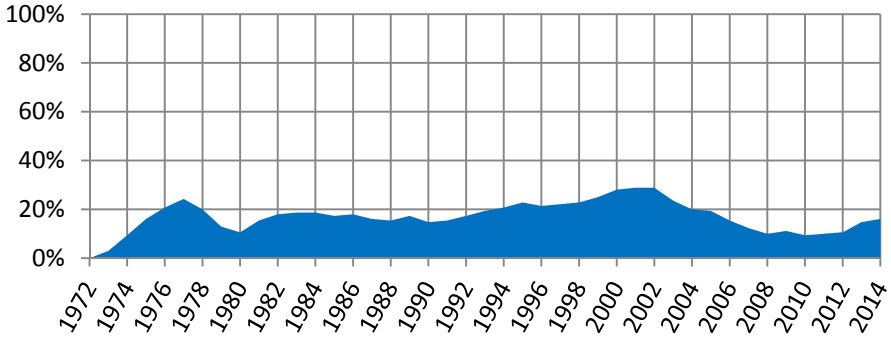
Portugal (% needed unborn children)



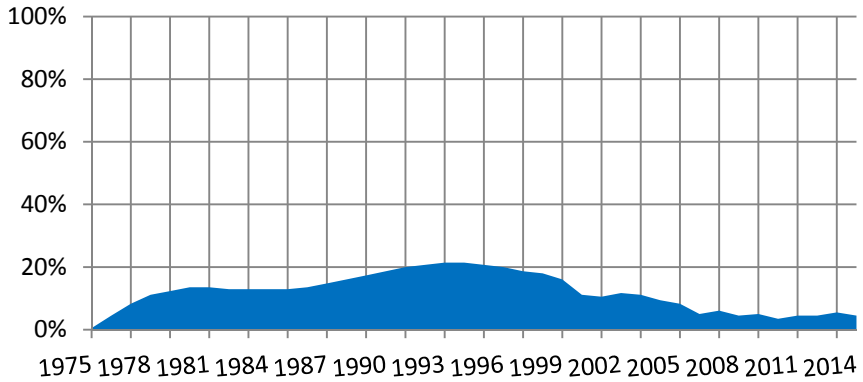
Spain (% needed unborn children)



United Kingdom (% needed unborn children)



France (% needed unborn children)



Source: Eurostat | Analysis APFN

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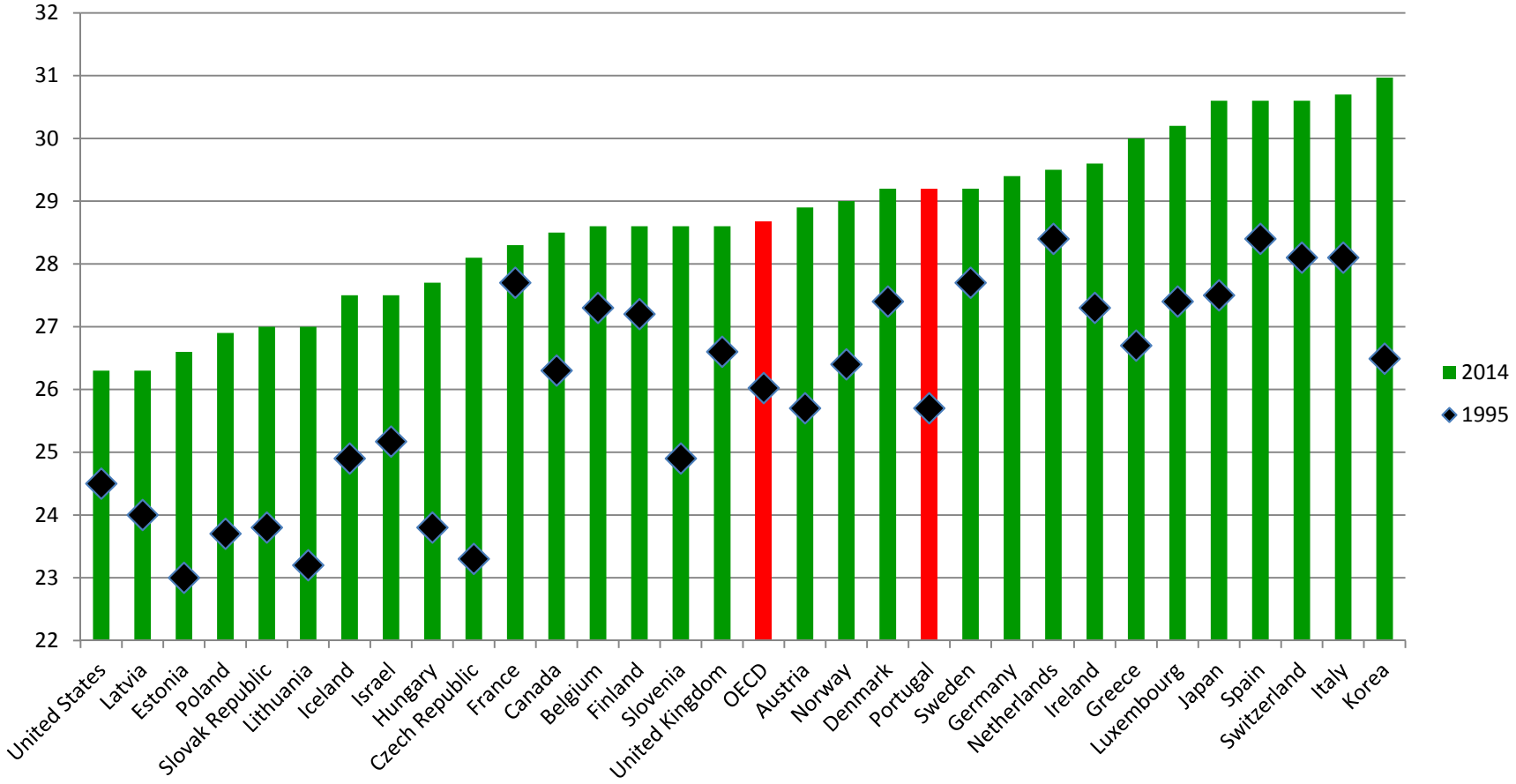
Mean age of women at first birth (2014)



Source: OECD | Analysis APFN

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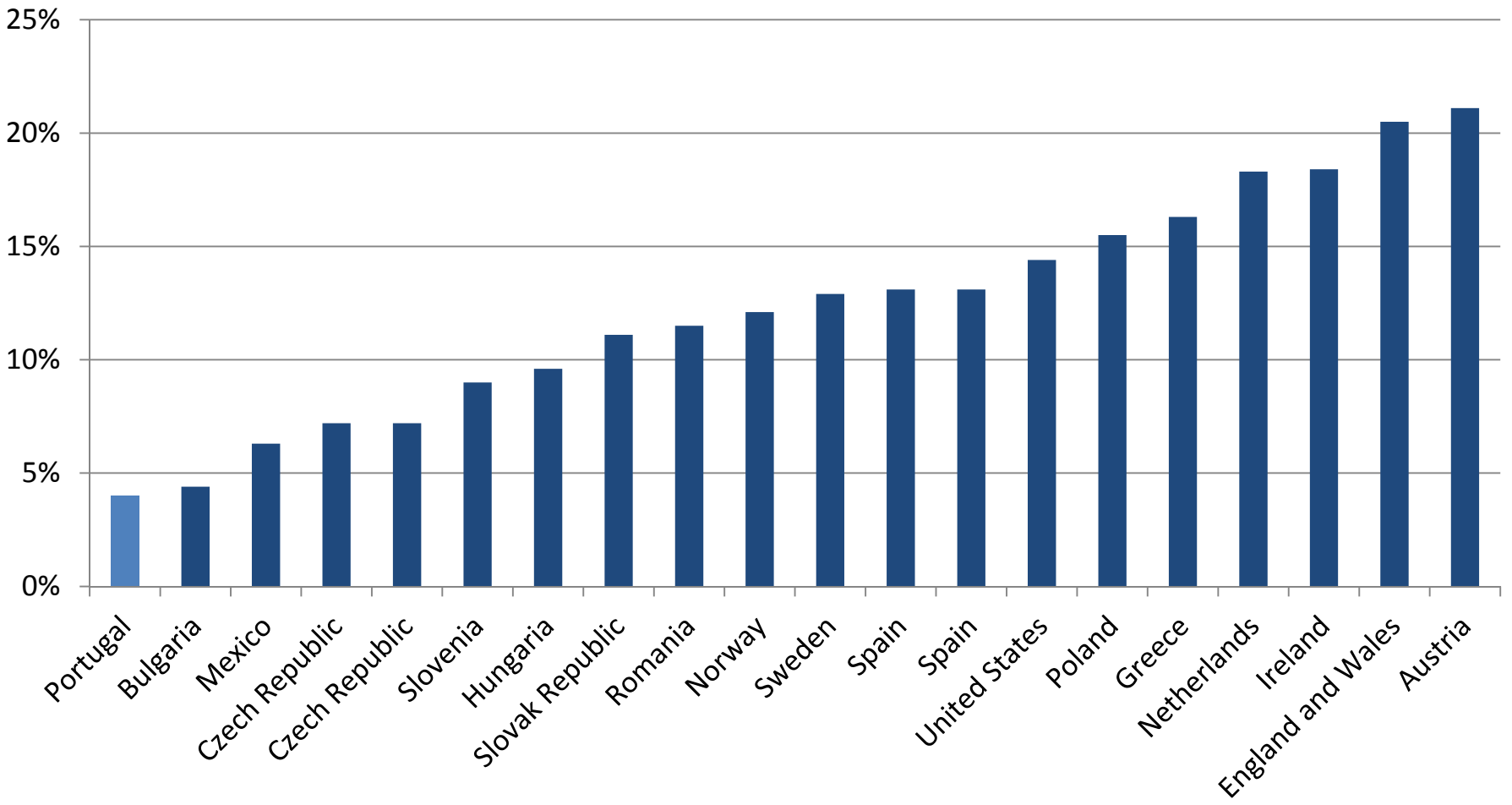
Childlessness (2015, women born in 1965)



Source: OECD e INE | Analysis APFN

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Understanding the causes, a look at recent policies

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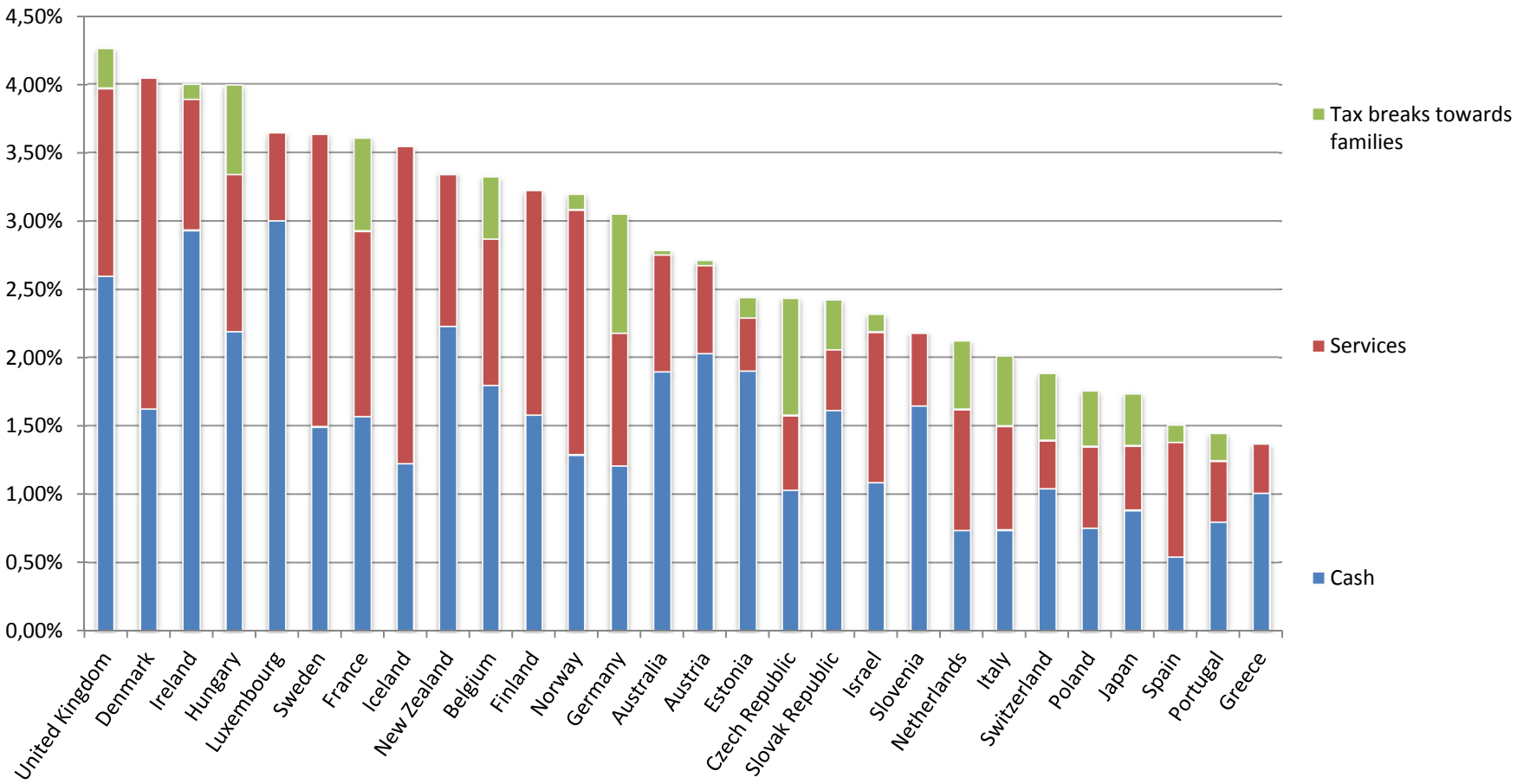
Public Expenditure on Family (% of GDP, 2011)



Source: OECD | Analysis APFN

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Family and income tax

France:

- Income tax is progressive
- A so-called “Family quotient” (income is divided by the numbers of family members, where a coefficient is applied to dependents, before income tax is calculated. Households are taxed according to their standard of living, which for the same level of income will vary depending on household size)

Germany:

- Income tax is progressive
- Child-related tax deductions and tax deductible childcare expenses

Source: KPMG

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A new look at family equivalence scales

1 child = 1

- The “economies of scale” fallacy
- Family life is rather based on “economies of sharing”
- The idea of Fairness implies not restricting a family’s decision into having (or not having) children.

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Family and public provision of services

- Education (pre-school, basic, secondary, and upper-level)
- Health (including dental services for children)
- Transportation (for children and family)

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Family and public transfers

- Child and parental benefit payments
- Parental paid work leaves
- Family income supplements
- Part-time work incentives for companies
- Pension bonuses for childcaring parents

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Best practices policy examples (2014)

France	United Kingdom	Sweden	Ireland
• **Income Tax** - Family Coefficient • Health Service – Mostly Free • **Education**: Public Schools are free, plus "école libre" are supported by the state • **Transports**: discounts for large families • **Child Benefits**: family transfers to families represent 2,6% of GDP (some are mean-tested)	• **Child Benefits –** Universal benefit (up to 500£/week) • **Child Trust Fund** • **Child Tax Credit** – for under-16 children (up to 3000£/year) • **Maternity Pay, Maternity Leave e Maternity Allowance –** Comprehensive leave paid at 90% of income (52weeks)	• **Parental Leave**: Leave paid at 80% of income (480 days). At the end of the leave parents can reduce the work hours up to 25% until the child is 8. • **Child benefits:** Universal benefit (115€ per child) • **Education:** Both preschool and higher education are free • **Health**: Free (including dentist) • **Public urban transports:** Free for families with small children	• **Maternity benefit:** up to 230€/week • **Maternity leave**: 26 paid weeks plus 16 weeks unpaid leave • **Child benefit**: universal benefit (130€/month per each child) • **Family Income Supplement (FIS):** 60% of the difference between the established limits to the FIS and the weekly net income of the family

Sources: Governmental Agencies | Analysis APFN

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Family public transfers (% of annual income)

Simulation of the total amount of children-related transfers over 20 years, considering a family of five (mother, father, and three children born in three years intervals). Based on 2014 family public policy.

Years Since the birth of the first child	**Portugal**	**Ireland**	**Spain**	**Sweden**
5	9%	66%	5%	15%
10	11%	86%	7%	22%
15	11%	92%	7%	24%
20	10%	94%	7%	22%

Sources: Governmental Agencies | Analysis APFN

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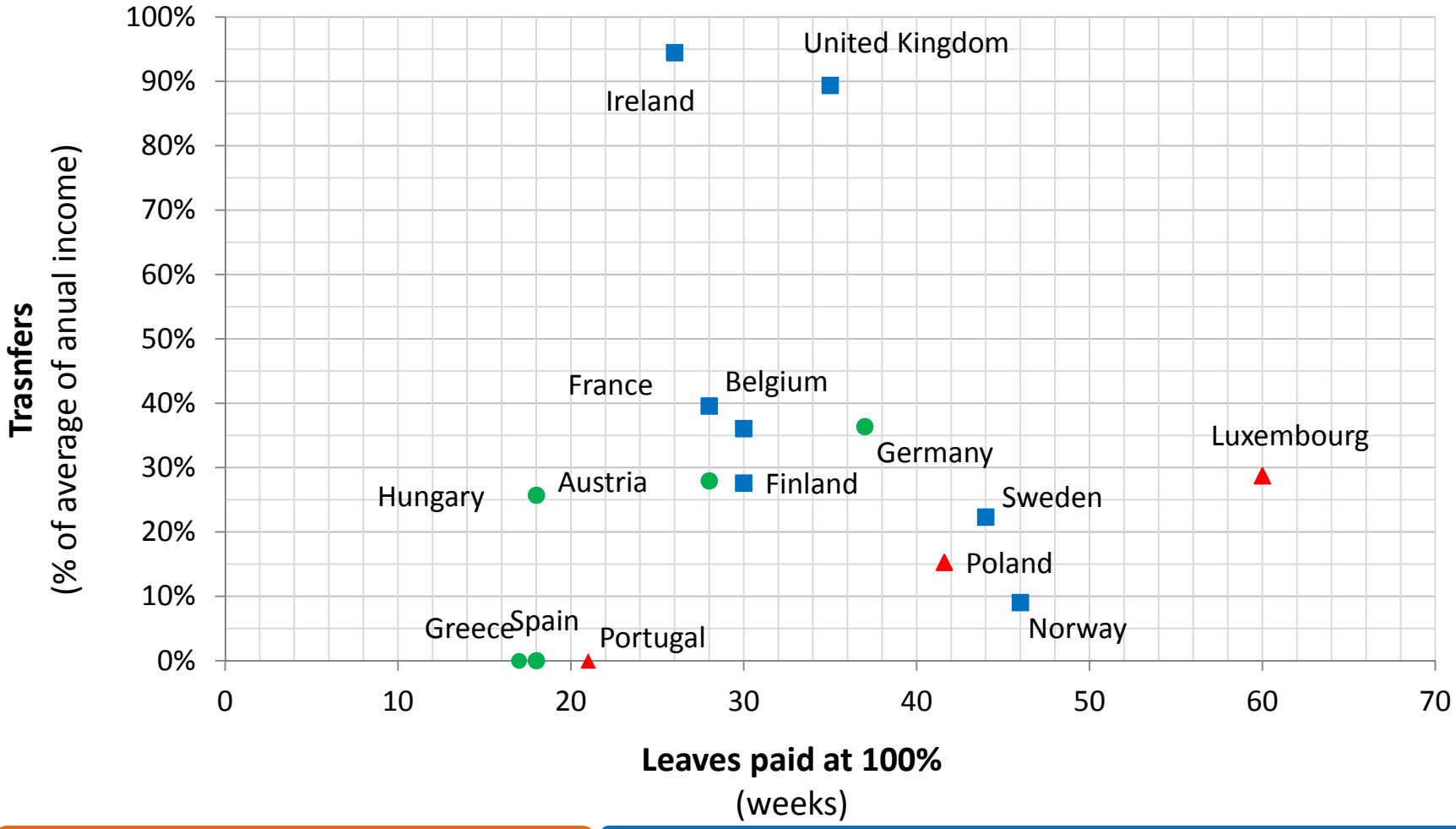
Transfers versus Paid Leaves (2014)

Family with 3 children | average anual income



Sources: Governmental Agencies | Analysis APFN

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Final remarks

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Design of family public policy

Universal	support families without eligibility criteria
Means tested	support dependent on income levels
Child related subsidies	single payments not continuous indirect benefits
Special subsidies	other types of benefits

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Array of family public policy

System-wide policies	covering a wide range of family life areas for most of the child dependent life
Birth policies	aimed at encouraging the birth of children and helping with the costs of the child early age
Low-income policies	aimed at covering parts of the costs of raising a child for families with low income

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Comprehensive family public policy

Universal	Not targeted just at low income social economic groups nor at just women or men
Positive	Oriented towards seeing children as an investment rather than a burden
Stable	Reducing the uncertainties of having children
Coherent	Covering all the phases of family development
Freedom-promoting	Support parental decisions regarding desired fertility, childcare, and family choice.

In sum

- A childless world is both inhumane and unsustainable
- Family Public Policy need not be ideological nor class based
- Indeed, it ought to be seen as an investment for a better future

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Thank you.