

- Then in Japan there are big differences between the average earnings of men and women. These occur because of the highly segregated labour market for men and women not because of unequal pay for equal work.
- Finally there are questions to be asked about the social assistance case in Japan. As in some other countries social assistance is administered by welfare services and although there are national scales of benefit it is highly stigmatised system and probably not taken up by many of those entitled to it who prefer to rely on family help.

Michi Tokoro has just finished preparing the matrix for Japan for our 2001 study and we will distribute it at the seminar. At a meeting following this seminar he will present the assumptions he has made for Japan but meanwhile your views about what decisions we should take about these special Japan problems are welcomed. My view is we should take into account after school school costs and do take account of the bonus system. But should we, and if so how, take account of age and family type additions to earnings and the employers commuting and travel subsidies. The key question is how important these are in terms of size and prevalence.

One final problem (and not a particularly a Japanese problem) that we have never been able to resolve using this method is how to deal with housing costs. Housing costs vary with tenure, the age, size and location of the dwelling and with what bricks and mortar subsidies are available. In our early matrix method studies we asked national informants to provide a typical rent for the most prevalent form of rented accommodation in a given place for a dwelling of a given size. This produced widely varying housing costs - from a rent controlled private flat in Barcelona, Spain to an apartment in New York. The rents varied with household size but not income. In our latest study we have decided to adopt the OECD method of taking rent as 20% of average earnings. Thus rent does not vary with the size of the dwelling or income but yet is a consistent proportion of earnings in each country. Basically the problem of housing costs is not resolvable - any solution is arguably the least bad. The problem is that housing subsidies are a very important part of the child benefit package. A number of countries move up or down the league table on the basis of whether their package is assessed before or after housing costs.

The matrix data can then be analysed. This can be done by converting national cash amounts to a common unit either using purchasing power parities or expressing the package as a proportion of average earnings. Then a comparative analysis of the **structure** of the package can be undertaken - how the contribution of tax benefits, cash benefits and provision of services varies between countries. Also the data enables a comparison of the **level** of the package and how this varies within and between countries for different families types on a variety of earnings levels. We are able to compare:

- the treatment of lone parents compared with couples with children;
- how targeted on low incomes the package is;
- notional replacement rates;
- marginal tax rates;

- and the treatment of second earners.

In the Powerpoint presentation we present some Tables and Charts illustrating comparisons of the structure and level of the child benefit package for a selection of countries for 1996 (Japan 1997) as well as the UK and Japan for July 2001. As you can imagine this data is hot off the press and we struggling to make sense of it as late as this morning. Overall the charts illustrate that Japan is very much towards the bottom of the international league table in its child benefit package – with the exception of a lone parent with a preschool child who benefits from Japan’s free nursery education (and the single mother benefit).

The child benefit package varies between countries by the type of family, number and ages of children, earnings and whether the comparison is made before or after housing costs and childcare costs. It is therefore not easy to produce an overall summary ranking. What we have tended to do is to take all our family types and all our income levels and to produce a summary ranking as the difference between the mean for all countries.

It is also possible to make comparisons over time in order to show how the tax benefit package has changed over the 1990s, and whether, for example, national governments have used the package to alter incentives in order to influence the labour supply behaviour of lone parents or the unemployed and how different countries relative positions have moved.

WHY COMPARE CHILD BENEFIT PACKAGES?

I would now like to turn to what perhaps should have been the first question in this presentation - Why do you want to compare child benefit packages.

- For national governments there is often the motive that they want to either
 - learn lessons from abroad and/or
 - see how they are doing
- For international bodies there is the question of whether and to what extent policies are converging or diverging to meet, for example, EU community social objectives
- For the academic community the motives range from the testing of theories about the nature of welfare states, the drivers of welfare state effort, convergence theory, the impact of globalisation, the nature of policy borrowing, and other common preoccupations in the comparative literature.
- My motives for the research I have been involved with over the years are threefold:

1. I have sought to use comparative research to protect the UK package for families with children - by showing that it is not exceptional, low in fact. The similar motive now is to examine whether as a result of the radical changes implemented by the Labour Government after 1997 we have moved up the international league table.

2. Associated with this is a concern about child poverty - I have sought to demonstrate for example Bradshaw 1999, 2000 and 2001) in these studies and in other ways that child poverty (in the UK) is not an inevitable consequence of globalisation or demographic change, or rather that it can be mitigated by social policy and that our failure to do this in the UK (and the USA especially) presents us with very serious social problems.

3. Associated with this is a general concern that I share with Esping Anderson (2001) and other commentators that over the last 30 years or so industrial welfare states have restructured their efforts in favour of the old and neglected families with children.

- But perhaps most importantly of all there is the hypothesis that the collapse in fertility experienced by all industrial countries in the last three decades is somehow associated with the failure of the welfare states to share sufficiently with parents in the costs of child rearing. This is perhaps the issue of most concern to you.

CHILD BENEFIT PACKAGES AND FERTILITY

It would be most unwise to claim too much about the relationship between the child benefit package and fertility. The generosity of the child benefit package is certainly not the only factor to influence fertility, nor perhaps the most important. But on theoretical grounds it is likely to be a factor.

Peter McDonald (2000) has identified four theoretical perspectives to explain low fertility –

- rational choice theory,
- risk aversion theory,
- post-materialist values theory and
- gender equity theory.

The economic costs of children are the key factor in rational choice theory and there is evidence that as the proportion of women who combine child-rearing with employment increases, it is the direct costs rather than the indirect costs which are the problem.

The child benefit package is also relevant to the risk aversion theory in that a generous package for lone parents may mitigate the financial risks of parental divorce and separation and a generous package may help with smoothing out the risks or at least help the parent to face them.

It is difficult to see a link between post materialist values theory and the child benefit package but McDonald rejects this theory anyway, pointing out that women in their early twenties tend to express preferences for numbers of children that are on average above replacement level - that is they are willing to have more children than they actually have - and that it is the costs and uncertainties that constrain them.

Finally gender equity theory - the argument here is that higher fertility is associated with gender equity in the domestic sphere and gender equity in the public sphere (education and employment). Low fertility is the result of a disjunction between the male breadwinner model in the domestic sphere which is not reflected in gender equity in the public sphere. Policies can have an impact on gender equity in the domestic sphere through childcare, parental leave and the tax and benefit system.

So in three out of four of these theoretical perspectives for low fertility the tax benefit package for children plays a part. That is not to argue that it is dominant or in any way decisive. This too bold and not all the empirical evidence supports such a contention. For example France and the UK have similar fertility rates but very different levels of generosity of their child benefit packages. (However in UK fertility is sustained by an extremely high rate of teenage births and in France the fertility rate has risen above the UK in the second half of the 1990s.) Or what about the USA with a non-existent child benefit and near replacement fertility? Or Ireland, which has experienced the most rapid decline in fertility of any industrialised country at a time when it has been improving its child benefit package – indeed it has been able to afford to improve it because of the decline in fertility (along with the Celtic Tiger economy)!

However it is generally the case that countries with the more generous child benefit packages have higher fertility and those with little or no support for child rearing costs have the lowest. You might argue that the latter are also the poorest countries - Greece, Italy, Portugal, Spain. Certainly in our earlier studies of child benefit packages we found a closer relationship between the level of the child benefit package and GDP per capita than with fertility (and an even closer association between the child benefit package and tax paid per capita). But the same is not true of Japan (or Germany). Japan has the resources to pay for a generous child benefit package and chooses not to. Not only is your expenditure on family benefits and services very low as a proportion of GDP, it is also very low as a proportion of social expenditure. So even given the small size of the welfare state in Japan you are making rather low efforts in support of families with children compared to other countries.

What impact does that have on the Japanese fertility rate? Does the high direct costs of child rearing (including the burden of after school schools) and, with rising female employment rates, the increasing indirect costs, have an impact on Japanese fertility? If the answer is no – I would be very surprised. If the answer is yes – and given your anxiety about your fertility rate, the rapid ageing of your population and anxieties about the impact of high levels of inward migration – why not do something about it?

In the late 1980s Sweden experienced a sharp increase in fertility associated with a commitment to provide good quality childcare for every child over 18 months. The Swedish fertility rate fell back during the Swedish recession when cuts were made in the child benefit package. France (again) and Belgium have the most generous child benefit packages in Europe and have fertility levels considerably higher than countries to the North – Germany and the Netherlands and the to the South

Italy, Spain, Portugal, which they may be said to share (different) characteristics with.

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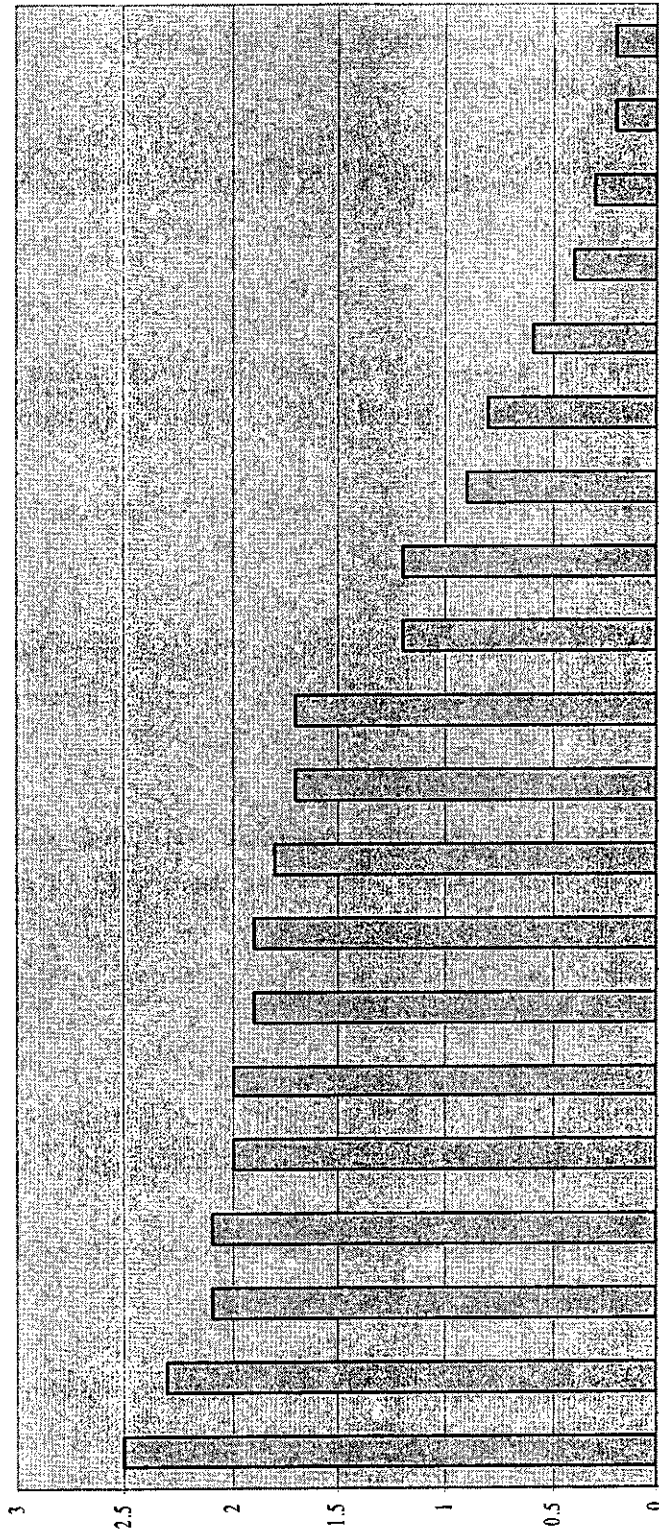
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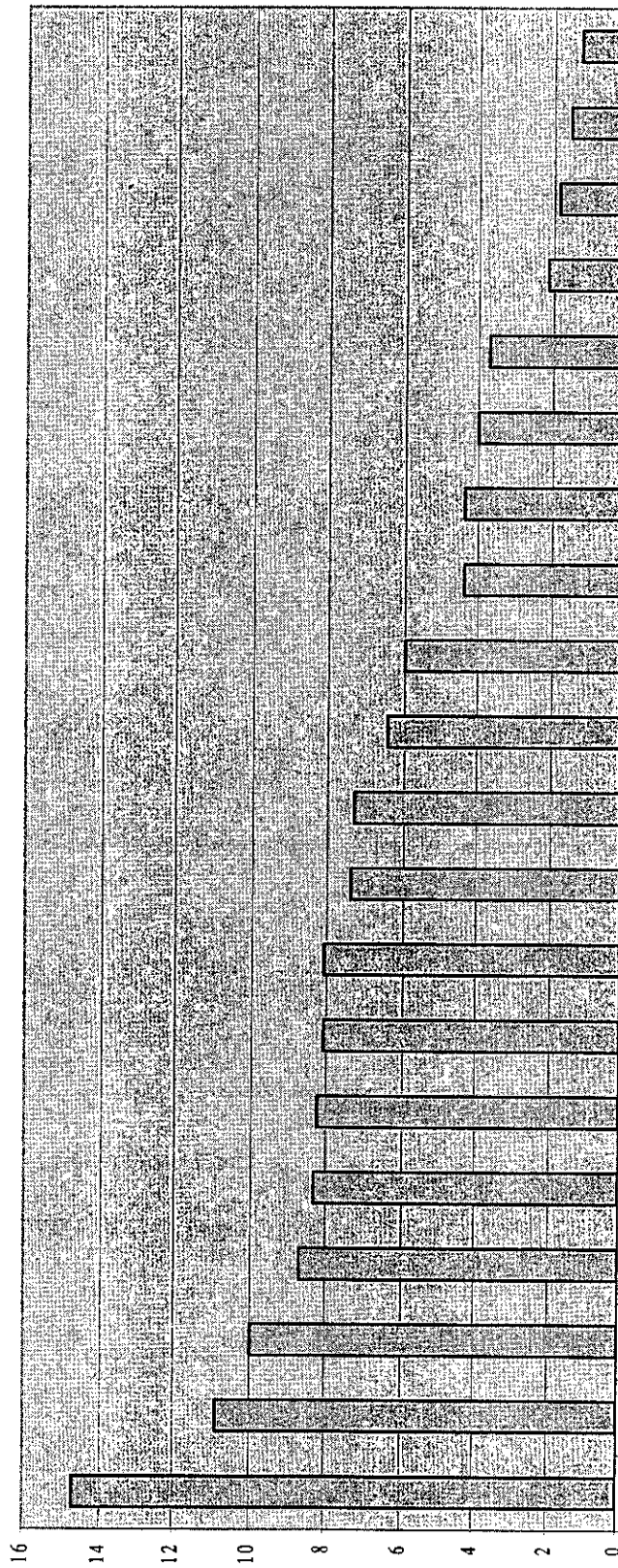
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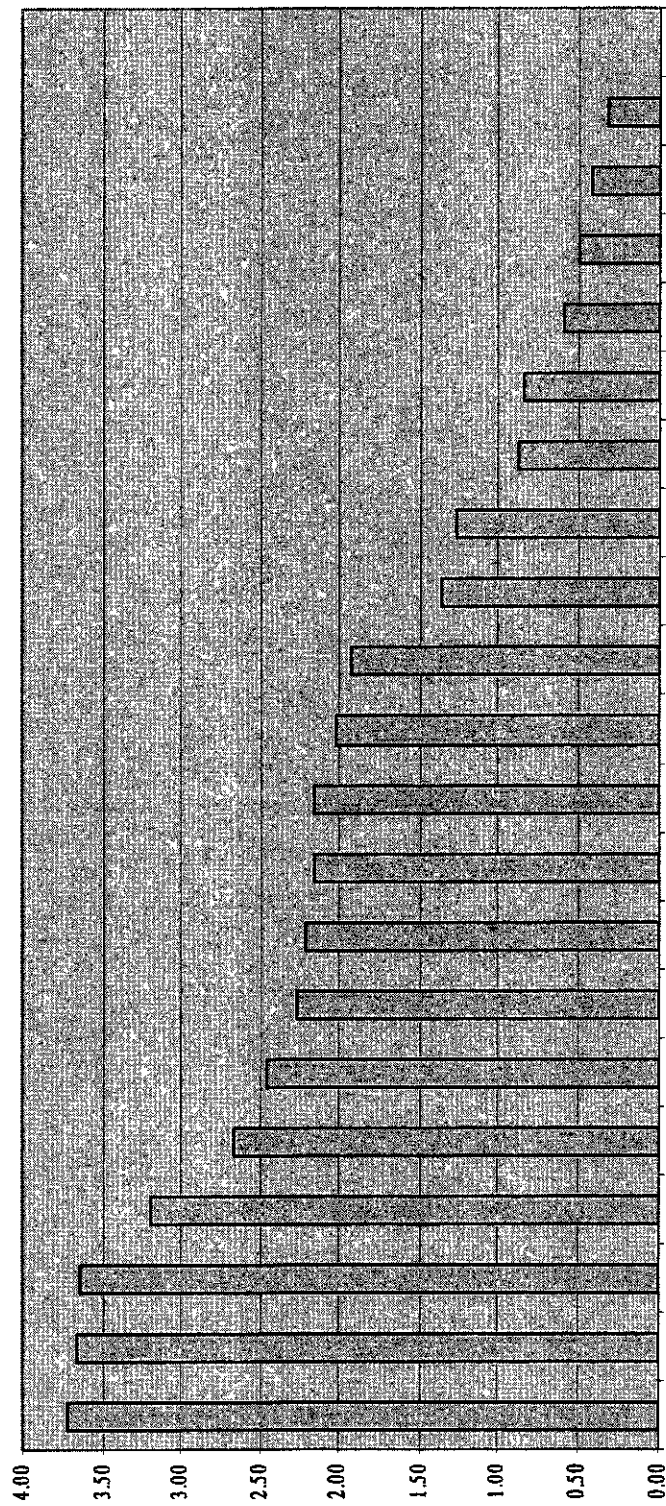
Expenditure on Family Cash Benefits as % of GDP
 (m, NCU).



Expenditure on Family Cash Benefits as % of Social Expenditure
(m, NCU)



**Expenditure on Family Services and Family Cash Benefits as % GDP
(m, NCU)**



	Tax		Non inc		Inc		Health		School		Other		Total
	tested	CHB	tested	CHB	tested	CHB	charges	costs/	benefits				
B	5876	0	456	0	0	0	-9	-42	0	463	0	0	463
DK	0	0	194	0	0	0	-3	0	0	191	0	0	191
D	0	0	323	0	0	0	0	0	0	323	0	0	323
GR	0	0	0	0	51	0	-56	-333	0	-338	0	0	-338
E	0	0	0	0	67	0	-24	0	0	43	0	0	43
F	0	0	244	0	139	0	-12	147	0	518	0	0	518
IRL	22	0	126	0	294	0	28	-60	0	412	0	0	412
I	28	0	0	0	279	0	-17	-79	0	211	0	0	211
L	0	0	546	0	0	0	-5	-31	0	510	0	0	510
NL	0	0	213	0	0	0	0	-34	0	179	0	0	179
A	0	0	386	0	0	0	-52	-1	0	332	0	0	332
P	0	0	41	0	32	0	-29	-12	0	32	0	0	32
SF	0	0	311	0	0	0	-12	45	45	389	0	0	389
S	0	0	201	0	0	0	-12	57	268	515	0	0	515
UK	0	0	173	0	312	0	0	0	0	484	0	0	484

1996 Structure of child benefit package, lone parent with preschool child, ave earnings

1996 Structure of child benefit package, couple with two children, 1.5 ave plus 1.5 ave

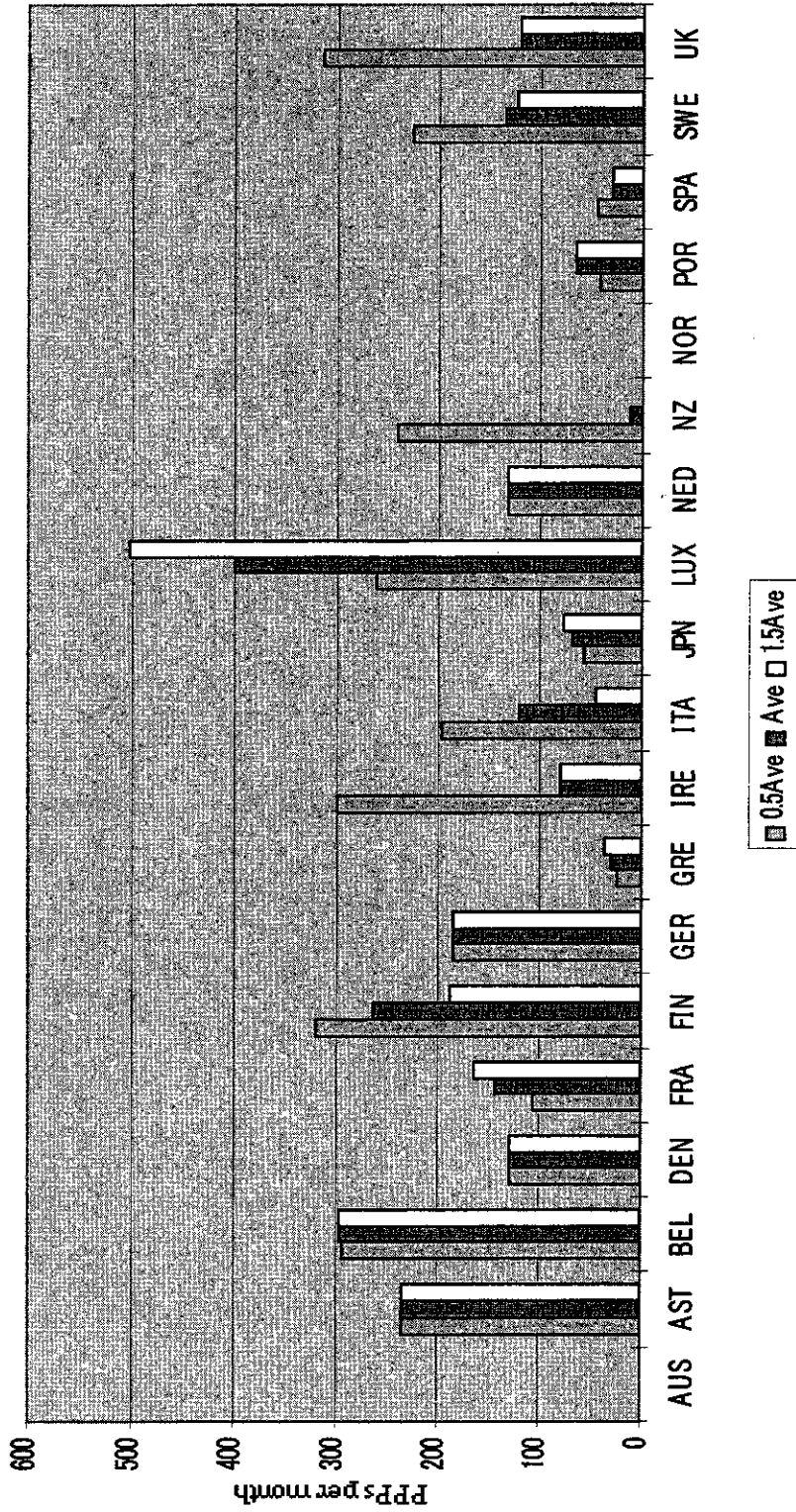
PPPs EU15

	Tax		Non inc		Inc		Health		School		Other		Total
	tested	CHB	tested	CHB	tested	CHB	charges	costs/	benefits				
B	60	0	237	0	0	0	0	-6	-25	0	0	266	
DK	0	0	129	0	0	0	0	-2	0	0	0	128	
D	0	0	184	0	0	0	0	0	0	0	0	184	
GR	19	0	0	15	0	0	0	-38	-152	0	0	-155	
E	29	0	0	0	0	0	0	-16	0	0	0	13	
F	143	0	95	0	0	0	0	-8	0	0	0	230	
IRL	0	0	79	0	0	0	0	-33	-39	0	0	7	
I	9	0	0	0	0	0	0	-11	-66	0	0	-68	
L	508	0	261	0	0	0	0	-3	0	0	0	766	
NL	0	0	133	0	0	0	0	-112	-23	0	0	-2	
A	0	0	234	0	0	0	0	-35	-1	0	0	199	
P	23	0	41	0	0	0	0	-19	-9	0	0	36	
SF	0	0	188	0	0	0	0	-8	30	0	0	210	
S	0	0	122	0	0	0	0	-8	38	0	0	151	
UK	0	0	119	0	0	0	0	0	0	0	0	119	

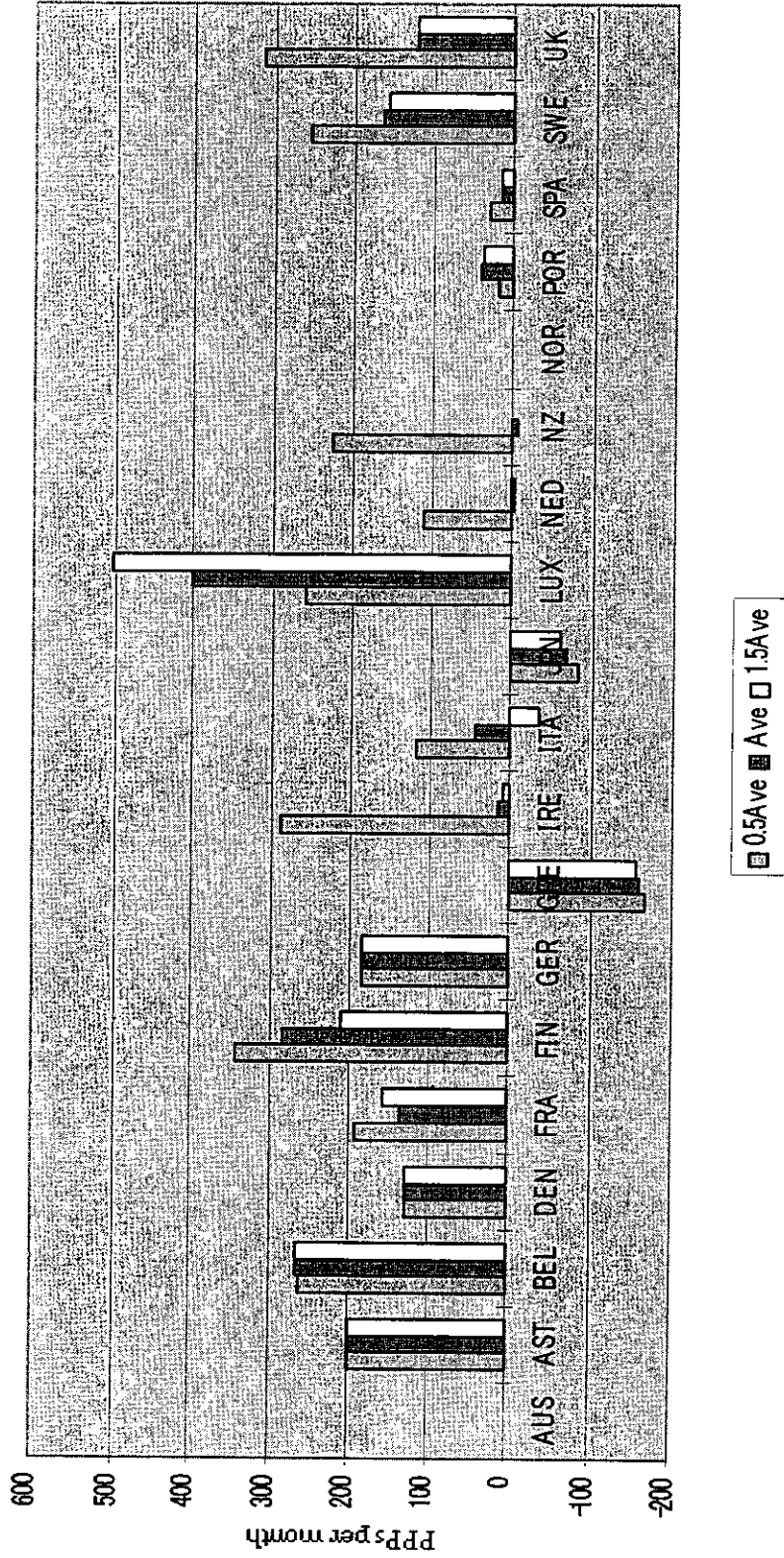
Child benefit package: Couple plus two children with one earner on average earnings: \$ purchasing power parities

	Direct tax	Means tested child benefit	Non means-tested child benefit	Net housing costs and local taxes	Health	Education	Total
Japan	41	-	-	36	-5	-133	-61
UK	66	-	171	-33	-	-	204

Value of CHB Package by earnings, c+2
 (Before housing, education, health costs)



Value of CHB package by earnings, c+2
 (Before housing, after ed, health costs)



Value of CHB package at ave earns
 (Before hsg, ed, health by number of children)

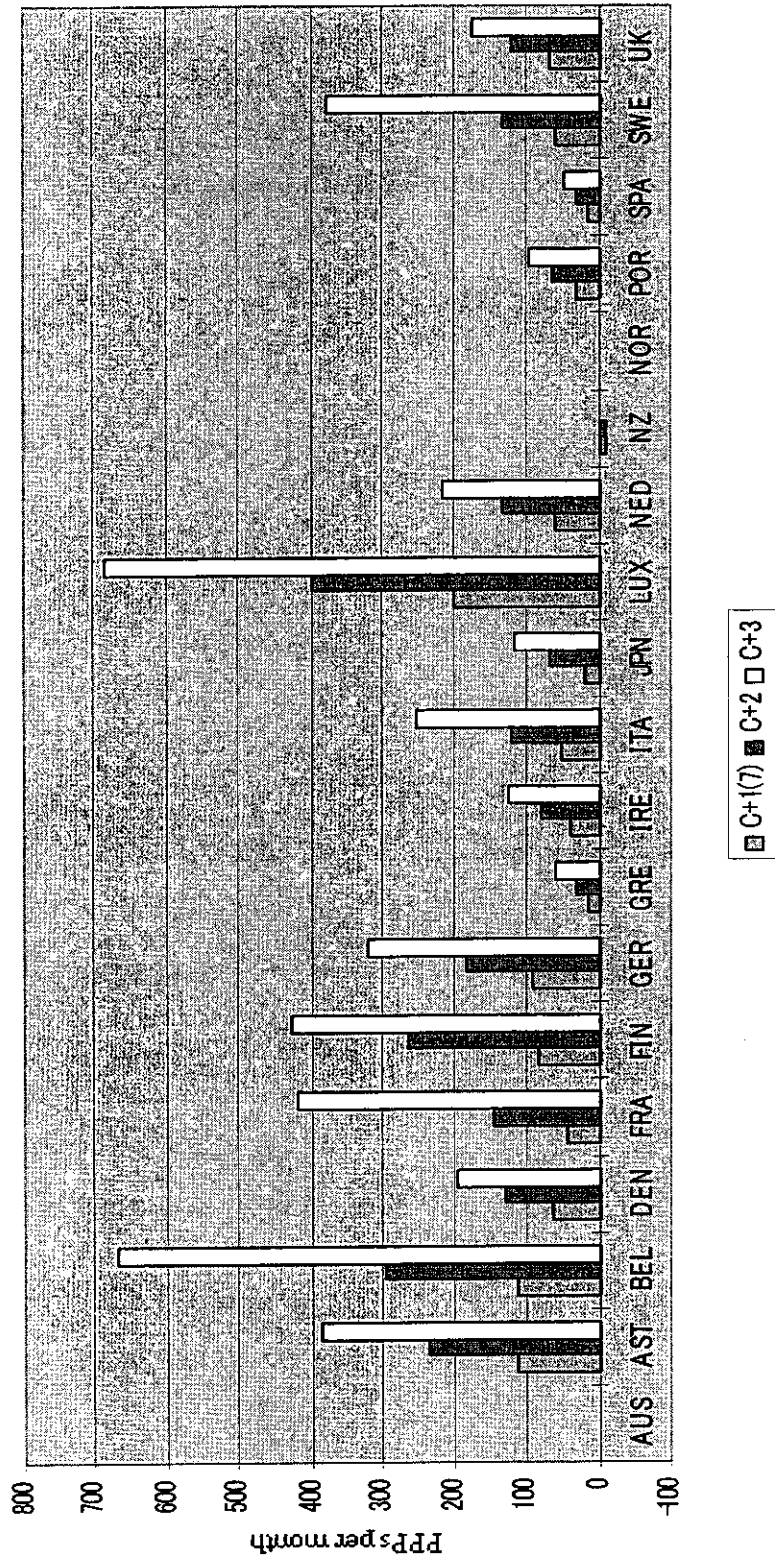


Table 3.6. Ranking of the value of the child benefit package (tax and cash benefits only) paid to 20 different couple families. Before health, school, childcare and housing costs. May 1996.

	<i>% difference from the mean for all countries</i>
Luxembourg	170
Belgium	76
Finland	44
Austria	43
France	34
Germany	7
UK	-6
Sweden	-9
Denmark	-27
Netherlands	-27
Ireland	-28
Italy	-51
Portugal	-66
Spain	-80
G	01

Table 3.8. Ranking of the value of the child benefit package paid to 20 different couple families. After housing costs. May 1996.

	<i>% difference from the mean for all countries</i>
Luxembourg	841
France	254
Belgium	238
Germany	115
Austria	42
United Kingdom	27
Denmark	15
Sweden	-13
Finland	-57
Ireland	-75
Portugal	-81
Netherlands	-135
Spain	-245
Italy	-327
Greece	-600

Child benefit package: One earner average male earnings: July 2001: \$ purchasing power parities

	Lone mother plus one preschool	Lone mother plus one school aged	Lone mother plus two school aged	Couple plus one preschool	Couple plus one school aged	Couple plus two school aged	Couple plus three school aged
Japan	-312	-60	-103	36	-18	-61	-201
UK	-391	203	257	180	180	204	290

Child benefit package: Couple plus two children: July 2001: \$ purchasing power parities

	One 16 hrs at min wage	One 50% ave male earnin gs	One 50% ave female earnin gs	One Ave male earnin gs	One averag e female earnin gs	Two averag e male and 50% averag e female	Two averag e male and averag e female	Social assista nce
Japan	-138	-106	-138	-61	-84	-60	-61	na
UK	758	621	636	204	246	204	204	571

