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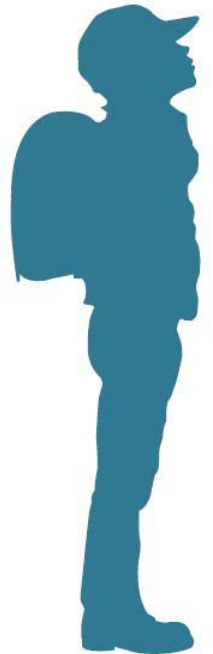
Fertility and Social Stratification Germany and Japan in Comparison

Friday, November 7th, 2008

Section 6: Policy

“Family Policy in Germany and its Implications for Social Inequality”

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Family Policy in Germany and its Implications for Social Inequality

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We are glad to have the opportunity to present our paper on Family Policy in Germany and its Implications for Social Inequality. German family policy is currently a very interesting field of research. A reform offensive of the conservative family minister Ursula von der Leyen actually changes main features of the conservative welfare state. In our presentation we focus on the core reform, the new income-related parenting benefit that was introduced at the beginning of 2007.

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The first part of our presentation gives you a short overview on the main features of German family policy before the recent reforms. This allows us to characterize the 'old' paradigm in German family policy. As the use of the terms (de)familialisation, (de)commodification and stratification indicates, we draw on Gosta Esping-Andersen's Typology of Welfare Regimes. This theoretical approach informs our research questions and hypotheses. In the next step, Christine Wimbauer presents the results of our empirical analysis of the contents, objectives and consequences of the new parenting benefit. In the end, I come back to our research questions and argue in how far the reform represents a paradigm shift and what consequences can be anticipated in terms of social inequality.

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This figure outlines what we call the ‘old’ paradigm that was characteristic of Germany’s social and family policy until the end of the 1990s.

Esping-Andersen regards Germany as an example of the conservative type of regime, which is characterised by a blend of status-related stratification, the (de)commodification of male workers and the familialisation of women, especially mothers. In this model, men are commodified, as they are expected to support themselves and their families by means of their earned income; only in case of sickness, age, or unemployment they are temporarily exempt from their obligation to work, in other words decommodified. At the same time, they are largely released from family duties, in other words defamilialised. By contrast, the situation of women is characterised by their familialisation: as care work is regarded as a predominantly private, female task, mothers in particular are only integrated into the labour market to a limited extent. Thus, their commodification is incomplete. This puts them in a poorer position in the employment-based social insurance system and leads to dependence on a male breadwinner.

Concerning the resulting social inequalities of this model, Esping-Andersen’s stratification concept focuses on inequalities that are related to the employment status. His feminist critics, however, pointed out that inequalities between men and women and between different groups of women also may be an outcome of social rights that are derived from the husband’s status or from motherhood respectively parenthood. This is especially true for a conservative regime like Germany. Thus, we integrated in our model also inequalities that result from marital and parental status. In addition, as a result of transfer payments in favour of needy families, German family and social policy also had a direct influence on stratification; the redistribution effects of these transfers were comparatively weak, however.

I will now take a closer look into the stratification effects of this model.

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The foundations for the conservative German regime were laid in the 1950ies. Since then, Germany introduced a number of social rights based first on motherhood, later on parenthood. In 1955, a conservative government introduced a child allowance and child tax credits to compensate parents at least partly for the costs of children. In 1979 a social-liberal coalition introduced 6 months of paid maternity leave for working mothers. In 1986, a conservative-liberal government replaced this law by a parental leave scheme with a means-tested, low level parental benefit for all mothers and fathers caring for their baby children at home – however, it was almost inclusively mothers who took the leave. In the following years, the parental leave was prolonged up to 3 years, 2 of which were paid.

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Moreover, Germany has a number of social rights derived from marital status. In 1958, a system of joint taxation and tax splitting for married couples was introduced that leads to tax penalties for a lower secondary income. Since the 1950s, several family based claims were introduced into the social security system, such as free health insurance for family members, widows and widowers' pensions, and taking periods of child-rearing into account when calculating pensions.

These social rights go along with what Esping-Andersen calls a 'service-passive welfare state' that puts the main burden of care work on families: the public infrastructure for pre-school care is insufficient, especially for small children. The situation has improved somewhat in the last years due to a law in 1996 that granted public childcare for children aged 3-6 and due to a recent reform in 2008 that grants to provide a nursery place to children under 3 until the year 2013. However, coverage is still quite low; the enrolment rate for children under three was 15.5% in 2007, and due to the predominance of half-day care and schooling, the opening hours mostly do not allow full-time employment.

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Moreover, there are huge regional disparities, ranging from under 5% in the rural, more conservative regions of the south and the north-west marked in orange on this slide up to over 35% in the former GDR marked in green.

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The consequences of this 'old', conservative paradigm are a gendered segregation of the labour market and a high gender wage gap. The female employment rate that is rising – it reached 59% in 2004 – but is still relatively low, esp. for mothers of children under 3. Moreover, mothers returning to the labour market after parental leave face severe problems, and there is a high rate of female part-time work. Due to the importance of employment related social rights, this means that women, especially mothers, are worse off in the German social security system that privileges labour market 'insiders' over 'outsiders'. Another consequence of the conservative paradigm is a low fertility rate that reached 1.33 in 2006. The declining fertility rate, together with a debate in the media on a 'birth strike' of highly qualified women, triggered a debate on reforms in family policy.

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The first question we tackle is how the interplay of (de)familialisation, (de)commodification and stratification in German family policy does change with the introduction of the income-related parenting benefit in 2007.

Here, we suppose that the reform signals a paradigm shift. According to Peter Hall, a paradigm shift takes place when processes of change can not only be detected within a policy or in the policy instruments, but when there is a change of objectives. In our opinion, this is true for the current reform, as it does not only introduce a new instrument – an

income-related parental benefit, but also puts a stronger emphasis on the commodification of mothers and introduces a new policy objective, namely raising the birth rate.

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Our second question is: What are the implications of the reform in terms of social inequality? Here, we suppose that the reform will lead to increasing inequalities between parents respectively mothers according to their position on the labour market.

Now, we focus on the new Parental Time and Parental Benefit introduced in 2007. We analyse its *policy objectives*, its *content*, and the *consequences* up to now.

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To begin with the situation before the reform: The last reform of the law took place in 2001. While *parenting time* was still a maximum of three years¹, parents were now able to choose between the standard payment of €300 per month up to the child's second birthday and a *budget offer* of a maximum of €450 per month up to the child's first birthday. There was an *income ceiling* for the receipt of child-rearing benefit; during the first six months the income of couples had to be below 30.000 € From the seventh month onwards the income ceiling was with 16,500 €considerably lower.²

¹ Up to 12 months of which could be used in the period up to the child's eighth birthday

² In the first six months the taxable income of couples with one child had to be below € 30,000, single parents: under € 23,000. After this the income ceiling fell to € 16,500 and € 13,500 respectively; if the income exceeded this limit, the child-rearing benefit payment was reduced. For each further child the income limits rose by € 3140. In the budget offer the income ceilings were lower.

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The main points of the 2007 reform are the conversion of parenting benefit from a transfer payment into an *earnings-replacement benefit*, the *restriction of the duration of receipt* from 24 to 12 months and the introduction of two additional *months of parenting time for the partner*.

The *level* of the benefit now amounts to 67 percent of the average net income earned in the 12 months prior to the birth. Incomes up to a maximum of €2700 per month are taken into account; the maximum amount of parenting benefit is therefore €1800.³ People who did not work in the last 12 months receive a basic allowance of €300.

Receipt of benefit is limited to the first 14 months after the birth of the child, whereby one parent can receive parenting benefit for a maximum of 12 months. The other parent is entitled to two additional *partner months*; single parents can draw parenting benefit for 14 months.⁴ The duration can be extended to 28 months, in which case the monthly payments are halved.

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The political objectives of the reform can be grouped into three subject areas: in *social policy* terms the reform strives to safeguard the economic existence of parents without social security benefits; in terms of *gender policy* it is intended to promote the employment of mothers and the participation of fathers in care work. The third objective, which has a *demographic* motivation, is to provide incentives to raise the birth rate. This objective was not formulated explicitly as an aim in the legislation process but has been brought up repeatedly in discussions in parliament.

³ Maternity benefit as well as earning-replacement benefits or maintenance payments are taken into account here)

⁴ The duration can be extended to a maximum of 28 months, in which case the monthly payments are halved.

The question now is, if these objectives can be achieved. To begin with the first, to safeguard the economic existence of parents.

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The circle of claimants has grown enormously as a result of the upper income ceiling being eliminated: parents who would previously not have been entitled to child-rearing benefit due to their high incomes now receive the maximum parenting benefit of €1800; over 14 months, this totals up to 25.200 €

Parents with no income or only a small income are disadvantaged. Previously, they could receive €300 per month for 2 years, a total of €7200. Now they receive a minimum payment of €300 for 14 months, a total of €4200, which is much less than before.

According to data of the National Statistical Office (Statistisches Bundesamt 2008), in 2007 56% of the recipients of the new parenting benefit got only up to 500 € Women are overrepresented in this group, while men are overrepresented in the group receiving the highest transfers: A total of 5.8 percent received a parenting benefit of €1,500 and more, among them 20.7 percent of all male and only 4.1 percent of all female recipients. Thus, parents with middle and high incomes profit most by the new incentive structure; however, their number is relatively small.

Furthermore, the new parenting benefit stands for a change of perspective in family policy, which conforms to an activating labour market policy. According to the 'adult worker model', it aims at the labour market integration of all adults who are capable of working. I quote the Ministry for Family Affairs:

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“In contrast to social assistance or unemployment benefit II, parenting benefit is not a state welfare benefit. [...] It is more the case that the necessary minimum gaps to earned income are maintained and positive incentives to take up gainful employment are created” (BMFSFJ 2006b).

What is problematic in such an orientation of family policy towards the active integration into the labour market of *all people who are capable of work* is, however, that the possibilities are not equal for different groups: firstly, because of the lack of jobs, especially for less skilled persons, and secondly because of the frequent incompatibility of employment and taking care for small children – mainly for mothers.

To conclude: The first objective will be achieved mainly for middle and upper income mothers respectively parents; low income groups and und unemployed persons are disadvantaged. As more than half of the recipients – most of them female – are only entitled to a benefit up to 500 € and therefore depend heavily on a partner’s income or on additional welfare state transfers, the new parenting benefit appears not to be an appropriate measure to improve the economic independence of these parents. For them, we even find new elements of workfare. The consequence is a – quite intended – social differentiation.

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In view of the gender policy objectives, let’s look at the participation of fathers in care work first. According to data from the Federal Statistical Office the utilisation of parenting benefit by fathers increased to 10.6 percent in 2007; in the previous year the figure was only 3.5 percent. However, 61% - almost two thirds – of them limited their benefit receipt to two months.

From all persons who take 12 months only 1.9 percent are male, while more than four fifth of them are female. Fathers with no or a low income and thus receiving only a low-level

benefit take more time off: one third of this group use the maximum of parenting time (1.0% of all recipients), while only one sixth of those fathers (0.2% of all recipients) who receive the highest transfers do so. Thus, the erosion of the male breadwinner model seems strongest among those groups who simply cannot afford it any more.

By contrast, three fourths of all mothers who receive high transfers (2% of all recipients) use the maximum parenting time – and barely any (0.05 percent) of this group use the two additional partner months. In other words: female breadwinners with a high income are an absolute exception.

According to a Survey of the ministry for family affairs among fathers in 2005, a frequently cited reason (79 percent) for not taking parental leave in the past was fear of occupational disadvantages. Obviously firms still perceive the use of parental leave by fathers often as a stigma in employees' biographies and active fatherhood could be a disadvantage for a further career.

Thus, one has to wait and see if the reform of the parenting benefit will lead to a more egalitarian participation of fathers in care work. The earnings replacement rate is lower than for example in Sweden and there are only two additional partner months instead of a 50:50 solution, which would have been more consistent in terms of equal opportunities policy. Moreover, many firms still respond in a very reserved manner to fathers participating in care work. As a result, the double burden of work and family is still borne predominantly by mothers.

With regard to raising the labour force participation of women, first of all the restriction of the benefit duration to one year now increases the incentive – or, for low income parents: the enforcement - to return to work as quickly as possible. Thus, it aims at an *adult worker model* and indeed mothers' independent economic existence is better protected in the longer term - but only if they *can* return to employment.

A major problem when taking up employment again, however, is the work-family-reconciliation: There is a lack of public childcare facilities for small children; existing

facilities often do not have flexible opening hours. Parents have to pay for public and even more for private childcare. In addition the labour force participation of mothers with small children is made more difficult by the lack of jobs, especially for lower skilled persons, and by family-unfriendly hours of work.

Thus, it should be easier to raise the employment of highly qualified mothers who work full time – and can pay for additional childcare services.

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The third policy objective is raising the *birth rate*.

First of all one has to state that high income – and thus: usually highly qualified – mothers benefit most of the new parenting benefit. Apparently, the earnings-replacement function of parenting benefit should reinforce especially women with higher qualifications in their decision to get children. It could be presumed that the children of socially weak families are considered less worthy of support than others – in a way a kind of *social selection* (Farahat et al. 2006) in favour of the more highly skilled who are considered ‘worthy of childbearing’.

It is uncertain, however, whether the decision to have children or not can be put down mainly to financial reasons. Although the birth rate rose from 1.33 in 2006 to 1.37 in 2007, this might be in the range of natural fluctuations, and it is uncertain if the increase is the effect of the parenting benefit.

The birth rate rather seems to be a cumulative effect of a policy-mix of labour-market, family and social policy.

What is decisive in addition to financial support is in particular the possibilities to reconcile work and family, in other words a needs-related provision of childcare in combination with family-friendly working hours and possibilities to return to the labour market.

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I come back now to our research questions and hypotheses. First, we supposed that the reform signals a paradigm shift in family policy, as it introduces new policy objectives. In this figure, we try to capture the changed interplay between (de)familialisation, (de)commodification and generativity. Changes compared to the 'old' paradigm are marked in blue on this slide:

With regard to care work, men continue to be largely defamilialised – the two daddy months probably will not lead to their increasing involvement in family duties. On the other hand, the de-familialisation of women rests incomplete, as the introduction of the new parenting benefit so far was not accompanied by a marked expansion of childcare services.

With regard to the labour market, we can observe an increased activation of men and women in labour market and social policy; what is new is that the commodification of women, especially mothers, is now also promoted via family policy, namely by the income-related incentive structure and the reduced duration of the receipt.

With regard to generativity, the new law introduces the raise of the birth rate as a new objective. This is a novelty, as pro-natalist objectives have been taboo in Germany since National Socialism. However, the incentive structure of the new parenting benefit does not 'reward' a general increase in the birth rate but rather a *selective* and *exclusive* increase among *highly qualified* women or couples – with regard to this group, one could speak of a 'double activation'. Those with low incomes or low skills obviously do not belong to the envisaged target group. In addition to the differentiation between the 'worthy' (working) and 'unworthy' poor (Katz 1989) there may in future also be a differentiation between mothers who are 'worthy of child-bearing' and those who are not.

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Second, we supposed that the reform will lead to increasing inequalities between parents / mothers according to their position on the labour market. Due to the politically envisaged *labour market inclusion of all people who are fit for work*, the issue of social inclusion or exclusion is increasingly decided on the labour market. Economic inactivity is being delegitimized, and motherhood as a socially accepted alternative to employment loses its social-policy support. Whilst the previous child-rearing benefit balanced out social inequalities, now it is mainly working parents in the middle and upper income groups that benefit from the new income-dependent parenting benefit. For low-earners, on the other hand, the new benefit leads to financial losses and seeks to activate them to take up employment by means of *workfare elements* or if necessary refers them to the social assistance system.

In gender policy terms there is a suggestion of an *exclusive emancipation of highly qualified women*, whilst women who cannot be integrated into the labour market and are not regarded as the mothers of tomorrow's highly qualified are increasingly being denied opportunities of social participation: they are excluded from the labour market, and founding a family is made more difficult for them financially compared to the situation before the reform.

However, as long as the reconciliation of family and work is not made possible and as long as equality is not established for *both* sexes, then even highly qualified women will hardly be able to do both: be available to the labour market as sought-after workers and simultaneously have more children.

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Thank you very much for your attention – we are looking forward now for your questions and comments!