

European Observatory on National Family Policies

A Synthesis of National Family Policies 1995

Social protection & social action

Employment & social affairs



European Commission

EUROPEAN OBSERVATORY ON NATIONAL FAMILY POLICIES

The European Observatory on National Family Policies was established by the Commission of the European Communities in 1989. It is now co-ordinated from the Social Policy Research Unit at the University of York, United Kingdom. Members of the Observatory are independent experts from each of the countries of the European Union. The aims of the Observatory are to:

- * monitor trends in the diverse development of family forms
- * monitor developments in policies which impact on families
- * monitor demographic, socio-economic and political changes which impact on families
- * analyse policy and evaluate the impact of family policies
- * stimulate high quality and independent research on families and family policies
- * advise the European Commission about family policies
- * inform public and academic debate about family policies.

Formal meetings of the Observatory take place in Brussels twice a year. Specialist meetings and conferences are organised by Observatory members throughout the European Union.

EUROPEAN OBSERVATORY ON
NATIONAL FAMILY POLICIES

A SYNTHESIS OF NATIONAL
FAMILY POLICIES 1995

by

John Ditch, Helen Barnes
and Jonathan Bradshaw

THE UNIVERSITY *of York*

in association with:

Prof. Bea Cantillon (Belgium)	Prof. Giovanni B. Sgritta (Italy)
Dr. Vita Bering-Prusan (Denmark)	Prof. Anna Laura Zanatta (Italy)
Dr. Thomas Bahle (Germany)	Dr Pierre Hausman (Luxembourg)
Dr. Franz Rothenbacher (Germany)	Prof. Hans-Joachim Schulze (Netherlands)
Prof. Loukia Moussourou (Greece)	Prof. Christoph Badelt (Austria)
Dr. Juan Antonio Fernández Cordon (Spain)	Dr. Karin Wall (Portugal)
Dr. Jeanne Fagnani (France)	Dr. Sirpa Taskinen (Finland)
Dr. Pierre Strobel (France)	Prof. Ulla Bjornberg (Sweden)
Dr. Gabriel Kiely (Ireland)	Prof. Jane Millar (United Kingdom)
Dr. Valerie Richardson (Ireland)	

© Commission of the European Communities, 1996
Reproduction is authorized, except for commercial purposes,
provided the source is acknowledged.

ISBN: 1 871713 56 0

and

ISBN: 1 871713 46 3

Published by
SOCIAL POLICY RESEARCH UNIT
UNIVERSITY OF YORK

Produced at
Fretwell Print and Design
Keighley, West Yorkshire BD21 1PZ, England

CONTENTS

	Preface	page v
	Acknowledgements	page vii
	Introduction	page ix
Chapter One	The Demographic Context of Families	page 1
Chapter Two	Legal and Policy Responses to Cohabitation	page 19
Chapter Three	Developments in Social Protection	page 37
Chapter Four	Family Incomes and Tax-Benefit Policies	page 51
	Appendix	page 79
	Conclusions	page 83
	Bibliography	page 85



PREFACE

The European Observatory on National Family Policies was established by the Commission of the European Communities to monitor changes in family forms and family policies (and other policies which impact on the family) in all member states of the European Union. Each year two Reports are produced: they are complementary and seek to achieve different objectives. The Synthesis Report analyses, on a comparative basis, the development of family policies and focuses on key themes and questions; emergent policy questions are identified and a contribution made to shaping the policy agenda.

A companion volume serves a separate purpose and reports, descriptively and schematically, on trends and developments within each country. The information reported relates to the period January – December 1995 and has been mostly obtained from experts in each member state using a pro forma questionnaire. Inevitably there is variation in the extent and detail of coverage. Attempting to describe developments which are so recent brings many challenges: the absence of comparable statistical data and the need for perspective on events are the two most obvious examples.

It is our firm hope and expectation that taken together these volumes will make a helpful contribution to the analysis and development of contemporary family policy. They are written with a commitment to the improvement of quality of life for all families: we hope to have made a small contribution to making that goal a reality.



ACKNOWLEDGEMENTS

Above all this report draws on the work of all members of the Observatory.

We are grateful to the following for special assistance:

Michael Grignon (France)
Per Kampman (Denmark)
Rene de Wever (Luxembourg)
Gudny Eydal (Sweden)
S. Baumgartner (Austria)
Jolanda Vinkers (Netherlands)
Barbara Tan (Belgium)
Sophia Spiliotopoulos (Greece)
Kjell Björnberg (Sweden)
Peter Cuyvers (Netherlands)

Nina Oldfield (UK) worked on an early draft of the Chapter on Social Protection. We are grateful to Ursula Hillbrand who manages our activities with skill from her office in the European Commission. Barry Nicol is much more than a printer responsible for the production process: he makes an invaluable contribution to text editing. Lorna Foster also made a much valued contribution to text editing. Although this version of the report appears in English, it has been improved by the valued comments of the translator Jean Lubbock (Dip. Trans. MIL. MITI), Hans-Jurgen Wienkamp (MITI) and Barbel Fischer (BDU). Hazel Parker, the Administrative Secretary to the Observatory has made a unique and invaluable contribution to our work: we are deeply grateful.

It is to be emphasised that the content of the report is the responsibility of the authors alone.



INTRODUCTION

The European Observatory on National Family Policies has continued with its task of monitoring both trends in family formation and the policies which shape and impact upon families. This is the first year in which we have been able to report on developments across the whole of the Union, including the new members: Austria, Finland and Sweden. Whereas the companion volume has concentrated on a country-by-country review it is the objective of this volume to identify and analyse specified themes. The nature of research into families, family and other relevant policies is such that selection and focus are imperative if superficiality is to be avoided. For that reason, and following discussion within the Observatory and agreement with the European Commission, we concentrate on four substantive topics. First, and as a regular feature of these reports, we review the developing demographic position in Europe. We are fortunate in having among our members expert demographers and are privileged in the level of access we have to the European Union's statistical service, Eurostat: we are able to report, for the first time, some early results from the European Household Panel Survey. A special topic of particular concern for our review of 1995, and forming Chapter Two, concerns legal and policy responses to cohabitation. Once again, detailed information was supplied for each country by Observatory members in response to a pro forma questionnaire prepared by the Coordination Team. There is general awareness of the growing attraction and significance of cohabitation but we still lack robust statistical information on its status, prevalence and stability. This chapter provides a review of the most recent data and marks the limits to current knowledge: much remains to be researched.

As a second topic for 1995, we asked all Observatory members to review debates around social protection for families in each of the member states (Chapter Three). We were acutely aware that in several countries there was growing and often bitter controversy about the status and efficacy of universal benefits payable to all families regardless of income. The debate, we believed, was being shaped by a powerful mixture of expenditure constraint, inconclusive evidence on the net impact of social security transfers on behaviour and poverty, and a form of moral panic (in some countries, at least) about birth rates and lone parenthood. The evidence we received confirmed the importance and centrality of the debate but encouraged us to believe that the discussion was being conducted in more temperate and reasoned manner than first feared: moreover, greater concern was being displayed about the well-being of families and the need to insulate them from the worst effects of economic re-structuring than previously thought.

Another regular feature of these reports, using the model families matrix methodology, is the discussion of the impact of tax and benefit policies on the living standards of families of different size, composition and income level. The raw data for this exercise, the very building blocks of the analysis, are supplied by each member of the Observatory on a national basis. Allowing for detailed but necessary assumptions about income and expenditure Chapter Four profiles the

relative value of packages of support for families and draws attention to shifts in policy objectives and emphasis.

At a European level, 1995 saw a continuation of social, economic and demographic trends as analysed in the previous report. Against a background of demographic ageing and declining birth rates, there is continued commitment to the pursuit of equal opportunities in respect of female labour market participation which is interacting with labour market re-structuring to fundamentally alter the pre-existing balance between male and female employment. The extent to which this, in turn, impacts on the balance between male and female roles within the family, is at the heart of both policy and academic debate: the issues are analytical or political according to context. The paucity of high quality empirical evidence on the consequences of labour market restructuring for family life is remarkable given the importance that can be attached to these responsibilities and relationships. Equally, but more tendentially, there are those (but not within the Observatory) who seek to assert policy initiatives (such as reinforcing 'traditional' roles through manipulation of social and employment protection legislation) as a way of reconciling work-family relationships while, at the same time, contributing to the lowering of male unemployment rates. Our approach seeks to illuminate the challenges which global and societal changes pose for families. We do not intend to be either prescriptive or moralistic: we leave that to politicians and preachers.

CHAPTER ONE

The Demographic Context of Families

Introduction

The relationship between demography and family policy is a reciprocal one. Like other policies, family policies need to take account of the demographic situation of a country – the size, age and structure of its population. In their turn, policies, and perhaps especially family policies, may have an impact on demography by influencing the decisions which individuals make: about whether and when to marry or live with a partner, whether or when to have children and, indeed, how many children to have. For parents with children, policy will influence when their children finish education and training, when they leave the parental home, and when they start work. Policy can also affect whether people work, when they retire and even when and where they die. Though policy may not be the main determinant of these events, it is certainly a contributory factor.

Demographic factors have an obvious impact on the demand for a wide range of services, at all stages of the life cycle, from maternity services, child benefits and schools to housing, health and social services and ultimately even demand for burial and crematorium services. Demographic trends are also a key determinant of a country's ability to pay for services, an issue which is of concern to all countries in the European Union in the context of changing family structures, falling birthrates, and ageing populations. An understanding of trends in the development of national family policies is therefore crucially dependent upon an understanding of trends and developments in families themselves. This is especially true in the current period of rapidly changing population structures.

Sources of comparative demographic statistics

Sources of comparative demographic material have improved a good deal in recent years, although problems of comparability and gaps in information remain. Some of the regular reports of the OECD contain useful comparisons of population structures and the OECD also produces *ad hoc* studies from time to time with useful comparative population data (for example OECD, 1990; OECD, 1993; OECD, 1994). The Council of Europe produces an annual review which is extremely useful (Council of Europe, 1995). Then there are *ad hoc* studies undertaken by national statistical bureau – for example the UK Office of National Statistics in its quarterly publication *Population Trends* produces articles which sometimes draw on primary comparative studies (for example, Bégeot, Smith and Pearce, 1993). Studies such as the Luxembourg Income Study generate demographic data as a by-product of the

analysis of comparative data sets. Finally there are other *ad hoc* comparative studies on specific topics which collect material which contributes to a comparative data base (for example see Bradshaw *et al.*, 1996). At the EU level we have had to rely until recently on data collected on an *ad hoc* basis either through National Round Tables or more recently through national informants in the observatories and networks.

Eurostat now collects, analyses and presents comparative demographic data. This effort was sanctioned by the Treaty of Maastricht which required the Commission 'to draw up a report each year on progress in achieving the objective of Article 1, including the demographic situation in the Community'. As well as the annual *Demographic Statistics* Eurostat provides the Commission with the material produced as *The Demographic situation in the European Union* (CEC, 1996) and also *Major Issues in European Demography* (CEC, 1995). In addition, Eurostat publishes a variety of papers containing data on different aspects of the European demographic scene. In 1996, data from the first wave of the European Community Household Panel (ECHP), covering twelve of the member states of the EU, became available for the first time. Together these form the main source for the material in this chapter.

Population size

All the EU countries undertook censuses in 1990 or 1991. Table 1.1 shows that estimates of population size in 1995 vary from 81.5 million in Germany to only 400,000 in Luxembourg. Since 1950 all the EU countries have experienced growth

Table 1.1: Population size and population growth

Country	Population (millions) 1995	Annual % increase 1950-1990	Annual % increase 1980-1990
Belgium	10.1	0.32	0.13
Denmark	5.2	0.37	0.04
Germany	81.5	0.29	0.17
Greece	10.4	0.59	0.53
Spain	39.2	0.66	0.29
France	58.0	0.57	0.42
Ireland	3.6	0.35	0.24
Italy	57.3	0.39	0.14
Luxembourg	0.4	0.56	0.54
Netherlands	15.4	0.90	0.58
Austria	8.0	0.23	0.31
Portugal	9.9	0.31	0.03
Finland	5.1	0.44	0.50
Sweden	8.8	0.40	0.31
United Kingdom	58.5	0.27	0.23

Sources: Bégeot, Smith and Pearce (1993) Table 1, Council of Europe (1994), Eurostat (1995)

in their populations ranging from an average of 0.27 per cent per year in the UK to 0.90 per cent in the Netherlands. There was a slowing in the annual average rate of growth in all countries in the 1980s and in Denmark and Portugal there was hardly any growth at all.

Population growth rates are a function of fertility, migration and mortality, and the relative contribution of each of these factors varies both from country to country and over time. Various estimates have been made of the likely future size of the populations of EU countries. The higher of these estimates envisage average growth of 0.57 per cent per year between 1993 and 2020. The lower estimates envisage a decline of 2.6 per cent in the overall population between 1993 and 2020 and reductions in the population in every country except France, The Netherlands and Portugal during that period.

The population of Europe is a declining proportion of the world population as well as a declining proportion of the population of the industrialised world. Variations in growth rates within the EU inevitably alter the relative proportions of the overall EU population contributed by the different member states. Between 1980 and 2020 the percentage of the population which is French, Dutch, Portuguese, Greek and Spanish is expected to grow while the proportion which is Italian, German and British is expected to decline. However, the relative stability of the EU population means that the age structure is more important than the size of the population. The primary determinant of the age structure is past and present fertility rates.

Fertility

In order for the population to reproduce itself each woman needs to have 2.1 children. The measure of the number of children each woman will have during her life is the Total Period Fertility Rate. Table 1.2 shows that every country in the EU now has a fertility rate below replacement level. Ireland's fertility rate had for some time been an outlier in this respect but as a result of an extraordinarily rapid decline in fertility, Ireland reached sub-replacement fertility in 1993. In the southern EU countries fertility levels began to fall about a decade after the northern countries, in the 1970s, but the decrease in fertility has now overtaken the northern countries, and has still not stabilised. Spain and Italy now have the lowest fertility rates in the industrialised world. A seeming uniformity in fertility rates masks considerable variations in how they are achieved – thus in Denmark, the UK and France there are high levels of births outside marriage. In Germany there are high proportions of childless women, whereas in France there are fewer childless women but more one child families (Eurostat, 1992b).

Despite a considerable literature on the subject, no entirely satisfactory (or rather simple) explanation has been produced for fluctuations in fertility. A two volume five country Eurostat study concluded 'that there is no identifiable stable link between labour force participation and fertility outcomes. However there is a process of joint determination, affected by macroeconomic situations and the cultural and social fabric' (Eurostat 1991, volume 1, para 16). There is no doubt that birth control technology and abortion have enabled the separation of sexual activity and childbirth, enabling marriage and child bearing to be delayed. This in turn has been associated with an increased participation of women in paid employment. This is likely to lead to further delay in giving birth because, in addition to the not

Table 1.2: Total period fertility rates

<i>Country</i>	<i>1970</i>	<i>1980</i>	<i>1990</i>	<i>1994</i>
Belgium	2.38	1.68	1.62	1.55*
Denmark	1.95	1.55	1.67	1.80
Germany	2.03	1.56	1.45	1.26
Greece	2.39	2.21	1.39	1.35
Spain	2.90	2.20	1.34	1.22*
France	2.47	1.95	1.78	1.65*
Ireland	3.93	3.25	2.12	1.86
Italy	2.42	1.64	1.34	1.22*
Luxembourg	1.98	1.49	1.61	1.72
Netherlands	2.57	1.60	1.62	1.57
Austria	2.29	1.62	1.45	1.44
Portugal	2.83	2.18	1.57	1.44
Finland	1.83	1.63	1.78	1.85
Sweden	1.92	1.68	2.13	1.88
UK	2.43	1.90	1.83	1.74

Source: Demographic Statistics 1996, Eurostat

*Estimated or provisional data

inconsiderable direct costs of having a child, indirect or opportunity costs (lost earnings, foregone promotion prospects, lost pension rights and so on) create disincentives. Increased opportunities for women in the expanding service sector, rising levels of earnings (both absolute and relative to men's) in most EU countries further exacerbate these costs. Increased relationship breakdown, which is associated with economic independence, not only interrupts child bearing, but creates a climate in which it is more risky. It becomes even more important for a woman to remain in the labour market, given the high risks of poverty for lone parents. The economic recession of the early 1990s may have also made a contribution to fertility decisions as it undoubtedly did in the 1930s.

There are some demographers (for example Brass, 1989) who believe that this decline in fertility is merely delay – a generation of women have chosen to have their babies in their thirties rather than their twenties. It is argued that fertility will catch up as they have their babies later. It is true that the decline in fertility in some northern EU countries ceased during the 1980s and there is some evidence of a recovery of fertility in some (Scandinavian) countries in recent years. This is because the age specific fertility rates in those countries has been increasing for the over 30s. But there is no EU country whose fertility rate has yet recovered to replacement level and in the US and the Nordic countries where fertility began to recover earliest it has stuck at sub-replacement level and indeed begun to fall again. Many of the countries that began the fertility decline have now experienced nearly a child bearing generation at sub-replacement level – it is too late to catch up.

Meanwhile the labour supply of married women continues to increase as does marital disruption. Family planning technology is likely to become more efficient with the male contraceptive pill and the abortion pill. There is little or no evidence that men are adapting their behaviour to make it easier for women to be mothers and workers. All this suggests that fertility is likely to remain at low levels or continue to decline.

One obvious question is whether it matters that fertility continues at sub-replacement level? Given the lack of concern in most EU countries, the answer is clearly that it does not. Indeed in the short term reductions in fertility, particularly if the rate then remains stable, may have beneficial social, economic and ecological consequences. There can be savings in public expenditure on child related services and benefits or indeed improvements in them (for example one consequence of the decline in births in Ireland has been the decision to make substantial increases in child benefits). Also unemployment can be solved demographically, pressure on housing reduced and so on. The anxieties arising from sub-replacement fertility are two-fold; first, what would be the consequences for the economy and social fabric of European countries if labour supply does not keep pace with labour demand; second, what are the economic costs and social and economic consequences of an ageing population. While ageing is certainly on the agenda of EU countries, given the parlous state of labour demand and new threats to European competitiveness from the newly industrialised Asian economies, possible future labour shortages are not a concern.

Historical evidence suggests that social and fiscal policies may not be very efficient in engineering changes in fertility behaviour. Attempts to employ incentives in many of the former Eastern bloc countries had little success. The evidence from France, which has pursued pro-natalist policies for over 80 years, is not encouraging. France has a slightly lower fertility rate than the UK which has never espoused pro-natalist policies. All the evidence suggests pro-natalist policies may encourage mothers to have babies earlier: they may increase fertility by 0.1 or 0.2 but beyond that they have had little impact. It is conceivable that more concerted, more generous pro-natalist policies might have more impact, but they would require considerable transfers of resources in favour of women and families of child bearing age, at the expense of childless and elderly people, and they would still have to compete with the attractions of labour market.

Changing family form

While there is evidence that in respect of fertility the EU countries have become more alike, when we turn to trends in the structure of families there appears still to be a good deal more variation. Nevertheless family form is changing throughout Europe and although the changes have been much greater in some countries than in others they appear to be common throughout the EU. In general the forms of families that have dominated European populations since about the first world war have become much more diverse, complex and volatile and these changes present social policy with new challenges. The variations within Europe can be depicted as a north/south divide – northern countries starting out on the trends earlier than southern countries and southern countries beginning later but catching up rapidly, albeit from a lower base. Although there is some truth in this hypothesis, as we shall see there is still considerable variation for some indicators within the south and

northern blocs (as well as confusion about how to classify countries such as Ireland). There is also considerable variation between regions within some countries.

We have already seen in relation to fertility that women are having fewer babies and that this is partly a function of delayed marriage. Table 1.3 compares the mean age of mothers at the first birth. Since 1970 this has increased by about three years in most countries. The mean age of women at child bearing was very similar in the EU countries in 1994, varying from 30.3 years in Ireland to 27.5 years in Austria. There is also a smaller difference than in the past between the mean age at first birth and mean age at childbirth overall, as women are completing their families within a shorter period.

Table 1.3: Age of mothers at first birth (1994)

<i>Country</i>	<i>Mean age at first birth</i>	<i>Mean age at childbearing</i>
Belgium	—	28.2*
Denmark	27.2 (1993)	29.1
Germany	27.5 (1993)	28.2
Greece	26.1	28.0
Spain	27.2 (1992)	29.5*
France	27.4 (1992)	28.8*
Ireland	26.6 (1993)	30.3
Italy	27.4 (1993)	29.6*
Luxembourg	—	28.8
Netherlands	28.3 (1993)	29.9
Austria	25.9	27.5
Portugal	25.4	27.9
Finland	27.4	29.1
Sweden	27.0 (1993)	29.2
UK	26.2 (1993)	28.1

Source: Eurostat, 1996, Council of Europe, 1995

* Estimated or provisional

Table 1.4 gives the crude marriage rate for EU countries in 1994. Since 1970 this has declined in every country in the EU. Marriage is also occurring later – at least three years later since 1970 in most northern EU countries. Marriages where one of the partners has already been married have been a growing proportion of all marriages, and this applied to more than a quarter of all women marrying in Denmark and the UK in 1994, although over 90 per cent of marriages were first marriages in Ireland and the southern EU countries. Remarriage is also in decline, however, and cohabitation following marriage breakdown, as well as before marriage, has become common. In most countries there is evidence that marriage is not just being delayed but that fewer people are marrying overall.

Table 1.4: Marriage rate, age at first marriage and proportion of marriages which are first marriages

Country	Crude marriage rate (1994)	Age at first marriage (females, 1994)	First marriages as % total marriages (female, 1994)
Belgium	5.1	25.2	80.2
Denmark	6.8	28.9	73.4
Germany	5.4	26.3	76.6
Greece	5.4	25.6	91.9
Spain	5.0*	26.2 (1993)	95.6 (1993)
France	4.4	26.7	83.5
Ireland	4.6*	27.0 (1992)	99.2 (1992)
Italy	5.0*	26.1 (1993)	96.3 (1993)
Luxembourg	5.8	26.3	81.0
Netherlands	5.4	27.0	82.5
Austria	5.4	25.8	80.2
Portugal	6.7	24.6	94.2
Finland	4.9	26.7	81.6
Sweden	3.9	28.5	79.6
UK	5.9 (1993)	25.8 (1993)	72.6 (1993)

Source: Eurostat

*Estimated or provisional data

The decline in marriage and the increased age at which marriage begins has been associated with an increase in births outside marriage, and an increasing proportion within cohabitation. Table 1.5 shows that the proportion of births outside marriage was over a third in the UK, France and Finland and accounted for around half of births in Denmark and Sweden by 1994. Although there is still considerable variation in the proportion of births outside marriage in the EU and very different rates of increase, all countries have experienced at least a doubling in births outside marriage since 1970. An increasing proportion of births outside marriage are to couples who are cohabiting.

Cohabitation, which is becoming increasingly widespread and significant as a living arrangement, is extremely difficult to compare across countries because of the difficulty of establishing the nature of living together relationships. Data from the ECHP providing the most recent and comparable estimates of prevalence are included in Chapter Two. As with other data on cohabitation, they should be regarded with some caution as, partly because of its commonly sequential nature and also because it is not well accepted in some countries, there is likely to be a degree of under-reporting. In addition, the distinction between whether someone is living as a lone parent or a cohabiting partner is not always consistently drawn.

Table 1.5: Births outside marriage 1994

<i>Country</i>	<i>Births outside marriage as % of all live births</i>
Belgium	12.6 (1991)
Denmark	46.9
Germany	15.4
Greece	2.9
Spain	10.8 (1993)
France	34.9 (1993)
Ireland	19.7
Italy	7.4 (1993)
Luxembourg	12.7
Netherlands	14.3
Austria	26.8
Portugal	17.8
Finland	31.3
Sweden	51.6
UK	32.0

Source: Eurostat (1996)

Table 1.6: Divorces

<i>Country</i>	<i>Total divorce rate (1993)</i>	<i>Crude divorce rate (1994) (per 1000 population)</i>
Belgium	0.33	2.2
Denmark	0.42	2.6
Germany	0.28	2.0
Greece	0.12	0.7
Spain	—	0.7 (1993)
France	—	1.9 (1993)
Ireland	not applicable	not applicable
Italy	0.07	0.5
Luxembourg	0.35	1.7
Netherlands	0.30	2.4
Austria	0.34	2.1
Portugal	—	1.4
Finland	0.43	2.7
Sweden	0.46	2.5
UK	0.44	3.1 (1993)

Source: Eurostat (1996), Council of Europe (1995).

— missing data

Marriage (and possibly also cohabitation) has become more unstable than in the past, leading to increases in relationship breakdown and divorce. The divorce rate is influenced by difficulties of access and it can be seen in Table 1.6 that it varies considerably between countries, with the UK and Denmark having the highest rates and Ireland, Italy and Greece the lowest; in most countries it has more than doubled since 1970, although from rather different bases. Since the mid 1980s the divorce rate has begun to level off in some countries. It is not clear whether this reflects a genuine increase in the stability of marriage or whether it is simply because of the increase in cohabitation, which means that relationship breakdowns are not officially recorded.

Changing family forms have contributed to the increase in the proportion of families headed by a lone parent, an increase which has been associated with concern about a range of issues, including the poverty of lone parent families and the impact on children of family breakdown. The definition of a lone parent family varies considerably between countries due to differences in the age at which children are defined as dependent, and in the treatment of cohabiting couples and also because in some countries there are problems in identifying lone parents in multi unit households (Roll, 1992, Bradshaw *et al*, 1996). The latest Eurostat estimates are given in Table 1.7a and they show that the proportion of families with

Table 1.7a: Lone parent families

Country	% Lone parent families 1990/91	% Lone parent families with children under 6 1990/91	% Lone parent families with at least one child under 15 1990/91
Belgium	14.1	14.9	14.6
Denmark	8.5	13.5	20.4
Germany	11.5	14.3	15.4
Greece	7.6	3.2	5.7
Spain	10.0	—	6.0
France	10.4	8.3	10.8
Ireland	15.0	8.8	10.7
Italy	11.8	—	—
Luxembourg	12.7	10.5	12.3
Netherlands	10.1	11.2	12.2
Portugal	9.2	6.1	9.0
United Kingdom	13.5	19.2	19.0
Austria	13.0	13.4	—
Finland	12.4	10.3	—
Sweden	8.5	14.1	—

Sources: Eurostat (1995), EC (1995)

a child under 15 who were headed by a lone parent varied from 20.4 per cent in Denmark to 5.7 per cent in Greece.

Bradshaw *et al* (1996) have produced independent and more recent estimates as part of a special study for the Observatory on the labour supply of lone parents. Their estimates are summarised in Table 1.7b and in addition the final column of the table also shows estimates derived from the European Household Panel Survey. All these estimates are different and there is clearly a need for Eurostat to produce new and more consistent estimates if this increasingly prevalent family form is to be monitored.

The vast majority of lone parent families are headed by a woman – 83.3 per cent in the EU in 1990/91 (Eurostat, 1995) but there is considerable variation in the marital composition of the lone parent population. Ireland has a particularly high proportion who are widows/widowers (61 per cent) and the UK has the highest proportion who are single never married (38 per cent) (Bradshaw *et al*, 1996).

Table 1.7b: Lone mother and lone father families as percentage of all families with children: most recent data

Country	Lone mothers (% of all families with children)	Lone fathers (% of all families with children)	Lone fathers as % of lone parents	Lone parents with children as a % of households with children*
Belgium (1992)	9.7	1.2	12	13.2
Denmark (1990)	16.2	2.4	13	17.7
Germany (1992)	16.0	3.0	16	6.2
Greece (1990/91)	8.7	2.2	25	5.6
Spain (1981 ¹)	4.8	0.7	13	5.8
France (1990)	11.4	1.8	14	12.5
Ireland (1993 ²)	9.5	1.1	10	12.3
Italy (1991)	5.3	11.0	17	7.5
Luxembourg (1992)	6.0	1.2	17	7.8
Netherlands	13.5	2.4	15	10.7
Austria (1993)	13.4	1.9	12	—
Portugal (1991)	11.3	1.8	14	7.0
Finland (1993)	13.9	1.9	13	—
Sweden (1990)	15.3	2.7	15	—
UK (1991)	19.1	1.8	9	18.7

Source: Bradshaw *et al* (1996) and * Eurostat, initial results from ECHP

¹ Madrid area only

² Excludes all children over 15 years

Families and households

In respect of family form, there is still evidence of considerable diversity within the EU. Thus for example the prevalence of large households varies considerably, with 26.7 per cent of households in Ireland (in 1990/91) containing five or more persons compared with only 4.8 per cent in Denmark. Table 1.8 shows the breakdown of population by household type for the countries covered by the ECHP.

Table 1.8: Household composition (% of all households)

Country	Lone parent and children	Married couple and children	Cohabiting couple and children	Single person	Married couple no children	Cohabiting couple no children	Other	All
Belgium	4.1	24.4	2.4	16.1	10.7	2.8	39.6	100
Denmark	4.3	15.2	4.8	27.7	11.1	6.8	30.2	100
Germany	1.5	21.8	1.0	20.8	10.5	1.9	42.6	100
Greece	1.8	30.3	0.2	10.0	9.6	0.4	47.7	100
Spain	2.2	35.0	1.0	5.3	7.3	0.7	48.6	100
France	4.0	24.2	3.9	16.7	11.0	3.9	36.4	100
Ireland	5.3	36.7	1.0	11.0	6.5	0.6	39.3	100
Italy	2.4	29.5	0.1	10.1	9.5	0.0	48.3	100
Luxembourg	2.2	24.5	1.6	16.8	12.0	4.1	38.9	100
Netherlands	3.0	24.1	1.0	21.1	13.5	6.4	31.0	100
Austria	—	—	—	—	—	—	—	100
Portugal	2.9	34.5	1.0	5.1	7.5	0.0	49.3	100
Finland	—	—	—	—	—	—	—	100
Sweden	—	—	—	—	—	—	—	100
UK	5.6	22.2	2.1	13.3	12.7	3.6	40.4	100

Source: Eurostat, initial results from ECHP¹

Note: The 'Other' category includes all those not covered by the household types specified including households with children over the age of 18 years.

Across the EU, over 55 per cent of *people* live in households consisting of a couple with children, but there are considerable variations between countries, with a range from 20 per cent in Denmark to almost double this proportion in Ireland. Single person households are increasing across the European Union, and ten per cent of the population now lives alone. Along with ageing and changing patterns of household formation, marriage breakdown has contributed to the increase in single person households and probably an associated increase in isolation and loneliness (Kaufmann, 1993). By 1990/91, 26.7 per cent of EU households were single person households and the proportion ranged from 34.4 per cent in Denmark to 13.4 per cent in Spain (see Table 1.9).

¹ Space does not permit a discussion of the methodology employed in this survey. Interested readers are referred to European Community Household Panel – Survey Methodology and Implementation (September 1996) which is available on request from Eurostat.

Table 1.9: One person households

<i>Country</i>	<i>One person households as % of all households 1990/91</i>
Belgium	28.4
Denmark	34.4
Germany	33.6
Greece	16.2
Spain	13.4
France	27.1
Ireland	20.2
Italy	20.6
Luxembourg	25.5
Netherlands	30.0
Portugal	13.8
United Kingdom	26.7
Austria	29.7
Finland	31.7
Sweden	39.6

Source: Eurostat (1995)¹

Data from the ECHP would suggest that the proportion of single person households is much lower, ranging from around five per cent in Spain and Portugal to around 28 per cent in Denmark, but the rank order remains similar. Recent work by Wall (1996), comparing household patterns in Italy, Spain and Great Britain, demonstrates not only differences between countries in the proportion living alone but also in living arrangements by gender.

Table 1.10: Co-residence patterns of people aged 75 and over in three countries (%)

<i>Country</i>	<i>Men</i>			<i>Women</i>		
	<i>Great Britain</i>	<i>Italy</i>	<i>Spain</i>	<i>Great Britain</i>	<i>Italy</i>	<i>Spain</i>
Partner no children	59	60	54	22	18	19
Partner and children	4	12	13	1	2	4
With relatives	5	7	18	9	19	37
Alone	28	17	10	60	51	29

Source: Wall, 1996

¹ This table is based on census data which tends to overstate numbers of single person households in some countries. See Hantrais and Letablier (1996), for a discussion of the methodological issues.

Sixty per cent of elderly women live alone in Great Britain, compared to only half this number in Spain (See Table 1.10). Elderly women are more likely to be living alone than elderly men in all three countries. Men are around three times more likely to be living with a partner, mainly because women tend to outlive men. Men in Italy and Spain are much more likely to be living with a partner and children, both because adult children remain in the parental home for longer and possibly because of larger age gaps between partners. Elderly people in Spain are much more likely to be living with relatives than those in Italy and Great Britain; and women are around twice as likely to as men. Under ten per cent of women in Great Britain live with relatives, compared to four times this number in Spain.

Table 1.11 shows the residence patterns of people aged 15-29. Young men are more likely to be living with both parents in Italy and Great Britain, whereas young women are likely to be living with a partner; around 20 per cent live with a partner and have children. Age differences between partners may again be relevant here. Young people in Spain and Italy are more likely to remain in the parental home until marriage, whereas in Britain, as in the other northern European countries, a pattern of living with unmarried partners or unrelated adults normally precedes family formation.

Table 1.11: Co-residence patterns of people aged 15 – 29 in three countries (%)

Country	Men			Women		
	Great Britain	Italy	Spain	Great Britain	Italy	Spain
With both parents	46	70	73	35	56	73
Partner no children	14	6	5	18	10	7
Partner and children	13	9	9	20	22	17
Non relatives only	7	0	0	6	0	1

Source: Wall (1996).

Amongst households with children, the number of children per family varies not only from country to country but also with household type. Tables 1.12, 1.13, and 1.14 show the number of children in all households with children, couple households and lone parent households. In most countries, one and two-child families are most common, although three-child families form more than ten per cent of all households with children in eight countries. Ireland is markedly different from the other countries in that over a quarter of households with children have three children, and nine per cent have four, at least twice the proportion of any other country. Portugal has the highest number of one-child families; these form half of all households with children.

Compared with couples, lone parents are much more likely to have only one child; in six countries almost two-thirds of lone parents have only one child, compared with 40 to 45 per cent of couples with children. In Portugal, there is very little difference, because of the high rate of one-child families overall. Lone parents in Ireland, although they are much more likely than couples to have only one child, still have much larger families than lone parents in other countries.

Table 1.12: All households with children: Numbers of children under 18

Country	% with 1	% with 2	% with 3	% with 4	% with 5/5+
Belgium	46.6	36.5	12.8	3.0	1.1
Denmark	47.4	40.1	8.9	2.1	0.6
Germany	43.1	41.7	11.6	2.3	1.4
Greece	40.0	48.1	9.4	1.6	0.3
Spain	45.1	43.3	9.4	0.7	0.4
France	43.8	38.3	13.1	3.8	0.9
Ireland	26.9	33.4	24.3	9.3	6.2
Italy	46.6	38.6	11.5	2.6	0.7
Luxembourg	44.8	36.9	15.9	2.0	0.3
Netherlands	31.8	48.1	16.1	3.1	1.0
Austria	—	—	—	—	—
Portugal	50.0	36.5	10.1	2.1	0.9
Finland	—	—	—	—	—
Sweden	—	—	—	—	—
UK	39.7	41.6	13.7	3.4	1.6

Source: Eurostat – Initial results from European Community Household Panel
— missing data

Table 1.13: Couple households: Numbers of children under 18

Country	% with 1	% with 2	% with 3	% with 4	% with 5/5+
Belgium	44.9	37.4	13.2	3.4	1.2
Denmark	43.7	43.56	9.8	2.3	0.7
Germany	41.9	42.5	12.0	2.3	1.4
Greece	38.7	49.4	10.0	1.7	0.3
Spain	44.5	43.6	9.7	1.8	0.4
France	41.1	40.2	13.7	4.0	1.0
Ireland	25.0	33.6	25.2	9.8	6.5
Italy	45.0	39.9	11.9	2.6	0.6
Luxembourg	42.9	37.5	17.0	2.3	0.3
Netherlands	29.4	49.1	17.2	3.3	1.1
Austria	—	—	—	—	—
Portugal	50.3	36.4	10.2	2.2	0.9
Finland	—	—	—	—	—
Sweden	—	—	—	—	—
UK	37.3	43.2	14.4	3.3	1.9

Source: Eurostat – Initial results from European Community Household Panel
— missing data

Table 1.14: Lone parent households: Numbers of children under 18

Country	% with 1	% with 2	% with 3	% with 4	% with 5/5+
Belgium	57.9	30.6	10.4	0.6	0.5
Denmark	64.8	29.4	4.9	0.9	—
Germany	62.1	30.3	5.1	1.3	1.5
Greece	62.7	36.4	—	—	0.9
Spain	55.7	37.6	4.6	1.0	1.2
France	63.2	25.1	8.7	2.8	0.3
Ireland	40.7	32.0	17.8	5.2	4.4
Italy	65.6	22.9	6.5	2.7	2.3
Luxembourg	68.2	28.6	3.2	—	—
Netherlands	52.4	40.1	6.2	1.3	—
Austria	—	—	—	—	—
Portugal	52.1	37.9	8.7	1.0	0.4
Finland	—	—	—	—	—
Sweden	—	—	—	—	—
UK	50.2	34.5	10.7	3.8	0.7

Source: Eurostat – Initial results from European Community Household Panel
— missing data

Ageing populations

As in all industrialised countries, the populations of the EU countries are all ageing. This is affected by earlier trends in fertility and migration and is also influenced by continuing increases in life expectancy. In 1994 life expectancy at birth for men ranged from 71.6 years in Portugal to 76.1 in Sweden. Life expectancy for women is invariably higher than for men, with some interesting differences in the gap between men and women – the smallest gap being in Denmark (5.2 years) and the largest in France (7.2) years. There are also quite large differences in the rate at which the expectation of life has increased between countries. Thus for example in Denmark the expectation of life for women has increased by around four years since 1961/62 whereas in Portugal it has increased at three times this rate over the same period (Table 1.15).

It is notable that the poorer countries in the EU are not necessarily the ones with shorter life expectancies, although infant mortality rates in Greece and Portugal are the highest in the EU, at 7.9 and 8.1 respectively, compared with 4.4 in Sweden, and around six per thousand for the EU as a whole. Belgium also has a rate of 7.6, suggesting that differences are not necessarily a function of economic factors alone.

In their 1994 report on the demographic situation the European Commission (1995) identified four groups of member states in relation to ageing: Germany, Belgium and Italy are member states where the older age groups eclipse the new generations; Denmark, Luxembourg, the UK and Greece where this tendency is not

Table 1.15: Life expectancy at birth

Country	Life expectancy at birth (male, 1994)	Life expectancy at birth (female, 1994)	Infant mortality rate, 1994 (per 1000 live births)
Belgium	73.4	80.1	7.6
Denmark	72.7	78.1	5.6
Germany	73.1	79.6	5.6
Greece	75.2	80.2	7.9
Spain	73.8 (1993)	81.1 (1993)	6.0*
France	73.8*	81.9	5.8*
Ireland	73.2	78.7	5.9
Italy	74.7*	81.2*	6.6*
Luxembourg	73.2	79.7	5.3
Netherlands	74.6	80.3	5.6
Austria	73.4	79.7	6.3
Portugal	71.6	78.6	8.1
Finland	72.8	80.1	4.7
Sweden	76.1	81.4	4.4
UK	74.2	79.4	6.2

Source: Eurostat (1996)

*Estimated or provisional data

so pronounced but is becoming pronounced given their fertility trends; Spain, Portugal, France and The Netherlands have balanced numbers of the oldest people; and finally Ireland where the population is still predominately young.

The conventional way to represent ageing is in terms of dependency ratios, though there are a number of variations in the ways these are defined in the comparative literature. In Table 1.16 the first column is one way of representing the child dependency ratio. The second column represents the pensioners, dependency ratios and the third column is the overall dependency ratio. The point of these three comparisons is to show that countries vary in their relative level of dependency depending on which ratio is used. Thus the child dependency ratio shows that Ireland has by far the highest level of dependency. The pensioners dependency ration has Sweden and then the UK with the highest dependency levels. The combined dependency ratio has Ireland, Portugal and Spain with the highest levels of dependency. The final column presents combined dependency ratios for 1995. This shows that for most countries the overall dependency ratio fell between 1990/91 and 1995. This is probably due to a decline in the number of children in those countries.

These are still rather crude comparisons of *real* differences in dependency between countries. A valid comparison would need to take account of the age at which

Table 1.16: Dependency ratios

Country	<u>0-19</u> 20-59 1990/91 %	<u>60+</u> 20-59 1990/91 %	<u>0-19+60+</u> 20-59 1990/91 %	<u>0-19+60+</u> 20-59 (1995) %
Belgium	45	38	83	83
Denmark	43	37	80	77
Germany	37	35	73	73
Greece	—	—	—	85
Spain	53	36	90	84
France	49	37	87	86
Ireland	74	31	106	97
Italy	—	—	—	78
Luxembourg	40	33	72	75
Netherlands	44	30	74	73
Austria	43	36	78	76
Portugal	58	36	91	85
Finland	45	33	79	80
Sweden	43	43	89	88
UK	48	39	87	85

Sources: Eurostat (1996) and Bégeot, Smith and Pearce (1993).

education and training ceases, unemployment rates, the labour force participation rates of men and women of working age, and particularly the age at which people commonly retire (see CEC, 1995). An assessment of the 'burden' of ageing would then require consideration of variations in the consumption of resources (cash benefits and services) by the elderly population. As far as services are concerned, there is a good deal of evidence that while there are more people living to older ages, older people are becoming fitter and less dependent than previous generations and, as most health resources are used in the final year of life, ageing does not necessarily imply a greatly increased burden in terms of health expenditure. Against this argument there is the fact that in many countries the fastest growth in numbers of elderly people is amongst those aged over eighty, who are more likely to require personal care services than younger groups.

The crucial issue is whether the quality of life of those additional years will be improved. Much attention has been focused on health and the consumption of health services and so-called 'disability free life expectation'. However, health is only one aspect of quality of life. Also of concern is whether the living standards of elderly people will enable them to participate in society and whether there is the capacity in (changing) families and other social relationships to sustain the quality of existing systems of obligation and exchange.

Conclusion

Many of these demographic changes are occurring so rapidly that we are still in the process of developing tools to describe and understand them. Traditional demographic statistics on births in and out of wedlock, marriage, remarriage and divorce, do not fully capture all the emerging changes in family form. Comparative data sources are improving, but there is still a great need for more comparable data on families and households in the European Union. It is also clear that analysis of regional trends is going to become ever more important as spatial dualities, such as uneven concentrations of elderly people in certain areas, increase.

Family forms have become much more complex with an increase in the proportion of step and other relationships, which may have important consequences for the patterns of mutual obligation and support which sustain families. We have seen that young people typically spend longer in the parental home in the southern countries; longer periods of education and training and increased unemployment amongst young people are extending this pattern to other countries, with consequences likely to include further delays in family formation.

Any crisis is also an opportunity; thus anxieties about the demographic situation are leading to a new concern with the operation of labour markets and an increased recognition of the need for investment in human capital, economic investment to create jobs and social investment to encourage occupational activity. At the same time the inadequacies of the existing social model, based on patterns of work and family life which no longer apply to the majority, create a need for new forms of social protection at different stages of the life cycle. The policies required will in turn generate a continuing demand for more rigorous and scientific analysis of demographic trends and their consequences.

CHAPTER TWO

Legal and Policy Responses to Cohabitation

Increasing numbers of women and men are choosing to live together without marrying in all the European Union countries. There is little consensus on the meaning of this phenomenon, with some commentators arguing that there are few differences between (heterosexual) cohabiting relationships and legal marriages, whereas others view them as a source of instability and lack of permanence in family relationships. In dealing with cohabitation, governments face difficult issues. It is possible to ignore the childless cohabiting couple, but once children are born decisions about legal status can no longer be avoided. This highlights a number of questions which are at the heart of family policy: What is a 'real' family? What status attaches to the unmarried father? Should rights of custody and access be conceptualised as rights of parents or rights of children? Should legal and policy decisions treat women as economic equals or compensate for their lack of equality in practice? Can the competing demands of property law and family law be reconciled? National governments will inevitably decide these questions in different ways, for reasons relating to legal tradition as well as demographic, social and economic factors. There are important variations both in the incidence of cohabitation and in attitudes towards it, not only between but also within Member States. In Greece, for instance, cohabitation is a matter which is of no great concern to either public opinion or legal bodies, mainly because there are few instances where children are involved. As a result cohabitation is largely unregulated and regarded as a private matter between the individuals concerned. In Germany, the protection of the family enshrined in the constitution applies only to marriage and not to 'marriage-like partnerships'. This implies a principled commitment not to accord equal status to married and cohabiting relationships, although in practice cohabiting relationships are increasingly acknowledged. In Denmark and Sweden, at the opposite end of the spectrum, cohabitation has achieved the status of an accepted social institution (Trost, 1988).

This chapter seeks to analyse the extent to which law and policy in the Member States have taken account of cohabitation. It is based on responses to a standard questionnaire completed by the national informant for each Member State, together with an analysis of the tax and benefit treatment of cohabitation using the methods described in Chapter Four. Although it is clear that issues relating to homosexual cohabitation are the subject of lively debate in some countries (see, for instance chapters on Finland, Spain and the Netherlands in Ditch *et al*, 1997, forthcoming) it was not possible to include them in this study, which is concerned only with

heterosexual couples sharing residential accommodation. The chapter cannot purport to provide a comprehensive analysis of how policies affect cohabiting couples in practice, but rather uses the legal and policy framework to analyse national differences in responding to this phenomenon.

Demographic Trends

The prevalence of cohabitation, and specifically, as we have noted, the birth of children within cohabiting relationships, is likely to be an important factor influencing policy responses. Reliable statistical data on the extent of cohabitation is, however, notoriously difficult to obtain. Defining cohabitation is problematic; marriage and divorce are definite events marking the beginning and end of particular legal relationships, whereas by contrast cohabitation is usually a private event, unmarked by any form of official registration. However, it is increasingly recognised that divorce is a poor indicator of living arrangements, since the parties have usually lived apart for some time by this stage. Marital status has also lost much of its explanatory power; it is no longer a primary indicator of fertility behaviour, health and other factors with which it had previously been associated. Living arrangements are now more significant, although marital status remains an important secondary variable (Trost, 1988). This in turn creates a need for accurate information on the extent of cohabitation, and the different types of cohabiting relationships which exist. This appears at present to be collected most systematically in Sweden, as part of regular household survey. Official registration of cohabitation, which is possible in some countries, also represents a possible source of data.

In comparing the prevalence of cohabitation in European countries, Kiernan and Estaugh (1993) distinguish three groupings; countries where cohabitation is well established such as Sweden, Denmark and Iceland, those (including Austria, Finland, France, Germany, the Netherlands and the UK) where it is emerging primarily as a transitional phase preceding marriage, and those where it is comparatively rare (Ireland and the countries of Southern Europe). Regional differences in the prevalence of cohabitation are also important (see, for instance, Prioux's (1995) analysis of trends in France).

Table 2.1 Women cohabiting as % of all women in unions (marriage/cohabitation) by age – selected countries

<i>Country</i>	16-19	20-24	25-29	30-34	35-37	40+
Denmark (1985)	88	75	41	20	10	7
France (1986)	—	36 (21-24)	14	10	6	5
N'lands (1986)	59	37	16	7	4	3
Austria (1989)	45	21	8	4	3	2
Finland (1985)	75	50	25	12	7	7
Sweden (1985)	93	78	48	28	17	12
UK (1986)	42	24	10	7	4	4

Source: Kiernan (1993)

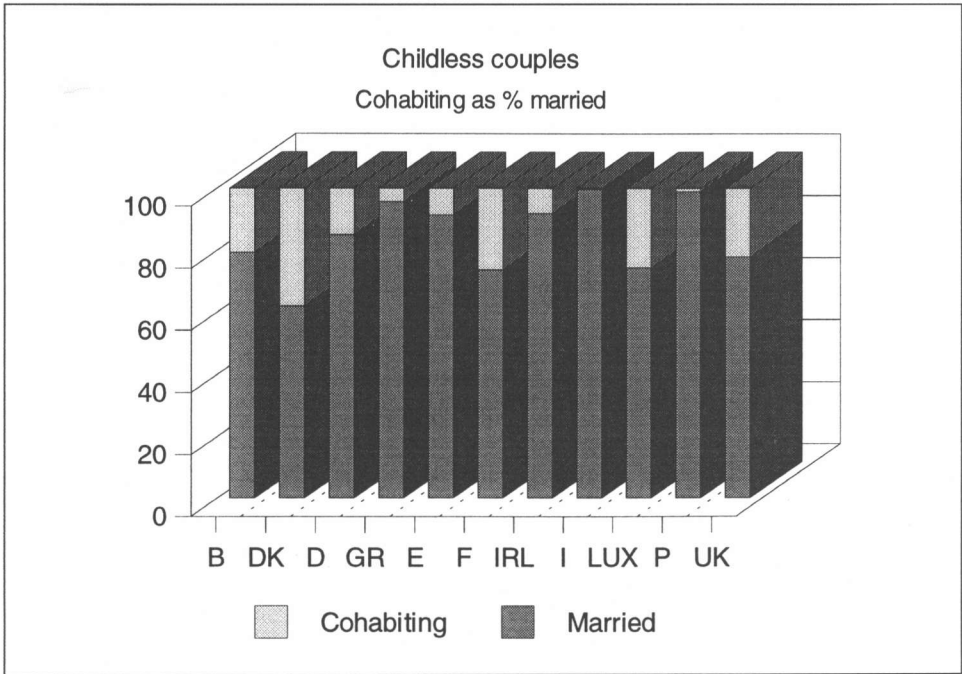


Figure 2.1

More recent and systematic data on the extent of cohabitation has recently become available from the first wave of the European Community Household Panel (1993/4¹), covering twelve of the European Union countries. Figure 2.1 shows the large variation in the numbers of childless cohabiting couples, from around 45 per cent of all couple households in Denmark to under one per cent in Italy and Portugal. Figure 2.2 shows cohabiting couples with children as a proportion of all couples with children. This proportion is lowest in Greece and Italy, and highest in Denmark and France. Although around 50 per cent of children are born to cohabiting parents in Denmark, cohabiting couples with children represent only 25 per cent of all households with children. As well as the number of children born to each family, both subsequent marriage and relationship breakdown will affect this proportion, serving as a reminder that, like lone parenthood, cohabitation is frequently a temporary and unstable status.

Prinz (1995) identifies four distinct (and, he argues, irreversible) stages in the development of cohabitation; in the first, cohabitation is a deviant phenomenon, occurring in small numbers across the age range. Later, cohabitation becomes both more widespread and acceptable, but primarily as a prelude to marriage, and thus such unions are mainly found among the young and childless. A third stage witnesses rises in the number of children born within cohabiting relationships, but there are still important distinctions between marriage and cohabitation which mean that they function as alternative living arrangements. A fourth stage, described as 'a type of marriage' is reached when the distinctions between marriage

¹ Marriage and cohabitation cannot be distinguished in ECHP data for The Netherlands.

and cohabitation become meaningless, not so much because cohabitation has become more like marriage but because marriage more closely resembles cohabitation, with increasing individuation, independence, and negotiated, rather than implicit, duties and responsibilities. Prinz argues that all can exist in parallel; this is crucially dependent on the legislative framework adopted, since a model which sought to impose the rights and obligations of marriage on cohabitees would preclude the possibility of cohabitation continuing to function as an alternative to marriage. Moreover, the typology presented by Prinz appears to conflate demographic change and policy response, whereas there is every likelihood that countries will adopt different policies in the face of similar demographic trends, given the existence of differing legal, religious, economic and cultural factors (Rubellin-Devechi, 1996).

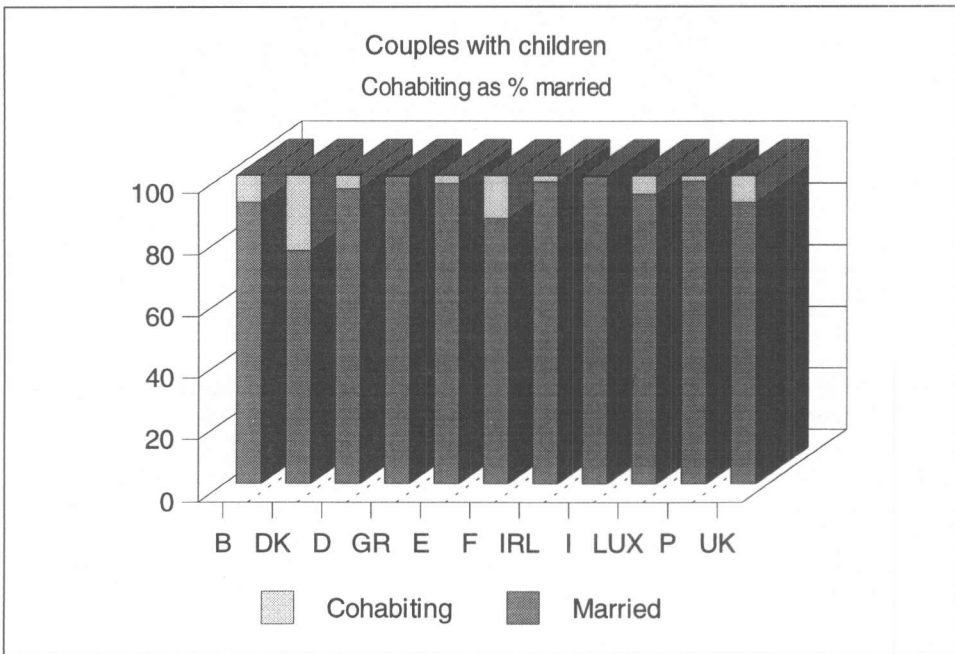


Figure 2.2

Legal and policy responses to cohabitation

In response to increasing levels of cohabitation, there are a number of fields in which intervention may be deemed necessary or desirable. Haskey and Kiernan (1989) identify four key areas of interest for the policy maker: legal implications concerning the rights and responsibilities of cohabitees and their children, financial implications including decisions relating to the payment of social security benefits, the impact of national social policies on families and households, and demographic implications.

The issue of whether family policies should attempt to influence behaviour by providing incentives to certain forms of family life is a vexed one. Whilst cohabitation was widespread in the past, and is increasing considerably at present, marriage, and its attendant rights in respect of property and children, has been

dominant across Europe for at least a century. The precise legal relationships created by marriage, and the implications which these have for parental responsibility and the allocation of property, vary considerably between countries, but are formally codified and widely understood in each country. Cohabitees, by contrast, do not generally have recourse to an established body of legislation, and are frequently not aware of their exact legal situation. Prinz (1995) has identified nine possible models of legal regulation of cohabitation, ranging from total non-intervention to a functional model which offers the option of different levels of legal obligation between the parties; his study of ten European countries concludes that most have adopted a piecemeal approach. He argues that, far from undermining marriage, legal reform is essential if marriage is to be seen as a viable option for contemporary couples:

For an increasing number of people duties and responsibilities associated with marriage are no longer compatible with their needs. It is incorrect to conclude that no demand for legislation exists for this group of the population. More options are needed than ever before to meet the many requirements of today's partnerships. (p.178)

This does not, of course, imply that the rights of married and cohabiting couples need be identical. There are opposing arguments against the removal of legal distinctions between cohabitation and marriage; that to do so would undermine the status of legal marriage, or that, conversely, it would interfere with the rights of cohabiting couples by creating a legal relationship which was neither sought nor desired. Kingdom (1996) and Deech (1980) have argued that one solution to these dilemmas would be to create a legal framework for the recognition of cohabitation contracts, thereby allowing the parties to the relationship to decide on an appropriate level of obligation for themselves. As we shall see, there is evidence of some movement in this direction in certain countries. Without wider legal reform, however, private contractual arrangements are not binding on public authorities and thus do nothing to address inequalities in such areas as inheritance taxes or social security provision. Moreover, whilst contract law is based on the formal equality of the parties, in reality women may find themselves disadvantaged by a relative lack of economic power, especially when they have children. The protection of both current and future living standards may require statutory intervention. There are also certain areas where the state is unlikely to allow people to divest themselves of responsibility, as in the provision of continuing financial support for children. The birth of children appears to be a decisive factor in triggering legal obligations between cohabitees in most countries, and the rationale for many policy interventions is founded in the concept of 'the best interest of the child'. McRae (1993), writing about the UK, argues that this tends to subvert the intentions of the individuals concerned:

.....some part of the growth in modern-day cohabitation arises from the attempt made by men and women to find ways of living that make sense to them, individually.....Insofar as such men and women have children, the imposition by the state of equal rights and obligations obviates this attempt, arguably with considerable justification. Cohabiting couples who wish to avoid rights and obligations may be advised also to avoid having children. (p.107)

This raises the question of whether there are significant differences between marriage and cohabitation as relationships, posed neatly by Prinz (1995):

Cohabitation has many of the characteristics of marriage: shared dwelling, economic union, sexual intimacy, and not infrequently children. Is there any real difference between the two? (p.79)

For individuals, the choice to cohabit rather than marry is likely to be based on a number of personal and practical considerations. Ressler and Waters (1995) offer an economic explanation for increasing rates of cohabitation, arguing that as women and men become more equal in economic terms, there is less to gain from marriage, particularly for women, and present some evidence in support of this theory in the form of a demonstrated relationship between levels of cohabitation and levels of female labour force participation in the different states of the USA. Prinz (1995) also cites increasing gender equality as the primary factor. The cohabiting relationship may be thought to offer benefits in terms of independence, flexibility, impermanence, and equality (McRae, 1993; Kingdom, 1996; Prinz, 1995; Kiernan and Estaugh, 1993). Alabart *et al* (1988) find evidence that these aspects may be particularly important for women where role expectations within marriage are inflexible. Not all of those in cohabiting relationships will have made a conscious choice of this type of living arrangement as an alternative to marriage, however, and many will later marry. McRae (1993), in her study of cohabiting mothers in the UK, found that roughly half were opposed to the idea of marrying, either because they saw marriage as offering no advantages or because they actively objected to marriage on ideological grounds. The remaining half intended to marry at some stage in the future but had not done so for a variety of reasons. Of formerly cohabiting mothers who had subsequently married, the majority cited the security of their children as a primary motive.

Tax and benefit treatment of cohabitation

The treatment of cohabiting couples in the tax and benefits system is a subject which occasionally excites controversy because of supposed disincentives to marry which, it is argued, act to undermine the traditional family. There is evidence that governments are increasingly tending to equalise the treatment of married and cohabiting couples in this area, although this is at least as likely to be motivated by pragmatic financial concerns as by a political commitment to supporting a particular model of family life. In times of public expenditure cutbacks, cohabiting couples represent a 'soft target' where savings can be made without creating a public outcry; thus increases in the amount of tax paid by cohabiting couples (effective from January 1996) were a feature of the recent Juppé reforms in France.

Table 2.2 provides a schematic overview of the treatment of cohabitation in tax and benefit legislation. The over-riding impression is that many states appear to want to 'have their cake and eat it'. On the one hand, all member states, with the exception of Greece, tend to treat cohabiting couples as one household for the purposes of determining eligibility to means-tested benefits. In Portugal the cohabitee is only treated as part of the benefit household after two years of co-residence. Other countries, including Sweden, Italy, Ireland and the UK, in practice operate discretionary rules of thumb regarding the definition of a cohabiting relationship for these purposes. Whilst the *de facto* financial interdependence of cohabiting

couples is recognised for social assistance purposes, it is a different matter where entitlement to derived rights is concerned. No member states provide pensions and only a small minority survivor's benefits, based on the contributions of a cohabiting partner. In Denmark and Sweden, as there is universal entitlement to a retirement pension this issue does not arise. In Ireland, it is possible to obtain an increase in retirement pension in respect of a cohabiting partner who has no entitlement in their own right. Spain and Austria provide health cover in respect of economically dependent cohabitants. France is unique in extending rights to allowances for a dependant partner to lesbian and gay couples, as well as heterosexual cohabitants, although these are limited to sickness and maternity insurance.

In Sweden, survivor's benefits are available where the surviving partner is responsible for dependent children under the age of 12 who live in the same household or where the parties have cohabited for five years or more. In Denmark a cohabiting partner is entitled to compensatory payments made where a person's death is the result of an industrial accident or the actions of a third party. In France,

Table 2.2: Tax and benefit treatment of childless cohabitants

<i>Country</i>	<i>Treated as unit for social assistance</i>	<i>Entitled to survivors' benefits</i>	<i>Tax paid compared to married couples</i>	<i>Derived rights to benefits</i>
Belgium	yes	no	more if one earner, less if two	no
Denmark	usually	some	more if one earner	no
Germany	usually	no	more	no
Greece	no	no	less if two earners	no
Spain	yes	no	more	health care
France	yes	no, some exceptions	same	some, includes same-sex couples
Ireland	yes	no	more if one earner	some
Italy	varies	no	more if one earner	no
Luxembourg	yes	no	more	no
Netherlands	yes	yes – from July 1996	same	no – some exceptions
Austria	yes	no	more if one earner	only health insurance
Portugal	yes (after 2 years)	yes – from 1994	more if one earner	no
Finland	yes	no	more if one earner	no
Sweden	yes	some	same	no
UK	yes	no	more	no

there is entitlement to a one-off payment in respect of the person's death. In the Netherlands, cohabitants will become entitled to survivor's benefits in July 1996. Portugal already pays survivor's benefits where cohabitants have lived as partners for two years, although establishing this fact is not always straightforward and has given rise to a number of court cases. In Spain, the treatment of surviving cohabitants has been tested in the courts several times in recent years; although the decision not to pay benefits has been upheld, the principle that such payments may be justified appears to have gained a degree of acceptance, and it is anticipated that there will be legislative changes granting such provision in the near future. A draft law was introduced during 1995 but the anticipated costs are impeding its progress onto the statute book.

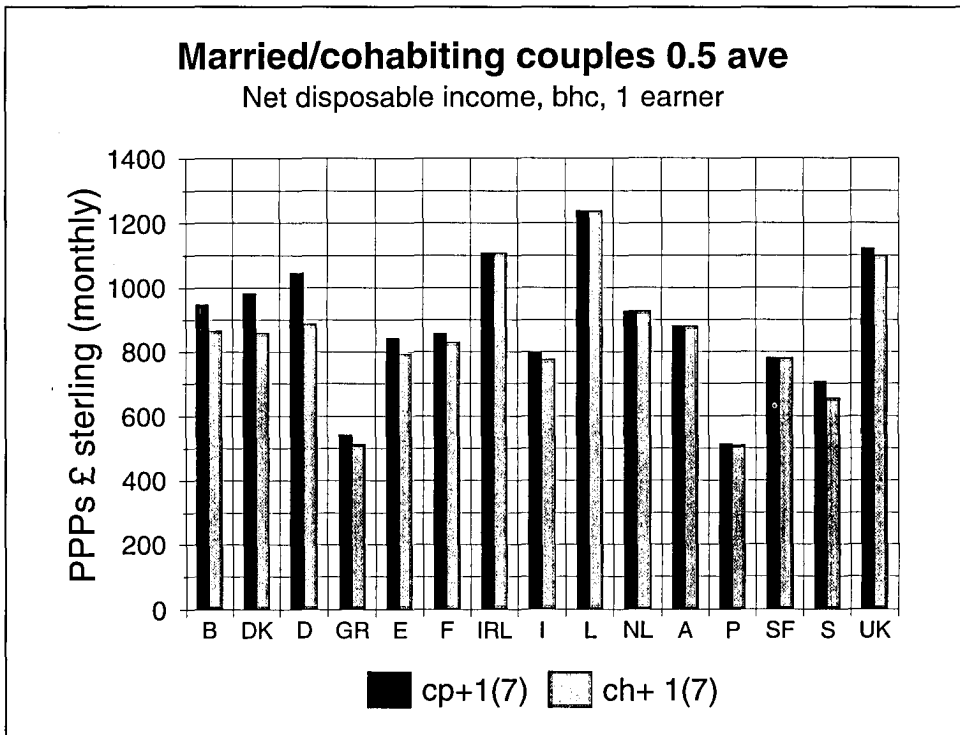


Figure 2.3

There are least differences in income tax liability between married and cohabiting couples with children. Figure 2.3 shows the projected outcome for a model family consisting of a couple with one seven-year-old child with a single earner on average earnings (before housing costs), using the method described in Chapter Four. At this level of earnings married couples are better off than cohabiting couples in nine of the fifteen countries of the European Union, but these differences are small except in the case of Belgium, Germany and Denmark.

Figure 2.4 shows the net disposable income (before housing) for a couple with one child with two earners; the man on average male earnings and the women receiving 0.66 average female earnings. Only at this income level do some fiscal advantages

of cohabitation become apparent: in Portugal, Italy, France and Belgium these couples have slightly higher levels of income, whereas married couples continue to have higher incomes in Denmark, Germany, Greece and the UK. Childless cohabiting couples who are both working, however, pay more tax than married couples in Spain, Luxembourg, Germany, Italy and the UK, and several countries have tax regimes which favour childless married couples where there is a single earner – the traditional ‘breadwinner’ model – these include Austria, Belgium, Denmark, Portugal and Finland.

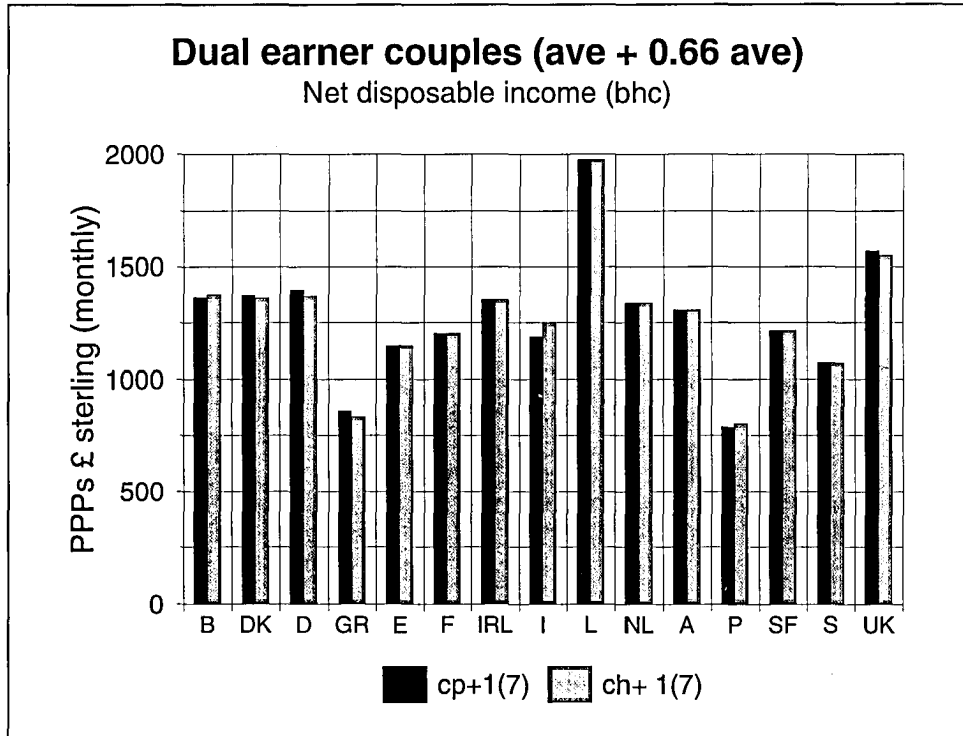


Figure 2.4

Private arrangements, in the form of life insurances and private pensions are an increasingly important area of financial provision in many countries, and information on the extent to which cohabitation is recognised by such schemes was sought as part of this study. At present no member state has initiated statutory provisions in respect of cohabitation, and the evidence is that the rights of bereaved and separated former cohabitantes are highly dependent on the rules of individual pension and insurance schemes.

Rights and responsibilities of cohabiting parents

Married couples jointly enjoy both parental rights and responsibilities in all of the Member States. Cohabiting couples, and particularly cohabiting fathers, have a less clear-cut legal relationship with their children. A summary of these rights and responsibilities can be found in Table 2.3. All member states impose a duty of financial maintenance on the unmarried father whose paternity is established,

although in Germany, the amount of maintenance expected (and paid in practice) is less than for married fathers, possibly in recognition of their lack of legal status; any involvement with the child is currently possible only with the mother's permission. This link between financial and other aspects of parental responsibility is more implicit in other countries, but there are obvious tensions between the benefits to both parent and child of a recognised legal relationship, and the possible disincentives created by the financial consequences of establishing such a relationship. This dilemma is addressed most directly in France and Belgium, where rights of access are available to non-custodial fathers regardless of whether the parents are married and of whether the father has established parental responsibility.

Unmarried fathers must typically make a formal declaration recognising the child in order to establish parental responsibility, as in Finland, France, Italy, and Greece. In Belgium it is necessary for the father to obtain the permission of the mother (or of the child, where he or she is over 15 years of age) before such a declaration can be made. The unmarried father may experience particular problems where the mother refuses to confirm paternity. This is most likely to arise when cohabitantes separate without having formally established parental rights. Fathers who have not established a legal relationship with the child have no rights of access in Spain, Finland, Sweden and Germany. Unmarried fathers in Greece have no automatic rights of access to their children in case of separation, and there is no case law on how such issues should be resolved. Custody may, however, be exercised where the mother is unable or unwilling to do so, or by the decision of the courts. In Ireland, parents who have not been granted guardianship of their children may apply for custody or access to the child, and this will be granted by the courts if it is deemed to be in the best interests of the child.

In Italy there is a current debate about the need for legal regulation of the breakdown of cohabiting relationships, in order to create more legal safeguards in respect of children. In Denmark, where legislation has improved the rights of the unmarried father since 1995, there was some discussion of the introduction of compulsory joint custody, on the grounds that a child has the right to have two parents. This was, however, rejected because it was felt that compulsion would inevitably have detrimental effects on relationships.

Another aspect of a cohabiting partner's parental responsibilities is the right to adopt their partner's child from a previous relationship. This is possible in Belgium, Spain, Germany, Greece, Luxembourg and Austria. It is only in Spain that the couple are permitted to adopt jointly; in the other cases, the cohabiting partner is treated as a single person adopting a child. Legislative changes which will allow adoption by cohabiting couples are anticipated in The Netherlands. In Denmark it is possible for a cohabitee to adopt their deceased partner's child where the child has been brought up by them both in the same home. In Sweden, cohabiting couples are not allowed to adopt children, and the consent of biological parents must be obtained in all cases of adoption.

Rights of inheritance

One function of marriage is the protection of property rights. Thus in the past it has been common to differentiate between children born within and outside marriage.

Table 2.3: Parental rights and obligations of unmarried couples

Country	Obligation to maintain child	Parental responsibility for fathers?	Joint custody possible on breakdown?	Comments
Belgium	yes	father must apply – subject to consent of mother / child	yes if parentage established	Can apply for access even where parentage not established
Denmark	yes	yes	yes (1995)	
Germany	yes (less than if married)	no legal authority	joint custody possible from 1997	access only with mother's permission
Greece	yes	father must legally recognise child	no automatic rights court decision	Law unclear and no case law on custody and access
Spain	yes	yes if recognised	court decision – mothers usually get custody	no legislation no access rights if no paternity
France	yes	yes if recognised and parents live together	yes – and equal rights to access even where child not recognised	child can be recognised after breakdown of relationship
Ireland	yes	agreement/ court order	court decision	welfare of child paramount
Italy	yes	yes if recognised	agreement/ court decision	current debate on need to extend regulation
Luxembourg	yes	parents make declaration	yes	
Netherlands	yes	yes if recognised	yes, subject to mother's consent	generally same as for married couples
Austria	yes	only mother has parental responsibility unless court decides	sole custody – usually mother	shared parental rights not possible for divorced couples
Portugal	yes	agreement	per parental responsibility sole or joint (1995)	access by court decision if no parental responsibility
Finland	yes	father must apply	per parental responsibility (1984)	no access rights if paternity not established
Sweden	yes	father must apply, mother must consent	subject to mother's consent	access by court decision
UK	yes	agreement/court decision	mother, unless father establishes (1989)	no rights to access/court decision

Although inheritance rights¹ are now the same for children born within and outside marriage in all fifteen countries², this is a development which has only taken place over the last thirty years, and in the case of Belgium and Ireland, in the last ten³. Several studies (for instance, Kiernan and Estaugh, 1993; Prioux, 1995) have noted a tendency for cohabiting couples to be in lower occupational and income groups than their married counterparts, suggesting that those with assets to protect are likely to desire the formal protections offered by legal marriage. It is also possible that legislation and attitudes towards inheritance rights will vary considerably between countries which are predominantly urban and those where agriculture and land ownership are an important aspect of life. O'Neill (1987) in a study of rural villages in Portugal, found evidence that agricultural landholding patterns continued to exert a powerful influence on the prevalence of cohabitation and timing of marriage.

Cohabitees, in contrast to married partners, have no automatic rights of inheritance in any country (although in Portugal a cohabitee without means of subsistence is entitled to make a claim for maintenance against the estate of a deceased partner). Therefore they can be provided for only by means of a will. This in itself will have a greater or lesser impact depending on national legal traditions; Rubellin-Devechi (1996) cites widely varying national differences in intestacy rates. A cohabitee's share of the estate is subject to the primary claims of other heirs, such as a spouse or children, in Ireland, Luxembourg, France, the UK, Austria, Italy and Belgium. It is possible for a cohabitee to inherit on roughly equal terms with a married partner in Sweden and The Netherlands, although proof of five years cohabitation is required in the latter case. In Spain and Portugal the amount of the possible inheritance is limited to a third. Cohabiting partners also have to pay more in inheritance tax than married couples in all countries except Denmark, Sweden, The Netherlands, Luxembourg, Portugal and Ireland. In Germany, these taxes can be as high as 62 per cent, and in Belgium they amount to 80 per cent on bequests in excess of 6,000,000 BEF.

Housing rights and the allocation of property on relationship breakdown

Tables 2.4 and 2.5 provide summary information on the housing and property rights of married and cohabiting couples when a relationship ends. This policy area is complicated by the fact that the aims and outcomes of housing law, family law, property law and matrimonial law are not necessarily identical.

In most countries there are no automatic rights for either party to remain in rented housing when childless couples separate, whether they are married or cohabiting. In Belgium and Denmark, the matter is decided by the general legislation relating to contracts and in Spain some rights are provided by housing law. Consideration of the best interests of the child means that custodial parents are more likely to remain in rented accommodation, except in France, Greece and Portugal, where the presence of children implies no additional rights. In Austria, Belgium and Germany, there are guaranteed rights to remain which apply to married parents, but not their cohabiting counterparts.

¹ Nationality rights may be affected in some member states if the child's mother is a non-national.

² In Germany, children born outside marriage currently inherit under different procedures, although the financial outcome is intended to be the same.

³ For comparison, Norway abolished this distinction in 1916.

Table 2.4: Treatment of rented accommodation on relationship breakdown

Country	Married, no children	Cohabiting, no children	Married, children	Cohabiting, children
Belgium	No automatic rights	Contract/ common law	Automatically custodial parent	Decided by interests of child
Denmark	'Neediest' partner gets accommodation	Contract (person named on lease)	Usually to custodial parent	Court decision if no agreement
Germany	Can remain	As married	Can remain	As married
Greece	No rights	No rights	No rights	No rights
Spain	Can be transferred as part of divorce	By agreement, some rights under housing law, also at landlord's discretion	Almost always to custodial parent	As no children
France	Can be transferred	Can be transferred if cohabiting 1yr+	As no children	As no children
Ireland	No automatic rights	No automatic rights	Usually custodial parent	Landlord's discretion
Italy	No automatic rights	No automatic rights	Usually custodial parent	Interests of child
Luxembourg	No rights	No rights	Interests of child	Interests of child
Netherlands	No automatic rights	No automatic rights	Interests of child	Interests of child
Austria	Court decision on divorce	No automatic rights	Landlord must accept custodial parent if court decides	Landlord's discretion
Portugal	No automatic rights	No automatic rights	Transfer possible	No rights
Finland	No automatic rights	No automatic rights	No automatic rights	No automatic rights
Sweden	'Neediest' partner gets accommodation	As for married	Usually custodial parent	Usually custodial parent
UK	No automatic rights	No automatic rights	Usually custodial parent	Interests of child

Table 2.5: Treatment of owner-occupied housing on relationship breakdown

<i>Country</i>	<i>Proceeds of sale</i>	<i>Right to remain</i>
Belgium	Married – statutory unless contract made Cohabiting – common law unless contract	Married partner must give consent for sale of property – cohabitee can seek to remain where in best interests of child
Denmark	Married – statutory (equal shares) Cohabiting – general property law	Married must purchase partner's share, no rights for cohabitees
Germany	Married – family law Cohabiting – only exceptionally	Not possible for cohabitees, even where children involved
Greece	Married – split between partners Cohabiting – as married, if common property acquired during cohabitation	No automatic rights
Spain	Married – statutory arrangements Cohabiting – case law (varies)	Custodial parent usually remains in property on divorce
France	Married – family law Cohabiting – agreement/common law	No automatic rights
Ireland	Married – split between partners Cohabiting – agreement	No automatic rights
Italy	Married – split equally Cohabiting – agreement/common law	Custodial parent usually remains in property on divorce. Cohabitee can apply to juvenile court if children
Luxembourg	Married – marriage settlement Cohabiting – no set rules	Interests of child – married and cohabiting couples
Netherlands	Married – statutory unless specific contract Cohabiting – individual unless specific contract	Custodial parent on divorce, but must pay rent to ex-spouse, no rights for cohabitees
Austria	Married – established legal arrangements Cohabiting – on basis of legal ownership	To custodial parents on divorce, no rights for cohabitees
Portugal	Married – on basis of legal ownership Cohabiting – on basis of legal ownership	Custodial parent on divorce, but must pay rent to ex-spouse, no rights for cohabitees
Finland	Married – equal, with some exceptions Cohabiting – no set rules	May go to custodial parent on divorce, no rights for cohabitees
Sweden	Married – split between partners Cohabiting – as married	Tends to go to custodial parent, whether married or cohabiting
UK	Married – split according to range of factors Cohabiting – agreement/trust law	Custodial parent on divorce, cohabitee with children can apply in child's interests

Married couples without children generally enjoy greater rights than childless cohabitees in respect of owner-occupied homes. Married couples are usually dealt with according to a body of matrimonial law, whereas cohabiting couples are subject to general civil law. Countries vary in their approach to the division of property. Portugal is unusual in allocating the proceeds of owner-occupied property purely on the basis of legal ownership, both in the case of marriage and

cohabitation. In Belgium and The Netherlands couples are able to choose whether to regulate the division of property by contract or opt for it to be allocated according to matrimonial or common law. In Finland the situation is similar: proceeds from the matrimonial home are normally divided equally on divorce, unless there was a prior contract between the partners, or there are other significant circumstances, for instance if the marriage had lasted only for a very short period.

Custodial parents are usually given priority in deciding who is to remain in the matrimonial home when married couples divorce. These rights of occupation are typically limited to a period when the children are in full-time education or economically dependent. In The Netherlands and in Portugal the custodial parent must pay rent to their former spouse in respect of their occupation of the home, and in Denmark, such occupation is possible only if the custodial parent has sufficient means to purchase the other partner's share of the house, which is not common. Although some assistance with costs may be available from public funds, this is strictly a transitional measure, and must be repaid. In Belgium, Italy, Luxembourg, the UK and The Netherlands, there are some legal possibilities for a cohabitee to apply for occupation of the home where this is judged to be in the best interests of any children involved. In France, the cohabitee has no right to remain in a property owned by their former partner on the breakdown of a relationship, regardless of the presence of children. In Finland there is no special legislation creating rights to remain in either a rented or owner-occupied house on the breakdown of either a married or cohabiting relationship, although on divorce, courts sometimes allow one partner to remain in the matrimonial home, especially where there are children involved. In Spain there have been a number of important court cases relating to the property and maintenance rights of formerly cohabiting couples, but there is not a clear legal position. Two recent decisions took entirely contradictory positions: one granted rights to a former cohabitee, whereas the other explicitly rejected the notion that cohabitation could be regarded as equivalent or similar to marriage. In practice decisions tend to be heavily influenced by evidence regarding the individual living arrangements of the couple, whether money was shared, the length of the relationship and the inferences as to their intentions which can be deduced from previous actions (Cantero, 1995).

Remedies in respect of domestic violence

Table 2.6 compares the rights of married and cohabiting women experiencing domestic violence. For married couples, domestic violence constitutes grounds for divorce (and may be important in determining the level of maintenance, as in Austria). Apart from this obvious difference, cohabiting and married women generally benefit from the same remedies in respect of domestic violence, although the substance of those rights varies considerably from one country to another. However, there are exceptions to this general rule. In Finland, cohabitees do not benefit from the rights available to married people to exclude the partner from the home in the case of domestic violence. In Ireland rights to a barring order are only available to people who have cohabited for at least six months (whereas they apply immediately to married couples) and they are not available at all where the violent partner is the sole or main owner of the family home. In Austria it is only possible for a cohabitee to obtain an exclusion order if she jointly owns or rents the accommodation. In France it is also more difficult for a cohabiting victim of domestic violence to enforce her legal rights unless she is the sole or main owner of

the home. In the UK, the legal remedies available to a cohabiting victim of domestic violence cannot be used to exclude the violent partner permanently from the home, so that they are temporary remedies only whereas a married women can obtain a permanent order, and also has recourse to a wider range of legislative powers.

Table 2.6: Remedies in respect of domestic violence – comparison of married and cohabiting couples

<i>Country</i>	<i>Responses to Domestic Violence</i>
Belgium	Same remedies – different procedures
Denmark	Same remedies available to married and cohabiting
Germany	Cohabitees are protected against rape, otherwise fewer rights
Greece	Same remedies available
Spain	Same remedies available
France	Same rights under penal code but cohabitees who are not tenants/owner-occupiers have problems obtaining exclusion orders
Ireland	Married partners can use remedies immediately on marriage; cohabitees have a time condition and cannot obtain barring order if other partner sole/main owner of property
Italy	Same remedies available
Luxembourg	Same remedies available
Netherlands	Same remedies available
Austria	Married partner can obtain exclusion order, cohabitee cannot, if partner sole owner/tenant of property
Portugal	Neither married nor cohabiting partners have any remedies available
Finland	Married partner can obtain exclusion order, cohabitee cannot
Sweden	Same remedies available
UK	Married partner can obtain permanent exclusion order – more limited (temporary) measures available to cohabitee

Countries vary with respect to whether violence against a cohabiting partner is regarded as 'family violence'. Defining assaults as 'family violence' may imply that it is a private matter in which the authorities should not intervene, or conversely, that it is a more serious offence because of the breach of trust which accompanied the assault. For instance in Italy, violence against a member of the family attracts stronger penalties in law, and cohabiting partners are included within the concept of family for these purposes. In Austria, by contrast, violence within a cohabiting relationship is regarded in the same light as any other violent assault, and there is no provision for a violent partner to be excluded from the home, as exists for married couples. In The Netherlands, domestic violence is also not treated as a specific offence, but as 'ordinary' violence; injunctions and exclusion orders are available but tend to be used in severe cases only. In Denmark and Sweden, defining domestic violence as 'public' violence means that it must be investigated and prosecuted in the same way as any other type of violence. Where rape within marriage is not recognised as a crime, as in Germany, cohabiting women have more legal redress than wives against this particular offence. In Portugal, neither married nor cohabiting women have access to injunctions or exclusion orders.

In all of the member states, services for victims of domestic violence are available to all women irrespective of marital status. The availability of such services, however, varies considerably. In Portugal there are no refuges, although several are due to open in the near future. In Greece, they are concentrated in the Athens area. In other countries, such as Denmark and the UK, although there are a large number of refuges, receiving public and private funding, they are not always sufficient to meet demand.

Policy responses to cohabitation – convergence or divergence?

None of the member states appears to have adopted an overarching strategy in dealing with cohabitation; couples may have the same rights as married couples for tax purposes, but quite different housing rights. Giving married and cohabiting couples equal rights may also imply making marriage more like cohabitation (as in the contractual allocation of owner-occupied property) or making cohabitation more like marriage (as in the extension of survivor's benefits to cohabitees).

Overall, the greatest areas of convergence are to be noted in tax and benefit policy, and in the extension of parental responsibility. In both of these areas, there is evidence of a movement away from the couple as the focus of policy intervention, in favour of an emphasis on the parenting role. The same tendency is noted by Millar and Warman (1996) in their study of family obligations. At the same time, considerable differences remain; compare for instance the parental rights of an unmarried father in Germany and France.

There is least convergence in dealing with the allocation of property, whether on death or relationship breakdown. Inheritance rules operate to the considerable disadvantage of cohabitees in nearly all member states, although the precise rules differ from country to country. In dealing with domestic violence, a reluctance to interfere with property rights in the interests of unmarried women can be noted in a number of countries. Similarly, the property rights of childless married women are greater than those of cohabitees with children in countries such as Germany and Austria, suggesting a continuing emphasis on couple, as opposed to parent, status.

For men, relationship breakdown is likely to result in problems in maintaining a relationship with their children, whereas for women, economic hardship is a common outcome. These tendencies, which affect married couples, are exacerbated for cohabiting couples who do not have equal rights. An unmarried father who has not established paternity before relationship breakdown may have no legal rights to see his child. A woman caring for young children may face hardship if she has no rights to remain in the family home when a relationship ends. Policies which are based on a presumption of equality between the partners and an expectation of equal rather than complementary roles (dual earning couples with equal responsibility for domestic tasks and the upbringing of children) are not yet matched by the reality of daily life in any member state, so that in choosing the freedoms offered by cohabitation, couples continue to forfeit a considerable measure of security.



CHAPTER THREE

Developments in Social Protection

Introduction

All Member States of the European Union provide social protection for their citizens. It is the scope and form of support which distinguishes one State's system from another. Countries have based their social protection system on insurance principles to varying degrees and so benefits received are related to the payment of contributions, but not to the value of contributions. In addition, a basic level of social assistance is guaranteed to all families in need irrespective of whether they pay contributions or not. In countries where entitlement to the amount of basic social assistance is not uniform, gaps are filled by discretionary and non-standardised benefits in cash or kind administered at local level.

Social protection provides for old-age pensions, health care, sickness and invalidity benefit, unemployment compensation, spending on public employment services, family allowances, maternity benefits and housing benefits, and in doing so has a major impact on employment, productivity and competitiveness. Between 1980 and 1993 average expenditure on social protection in the EU went up from 24 per cent to 29 per cent of total GDP¹ (*Social Protection in Europe* 1995 p. 62), but the pattern of spending on the different functions of social protection varies across the Union. Spending on Family Allowances, for example, varies from 3.1 per cent of social protection expenditure in Italy to 10.8 per cent in Luxembourg (*ibid* p. 67, Table 3). The cash transfer package to families is broadly defined as all social security benefits, universal and means-tested, available for families with children; fiscal arrangements; compensation through employer and employee contributions to insurance funds; and arrangements that mitigate the impact of housing, health care, schooling and pre-school child care. The degree to which countries have implemented the full package of cash transfers to families with children varies considerably between one country and another.

General expenditure restraints

All countries in the European Union would prefer to have high levels of employment, high levels of social protection and, at the same time, sustainable economic growth. The slowing of economic growth in the early nineties, ensuing

¹ This is not expenditure in absolute terms but in relation to national productivity. There are many reasons why social expenditure increases: increase in the size of the dependent population, growth in the cost of providing services, costs associated with better quality services and expansion in quantity of services.

high unemployment rates, and the belated effort by some EU States to develop a coherent welfare structure have placed high demands on social expenditure in a climate of general economic restraint. Levels of public and social expenditure in 1990 were higher than at any other time since 1945. However the growth in social expenditure resulted from increasing demand rather than improvements in quality of service. One way governments could freely fund improvements or expansion in services was through the national debt. Consequently the size of the national debt as a percentage of GDP rose on average during this period. The steady growth in eight of the EU States, for example, was between nine and nineteen percentage points 1990 to 1993 (George and Taylor-Gooby, 1996, p.18, Table 1.10). There have been a variety of responses to the common problem of how to match financial resources and demand for social welfare. There are those designed to raise revenue; those intended to reduce demand; and those that cut back on expenditure increases. The capacity of either higher taxation or the benefits of social change to reduce social expenditure is limited. In many countries, therefore, the containment of expenditure increases is the preferred approach.

Specific expenditure restraints imposed by meeting the entry criteria for the EMU

A specific aim in reducing social protection expenditure for some countries is to enable them to achieve the necessary degree of convergence to facilitate transition to the EMU. The criteria for entry are that each country should achieve price stability with no inflation above 1.5 per cent of the average of the three best performing States; their government deficit should not exceed 50 per cent of GDP. Stability is measured by exchange rates and currency staying within normal fluctuation margins for two years and interest rate increases of no more than two per cent above the three best performing states over the previous twelve months. Forecasts for 1996 indicate that the Stage II criteria will be met by Denmark, Ireland, the Netherlands, Luxembourg and the UK. In contrast, Belgium, Germany, France, Sweden, Austria and the southern States of the EU require further progress. In Greece, Italy and Sweden the risk of undermining price and exchange-rate stability and high interest rates is inhibiting progress. Spain, Portugal, Austria and France will require greater commitment and more ambitious targets in the field of fiscal consolidation if targets are to be met. Finland has not prepared a convergence programme timetable and it is suggested that their fiscal efforts may well be too ambitious. The forecast for full entry in 1999 is that all Member States with the exception of Greece and Italy are likely to have met their arrangements for entry; it must be noted however, that Finland, Sweden, Portugal and Spain are classed as 'prospects dubious'.

The extent to which governments in different countries protect cash transfers to families against the background of growing pressure to reduce budget deficits, will depend to some degree on the character of the welfare regime that has evolved in the country as well as the interplay between the prevailing political and economic factors. This chapter first considers the extent of recent changes in cash transfers for families during 1995 in the context of the political, institutional and public debate of the day. While in some countries cash transfers to families have not escaped the general spirit of entrenchment, others have maintained current levels, or continued to follow programmes of improvement. The latter part of the chapter explores themes which have emerged from prevailing policy, public and institutional debate

in search of a solution to maximise social welfare with limited resources. In some cases modification will result in a radical change in welfare ideology and structure. Targeting benefits to those families in greatest need, work incentives and job creation to stimulate employment, and child poverty have been the subjects of common debate during 1995. The information for this chapter was collated by the European Observatory through a 'Special Enquiry' using Observatory members to provide information on developments in each country. Particular attention was paid to changes in form and level of support for families and to the possible impact of convergence criteria for EMU on social security systems.

Review of recent general changes in cash transfers to families

The most important changes during or just prior to 1995 are discussed in the context of four distinct clusters: Scandinavia, the UK and Ireland, southern States and northern States. Each cluster of countries is considered to share similar welfare traditions and institutional characteristics.

Scandinavian countries

The distinctive pattern of the Scandinavian countries is that they extend social protection to all citizens as a right, in the form of entitlement to a basic amount to meet specific risks. Occupational schemes provide improved coverage for those who are employed. The system is run by a unitary administrative framework with local and central authorities responsible for service provision. Unemployment insurance is run separately by the unions but subsidised by the State, (*Social Protection in Europe* p.34) The universality of benefits results in a high proportion of families being affected by any changes that take place. Change to cash transfers is largely brought about by adjusting the amount of benefit or proportional rate of compensation. In Finland and Sweden there has been a trend over the last few years to reduce cash transfers and services. In Denmark, however, a continuing effort has been made to improve services overall to all families and increase cash transfers when necessary.

Policy debate

Concern about the cost of social security has been the subject of political and public debate but families have not featured highly in this debate. Adjustments in cash transfers were not made in order for the Scandinavian countries to meet their particular arrangements for convergence to the EMU, despite Finland and Sweden having problems with the criteria. In Finland it was promised that Family Allowances would be protected from impending cuts. The debate in Sweden was of a general nature which focused on social insurance budget deficits. The common subject of government and public debate and academic study was undoubtedly the cost of social assistance which had increased considerably as a result of growth in the numbers of people unemployed (Ditch *et al*, 1997). The largest group receiving social assistance were, however, individuals without child dependants. In Sweden, there is general concern at the relationship between long-term unemployment and family living standards. In addition, some concern was expressed about the increasing number of immigrant families. There is a tendency to blame labour costs and social expenditure for Sweden's economic problems. In Denmark the debate also focuses on the number of people of employable age living on transfers and this is contributing to a growing concern about social security fraud. In Finland, the government is also concerned to reduce unemployment and has set up a

working party to explore ways of doing this with minimum damage to vulnerable groups.

Recent changes

Families have been protected from cut-backs in direct family benefits in Finland and Denmark, whereas in Sweden the government made sweeping cuts to Child Allowances. During 1995, Child Allowance in Sweden was reduced by almost 17 per cent with especially serious consequences for large families. This family type suffered not only a reduction in value of benefit per child, but also income loss through the abolition of the special allowance for large families. In addition, an extra unit of Child Allowance previously claimable for either parent in the household taking part in adult education was abolished.

In other areas of cash transfers to cover risk, important changes have been made to the compensation levels of social insurance benefits in Finland and Sweden. The proportion of former income provided during maternity leave and the minimum level that was claimable has been reduced in Finland. Whereas, by contrast, compensation levels have been reduced across the board in Sweden. Income while sick, for example, is now the employer's responsibility for the first 14 days of illness. Previously the qualifying period was two days.

In Sweden some changes have been made to social assistance benefits, which are paid at varying rates, at the regional level. A stricter means test is now applied which has reduced the amounts paid for child dependents in some instances.

Public and professional response

Public and media support of allowances is high but of a general nature in Sweden. Social insurance has strong support among the population in Sweden where the changes have on occasion met with strong public objection. A Swedish Minister suggested that provision of a personal assistant for a disabled child under 16 years of age should be withdrawn: this was met with protests. Child Benefit is also popular with the public in Finland, and in Denmark most people are said to regard Child Benefit as a 'right' to recompense the extra costs of child rearing. Nevertheless, the Swedish public are in favour of some cuts to Social Assistance, such as: targeting poorly educated mainly immigrant families with incentives to encourage their employment in private households; and creating a national minimum benefit which some critics regard as being synonymous with the old 'poor law relief'. In Finland also, the media and public debate carry overtones of blaming the unemployed for their own predicament, suggesting that they are lazy and unmotivated. At times, families with children have been accused of taking too much support from the State and not helping themselves.

UK and Ireland

Ireland and the United Kingdom are distinctive in their welfare characteristics and institutions. Most benefits are flat rate, including those covered by insurance contributions. The amount of benefit is normally low and extensive use is made of means testing. The benefit system is operationalized through an integrated administrative framework of local authorities. Funding comes from employment contributions and general taxation (*Social Protection in Europe* p.34) Changes to cash benefits are typically made by redefining eligibility rather than adjusting the level of benefit. Where benefits have been cut, this has usually been to new

applicants, in an attempt to limit the number of cash losers at the point of introduction. Consequently, some changes have had little immediate effect, but significant implications for later expenditure. In the UK there has been a trend over the last decade to reform benefits and cut public expenditure as part of general economic policy. For some time resources have been diverted away from pensioners and towards families with children. By contrast, successive governments in Ireland have increased payments annually at or above the rate of inflation.

Policy debate

In Britain, unlike Ireland, the size and growth of overall costs of social security have been a feature of current government debate, largely unchallenged by opposition parties. Policy initiatives have sought to identify the faster-growing areas of spending, and deal with each of them individually. Family policy in the UK is a highly charged topic of debate. Ireland is less overtly concerned about the costs of social security and cash transfers to families have not been the subject of such controversial or bitter debate. Ireland has fewer problems meeting the criteria for convergence to the EMU, so restructuring of benefits is not linked with the process of convergence. The UK is opposed to entry into a Single European Currency, but is relatively close to meeting the criteria laid down by the Maastrich Treaty. There is no evidence in Britain linking cut-backs in benefit to consideration of the EMU. In 1995, debate in the UK featured benefits for lone parents and, less controversially, work incentives to help unemployed people return to the labour market. To a lesser degree there were debates about maintenance for children, benefits for those incapable of work and Income Support for asylum seekers. In Ireland debate focused on the effectiveness and efficiency of benefits which alleviate poverty rather than an attack on the policy objectives *per se*.

Recent changes

The changes in 1995 were made largely as incentives to help families back into the labour market and were a mixture of cut-backs and concessions. The major change in Irish policy was a substantial increase in Child Benefit in conjunction with holding child dependent allowances in social assistance static at 1994 levels. In the UK, the in-work benefit Family Credit was redesigned to give added incentives to work, the child care disregard was increased, a full-time work supplement and a disregard on child maintenance payments were introduced and time-limited targets for assessing claims for in-work benefits were established in an attempt to alleviate uncertainty in the process of moving into work. Other elements of helping people back into work include a concession of an extra four weeks Housing Benefit and Council Tax Benefit for the long-term unemployed, on starting employment. A new 'maintenance bonus' has also been announced which will divert maintenance (paid while the parent with child-care responsibility is on Income Support) to an ear-marked fund and release it in the form of a cash bonus when the claimant moves into work or off welfare payments. These modifications are especially aimed at supporting lone parents in employment. As part of a programme of equalising support for one and two parent families, cut-backs have been made to general and 'out of work' lone parent benefits. The universal One-Parent Benefit and the Income Support Lone Parent Premium have been frozen at current levels. Finally, an habitual residence test has been included in the Income Support means test. It is a tough new approach to disqualifying people from

benefits who re-enter Britain after living abroad for a period of time or who claim to be asylum seekers.

Public and professional response

Increases in universal Child Benefit introduced in Ireland were welcomed by groups representing low-income families. The general consensus is that families, particularly unemployed families, should receive sufficient cash benefits to enable them to participate in society. Children in large families were disproportionately represented amongst those found to be living in poverty. The increase in Child Benefit was viewed as alleviating labour market disincentives. Benefits and concessions to help meet housing costs also have broad public and political support. In the UK the *British Social Attitudes Survey* suggests that support for welfare spending is high in areas of health, education and housing rather than social security. Although opposition to the tone of reform discussion has come from the left wing and centrist policy groups (mainly with reference to lone parents), the main opposition party statements are broadly in line with government policy – particularly concerning the importance of work incentives. Indeed the lack of a radical or distinctive policy alternative from opposition parties has itself been a focus of media debate and speculation.

Southern States

The southern States of the European Union, Italy, Spain, Portugal and Greece have a mixture of fragmented, occupational and insurance based income maintenance schemes with relatively generous pension formulas. Gaps are covered by local and regional authorities which offer those with insufficient contributions discretionary and non-standardised help. Greece and Spain made significant changes to their systems of cash transfers to families in 1990, the latter country featured substantial increases in allowance, the introduction of an income-test and the extension of the scheme to the whole population not just workers. Portugal is also expecting to implement radical reforms to family benefits in 1996 as a consequence of a new agenda set by the incoming socialist government.

Policy debate

Concern about the cost of social security is high in all southern States. Cash transfers for families with children are not, however, considered expensive and are consequently absent from most discussion agendas. All countries share common problems meeting the convergence criteria for the EMU, and this has been central to debates on general economic restraints. Cuts in expenditure effecting health care and pension schemes have inspired a growing new interest in family problems in Spain. Privatisation issues underlie discussions as the rightist opposition party is winning regional elections and preparing itself for government. Pensions are also regarded as a problem in Italy, whereas the family allowance system is funded from contributions and is not in deficit. The number of beneficiaries of the fund is in decline. The difference between contributions and payments is expected to continue to be used to reduce deficits in other areas of assistance spending. In Portugal and Greece general budgetary restraints have been introduced and all aspects of social security are affected in the effort to diminish expenditure levels. Greece continues to be concerned about the increasing gap between the level of social protection in that country compared to other states and suggests that there is a strong possibility of an income-tested system for benefits, allowances and tax exemptions being introduced.

Recent changes

So far families have been protected from cuts in cash transfers in 1995. In Spain, Greece and Portugal family allowances did not change in 1995, although in the first two countries and to some extent in the latter, their value continues to be eroded by the effects of inflation. In Italy, 1995 was seen as a positive year for the family and restructuring has led to benefit increases, particularly for large and one parent families. Selectivity, by means of income testing, has been introduced into the Italian salaried worker's scheme and lone parent families were targeted for a 25 per cent increase in December 1995. No allowance is now paid to a two person household unless it is a lone parent household or household with a disabled family member. Previously 91 per cent of beneficiaries of family benefits were two person households. In the fiscal system an increase in tax allowance for a dependent spouse favours low earners. In addition numerous changes have been made to regional acts in the field of social protection, for example, the introduction of birth or adoption allowances based on voluntary contributions; studentships for young people in economic hardship; and income-tested care-giving benefits for families who care for a disabled or elderly person at home.

Public and professional response

In general, debate by public and professionals on the subject of cash transfers has not been a highly charged issue. Cash transfers are low so they tend to only emerge in debate about other issues, such as demographic problems.

Northern States

Germany, Austria, France and the Benelux countries base their social protection on insurance principles, where benefits are mostly related to earnings and contributions sometimes vary by occupational group. Gaps in support are covered by social assistance schemes. Financing is generally through contributions but The Netherlands has departed from this tradition by introducing some universal schemes, (*Social Protection in Europe* p. 34). Changes in cash transfers are brought about by adjustment to eligibility rules and the level or proportion of compensation claimable from insurance funds. There is a broad consensus in northern States that families with children are substantially supported. Belgium for example, has one of the most generous cash transfer systems. Political debate in Austria for many years concentrated on how best to improve the situation of families with children. France has an explicit family policy. The Netherlands has a family based system in which the 'breadwinner' receives substantial support through the taxation system. The Luxembourg government, following its health reforms of the 1990s, absorbs an increasing proportion of insurance deficit, and funds an increasing number of benefits from general taxation in a bid to keep contributions reasonable and stable. In 1993, the disposable incomes of families on modest and average incomes in Luxembourg were improved by an increase in most benefits and a change in the eligibility rules for child-rearing allowances.

Policy debate

In northern States social security expenditures have been the subject of highly charged debate (with the exception of Luxembourg¹). Concern about the cost of

¹ Luxembourg's social expenditure has increased but the government is committed to finding a solution for the deficit and maintaining current levels of benefit so the subject is not highly featured in debate.

cash transfers to families, however, is not a central feature of this debate, except in France where, during the 1995 Presidential campaign, the issue was much to the fore. When the Juppé government announced that family allowance would be liable to taxation, demonstrations and protests took place in the provinces.

Overall, the issue of meeting the criteria for convergence to the EMU and its relationship to either cut-back or restructuring of benefits in the different countries generated a mixed response. Luxembourg meets the convergence criteria but believes that to discuss the issue is unhealthy because it damages the credibility of countries with their neighbours. The criteria for convergence are unlikely to be met in The Netherlands. Efforts to deal with severe general expenditure restraints were met with cut-backs in direct support and by privatisation in various systems of social insurance. The present universal benefits are almost seen as 'taboo' in today's economic climate. In Germany, although EMU entry requirements do require economy measures, savings were made in other welfare areas and by transferring the responsibility and costs of administering the direct cash transfer system to employers.

In 1995 there were other important debates taking place in northern States of the EU. The ratio of economically active to non-active population was a prominent topic for debate in The Netherlands in 1995. Luxembourg debated abandoning the contribution system for funding Family Benefits in favour of a fully funded state system. Germany's major debate concerned changing the eligibility criteria for the 'Married Person's Split Arrangements'. Criteria is by marriage and applies whether there are children present or not. It is a substantial allowance and restricting it to married or unmarried couples with dependent children would have a major impact on the budget deficit but could breach Germany's constitution. Austria debated the subject of income-testing benefits in a system hindered by taxation based on individual income rather than household incomes. Finally, in France, the focus of debate has moved from family issues to health issues, in view of a serious deficit in the Health Insurance Funds.

Recent changes

Cash transfers to families with children were protected from cut-backs in Germany, Belgium, Luxembourg and France. Germany changed their dual system of tax relief and Child Benefit to an optional system administered by private firms; tax thresholds were increased by tax exemption of the minimum existence level for raising children; the level of child benefit and/or tax free allowances were increased; and in an aberration from traditional policy, a universal system of child benefit replaced the former income-tested system. Belgium, Luxembourg and France made no changes in cash transfers in 1995. France had a presidential election campaign which provoked a great deal of controversial debate on family policy but no changes were implemented in 1995, with the exception of the introduction of a new tax equivalent to half a per cent of total income for all employees to help balance the social security budget.

The Netherlands and Austria, however, made substantial cuts in 1995. Austria reduced cash transfers to families by a simple cut in the level of family allowance for each child. In addition, the eligibility criteria for parental leave were tightened and cuts were made to the extended parental leave payment for lone parents. The

Netherlands also reduced child allowances by 20 per cent which meant the average family would lose considerable income. There was also an increase in health insurance contributions and in the 'Ecotax' contribution to the employment fund. The burden placed on large families by the reductions was offset somewhat by an extra child fee added to the individual Housing Allowance.

Public and professional response

The Juppé plan proposed very controversial measures relating to reform of family benefits in France, causing much debate among specialists and more widely. One issue of debate was the choice between making family allowances liable to tax or subject to means testing. The subject of means-testing or income-testing universal benefits or alternatively greater selectivity through the tax system, is also the subject of media and academic debate in Belgium and Austria. In addition, a tougher stand is being taken by other social partners in France, such as, employer's representatives and trade union organisations who battled to influence the future shape of social security, including family policy. However French, Austrian, and German employers do not consider it their responsibility to fund family policy. Various measures by governments of the respective countries have increased the costs and burden of administering cash transfers to private enterprise or non-state agencies. Employers argue the current trend penalises employment by increasing labour costs.

The cost of social assistance is generally more controversial than other elements of the social security budget. In Germany the topic has strong family policy implications as families make up the majority of beneficiaries. In other countries these families are disproportionately composed of lone parents and immigrant families. This raises issues with the media, professionals and academics about the implications for children of living for long periods of time in poverty. The budget cuts in The Netherlands were particularly devastating for those who raise children on low incomes. However, this was not a matter of great media and public debate as average family incomes are high and child allowances considered as 'extras'. An organisation of church-related welfare groups established a media presence called 'The poor side of the Netherlands' and in a report to Government in 1995 stimulated some public and political debate.

Targeting benefits

The issue of 'targeting' benefits as a means of allocating scarce resources has received widespread attention in the EU during 1995. The concept of targeting has variable meaning: in general terms, 'vertical targeting' involves greater use of means-testing by linking the amount of benefit received to household income and/or assets or clawing back benefits via the tax system from those on higher incomes. Vertical targeting has the advantage of controlling expenditure levels while increasing the effectiveness of limited resources. Horizontal targeting directs benefits, on a categorical basis, to particular groups within the population irrespective of their income.

The progressive tax system is a traditional method of vertical targeting, favouring the disposable incomes of modest and average families. Some countries such as Luxembourg operate a dual tax and benefit system such that an increase in universal family allowance together with a reduction in maximum tax reduction for

dependent children increases the disposable incomes of families on modest and average incomes. However the taxation of family benefits is generally unpopular. In France the suggestion caused demonstrations in the provinces and opposition from the Trades Unions and Family Organisations. The Juppé government subsequently abandoned the notion of taxing universal benefits for the 'well off' in favour of means testing the less 'well off'. Means-testing, in this instance, takes the form of assessing income according to family size and work status and counting other benefits (such as Maternity Allowance and Incapacity Allowance) as income. The French commentator Dufourcq (1994) believes 'the current swing away from an insurance-based system towards a welfare model based on social solidarity is a major political event'.

The allocation of benefits by means testing is well established in the UK and Ireland. There are many limitations: non-take-up of benefits is relatively high; there are high levels of fraud, weak legitimacy and complexity of means-test; and generally they are more damaging to work incentives than universal benefits paid to worker and non-workers alike. However, there are those who argue that targeting family benefits specifically to families in special circumstances rewards them for being in that position. Examples often cited include lone parents, unemployed people on social assistance and those living in municipal housing.

Targeting, particularly by means testing, may contribute to fraudulent claims. In the UK, fraud on the part of claimants is thought to be most common when paid work is not being declared or when cohabiting mothers claim as lone parents. In Ireland too, fraud is a major policy issue. Fraud is also a problem for insurance based schemes; for example, German absentee rates are said to be particularly high. In Portugal a small survey found that 75 per cent of managers receiving sickness benefits were not ill. In Sweden the reduction in social insurance compensation was aimed specifically at reducing rates of sickness claims. Workers faced with lower levels of compensation were absent less frequently. Employers facing greater costs through absenteeism tried to encourage workers to stay at work by improving the health and safety conditions.

The link between selectivity, especially by means testing or horizontal targeting, and weaker legitimacy of benefit and negative attitudes of users is highlighted by the Belgian debate. The discussion centres around advantages of the universal nature of support which allocates benefits as a right to all families. Because higher income families also receive benefits, distribution to lower income families is politically and socially acceptable and the system remains stable. Conversely, when the 'rights' of 'well off' families to benefits are challenged they have a powerful platform from which to promote their cause. Arguably, in the UK (Ditch *et al* 1993), the attempts to reduce the value of Child Benefit in 1980 and 1987 failed because of public opinion. A similar situation arose in France, Denmark and Sweden.

In many EU countries the link between fertility and targeting of benefits has been a subject of concern. There is no evidence presented that Child Benefit or policies which seek to equalise the burden of child care has any effect on decreasing fertility rates. Targeting cash transfers to families, however, such as generous Birth

Allowances, Parental Leave Schemes, Home Child Care Allowances and progressive systems of Child Benefit is believed to encourage people to have children. At the same time pro-natalist policies contribute substantially to the income of unemployed and low-earning families while contributing relatively insignificant amounts towards the upbringing of children in 'well off' families. For lone parents and those with large families the amount of cash transfer is often considerably higher than would be the case in two parent families. Consequently, the advantage of increasing their family size is greater. In both Ireland and the UK there was extensive media debate about the alleged behaviour of unmarried mothers who were thought to have had children as a means of securing income. Feminist politicians in Austria have been critical of policies, such as parental leave, for fear of encouraging mothers 'back into the kitchen' with all the risks associated with long-term detachment from the labour market. In Greece concern was expressed at the lack of services and the low level of cash benefits which are believed to contribute to the decline in the fertility rate. In France, to some extent, the birth rate issue is obscured by the economic crisis. Nevertheless, demographers, the Union National Association for Families and the Confederation of Christian Workers regularly speak out against a lack of targeting measures to encourage a rise in the birth rate. Similarly, Conservative politicians responded to Austria's cutbacks in family benefits in 1995 with expressions of concern about low fertility rates.

In the southern States of the EU, there is little debate about targeting or selectivity of benefits but a pervasive belief that benefits should go to those who need them most. The new Socialist government in Portugal is committed to an improvement in the efficiency with which benefits are targeted to families and the provision of a Guaranteed Minimum Income for all. Trade unions naturally support universal benefits as a 'right' for all but concede that selectivity by income testing as acceptable in certain circumstances.

Incentives to employment

Throughout 1995 the EU exhorted Member States to strengthen the economic recovery by reducing unemployment through the process of employment creation (European Economy 1995). Prevailing high levels of long-term unemployment arise because of a lack of jobs, mis-match of jobs to the available pool of potential workers and in some cases as a result of barriers to employment built into social security systems. Incentives to employment involve governments in moving from a passive to an active approach towards unemployed people. In financial terms incentives are designed to remove barriers to employment such as poverty traps which make people worse off in low paid work than in receipt of benefits. The wider discussion in Europe as reported by Observatory members involves ideas about creating or improving the 'employability' of unemployed people, often using coercive methods. In today's climate emphasis is placed on the provision of training, job creation and insistence that opportunities to work are taken up, thereby removing elements of free choice from the unemployed. In the UK the key area of debate was about the 'evils of benefit dependency' which stimulated discussion on work incentives. Recent empirical evidence however, suggests that social security benefits may be a factor in prolonging unemployment albeit less significantly than has previously been suggested. This effect may be greater for lone parents who have higher benefits when not working and lower earning power

when they are. In some instances families with children are the focus of debate. In a number of countries (Germany, Austria, The Netherlands), there is anxiety about whether coming generations with a reduced number of workers can afford to finance the growing dependent population of elderly people. Pro-natalist policies, which encourage women of child bearing age out of the market, sometimes for extended periods of time, act as disincentives to seek employment.

Reducing the level/value of social security benefits to unemployed people is a highly charged debate. In Germany it is about re-establishing the 'gap' requirement of Federal Social Assistance Laws, between social assistance benefits and those earning the minimum wage (Ditch *et al*, 1997). Stricter means-tests have been applied in many countries. In the UK the new Jobseeker's Allowance has no dependants allowances included in the benefit and it only lasts for six months whereas Unemployment Benefit was available for one year. In Ireland income support child dependant allowances have not risen in line with inflation and are to be reduced in duration. In Sweden, a discussion about the requirement to perform tasks in exchange for social assistance met strong opposition from the business sector who argue that this would harm supply, demand and prices in the market place.

An adverse change in the eligibility criteria for social assistance is another method of creating incentives for some groups to return to the labour market. In The Netherlands unmarried mothers with children under school age are now obliged to apply for jobs. In the UK, there have been attempts to create incentives for lone parents through changes to the in-work benefit (Family Credit), by tackling the problem of child care, addressing the uncertainty of moving off benefits and other anxieties of mothers trying to reconcile family life with work.

The active creation of jobs for people with poor qualifications in The Netherlands and Sweden is aimed largely at immigrant families who need additional help to enter the labour market and who form a disproportionate number of the unemployed population. In both countries, concern has been expressed at the use of state subsidies for employees in private households.

Conclusion

For some years there has been a continuing debate, more vociferous in some countries than in others, about both the cost and form of support for families. Unemployment rates, which continue at a high level, together with policies to limit (if not reduce) the proportion of state expenditure committed to social protection have been joined by renewed concern over rising levels of family poverty. The relationship between family policies and social protection within a framework of uncertainty about the prospects for, and implications of, economic and monetary union becomes more complicated: traditional assumptions about general and generous support for all families, irrespective of income, are being questioned even in countries such as France where family values are a basis for public policy are (arguably) deepest.

There is less evidence than expected of a widespread and significant impact on families with dependent children prospective of policy change in France, Germany, Belgium, The Netherlands and Austria.

There is greater sensitivity about the costs and (alleged) behavioural affect of social assistance than about either insurance or categorical benefits. It is for this reason that in those countries where the proportion of families depend on assistance benefits is high, such as the UK (and to a lesser extent Ireland and Sweden) there have been orchestrated examples of 'scapegoating', especially of the unemployed, lone parents and immigrants. All in all, the rhetoric of debate has been more threatening than the substance of policy: however, the writing may be on the wall.



CHAPTER FOUR

Family Incomes and Tax-Benefit Policies

Introduction

Every country in the European Union has a set of national tax and benefit policies which have an impact on the living standards of families. This chapter examines the impact of these policies. It begins with a comparison of the latest available comparable information on the outcomes of tax and benefit policies on family incomes by exploring poverty and the distribution of income. This is followed by a comparative analysis of the 1995 tax and benefit package for families using the model families method developed in previous comparative studies by the Social Policy Research Unit.

Poverty and living standards

The 1994 Report of the Observatory (Ditch *et al*, 1996) presented some comparative data on the prevalence of poverty in the then nine EU countries that had been derived by Eurostat working on national income and expenditure surveys for the late 1980s. The analysis below draws on original analysis of the latest 'third wave' of the Luxembourg Income Survey which has just become available. It has the advantage of providing more up-to-date data than the Eurostat work but the disadvantage that the data are not available for all the EU countries. By May 1996 there were 21 countries with data available for circa 1990 (see Bradshaw and Chen, 1997). However the data set for Austria still had problems of reliability and was excluded. There were data for nine other EU countries and these are included in this comparison.

Table 4.1 summarises the sources of the data. The results relate to the situation in the countries for the years given – between 1990 and 1992.

Previous comparative research on the distribution of income (Mitchell, 1991; Buhmann *et al*, 1988; EU, 1996; Whiteford and Kennedy, 1995) have shown that results are sensitive to the poverty standard, the unit of analysis and the equivalence scale used. This analysis is restricted to single unit households except for some countries which treat families with an unmarried child over 18 as a single unit. These households are included in the 'other' category in the following tables. The equivalence scale used to adjust household income to differences in needs is almost identical to the 'Whiteford average' (1985) and is the adaptation of the OECD equivalence scale used in recent comparative work by the EU (Hagenaars *et al*, 1994) (1.00 for the first adult, 0.55 for the second adult and subsequent adults[s]

Table 4.1: Data sources for the third wave LIS data sets and UK FES

Country	Year	Survey Name	Sample Size
Belgium	1992	The Living Conditions of Households	3821
Denmark	1992	Income Distribution Survey	12895
Germany	1989	The German Socio-Economic Panel	4690
Spain	1990	Expenditure and Income Survey	21153
Italy	1991	The Bank of Italy Income Survey	8188
Netherlands	1991	Socio-Economic Panel	4378
Finland	1991	Survey of Income Distribution	11749
Sweden	1992	Income Distribution Survey	12484
United Kingdom	1991	The Family Expenditure Survey*	7056

Source: Office for National Statistics.

*Crown Copyright (1996).

and 0.35 for each child). In fact, as Buhmann *et al* (1988) have shown, aggregate poverty rates are not particularly sensitive to the equivalence scale used, though the composition of the group defined as poor may be affected.

Results are certainly sensitive to the poverty standard employed. The bulk of this analysis uses the conventional standard of below 50 per cent of average (mean not median) equivalent income. However the sensitivity of the results to that threshold is explored later.

Table 4.2 compares the risk of poverty before the impact of direct taxes and social security benefits, that is original or factor income including occupational pensions and private transfers. Sweden has the highest pre-transfer risk of poverty and Finland the lowest. It is not surprising that in all countries elderly people have the highest risk of poverty before transfers. The United Kingdom and the Netherlands both have very high risks of poverty among lone parents pre-transfer.

Table 4.2: Households below 50% average income before social security benefit and direct taxation, circa 1990

Country	Aged single	Aged couple	Single no ch	Couple no ch	Lone parent	Couple w/ch	Other	Total
Belgium	99.6	88.4	35.5	24.9	36.0	12.2	42.6	38.3
Denmark	78.0	62.7	42.4	13.0	43.3	11.0	23.4	36.9
Germany	74.8	68.8	22.1	13.2	40.3	11.6	32.9	32.7
Spain	91.4	74.4	42.7	22.9	30.3	12.5	39.4	33.1
Italy	80.2	53.3	25.6	15.9	4.9	10.5	26.8	27.2
Netherlands	74.2	65.8	41.9	15.5	72.7	10.4	28.8	33.0
Finland	59.5	38.4	30.1	8.7	30.6	11.9	24.5	24.6
Sweden	95.9	81.1	37.9	10.6	32.0	10.4	0.0	41.4
United Kingdom	83.9	68.2	36.2	13.2	78.6	19.9	35.8	38.1

However, the post-transfer situation is more significant. The analysis here is restricted to the impact of social security benefits and direct taxation including social security contributions. Excluded from consideration here are the impacts of housing benefits and subsidies, indirect taxes and the value of services in kind. There are strong arguments (Smeeding *et al*, 1993; Whiteford and Kennedy, 1995) that these should be taken into account in a thorough comparative analysis of the effectiveness of redistribution. There is also an argument (Whiteford and Kennedy, 1995) about whether social security contributions should be treated as a deduction from earnings on the grounds that, at least in part, they are a form of deferred income.

The impact of social security benefits and direct taxes on market income is shown in Table 4.3. The UK now has the highest proportion of households in poverty overall. The figure of 23.0 per cent of poor households is nearly double the average for all countries. This figure is equivalent to the 21.7 per cent of individuals living in families with incomes less than 50 per cent of the contemporary average (before housing

Table 4.3: Households below 50% average income after social security benefit and direct taxation

Country	Aged single	Aged couple	Single no ch	Couple no ch	Lone parent	Couple w/ch	Other	Total
Belgium	12.4	11.4	9.2	5.1	9.4	4.7	6.2	7.1
Denmark	8.8	2.8	17.7	2.7	6.5	3.1	4.7	8.2
Germany	21.7	12.9	21.7	16.3	34.2	12.1	16.9	17.5
Spain	16.3	20.8	23.5	12.2	27.7	15.0	17.1	16.0
Italy	9.0	4.1	7.4	7.8	4.9	14.6	11.6	9.6
Netherlands	3.8	7.6	18.1	5.6	27.4	8.0	5.4	9.3
Finland	23.1	3.0	18.5	3.6	6.3	2.8	5.4	9.6
Sweden	9.6	0.7	18.3	2.0	2.6	2.9	0.0	9.1
United Kingdom	46.5	30.4	23.5	8.9	51.8	17.5	17.8	23.0

Table 4.4: Poverty reduction

Country	Pre-transfer rate %	Post-transfer %	Reduction %
Belgium	38.3	7.1	81.5
Denmark	36.9	8.2	77.8
Spain	33.1	16.0	51.7
Italy	27.2	9.6	64.7
Netherlands	33.0	9.3	71.8
Finland	24.6	9.6	61.0
Sweden	41.4	9.1	78.0
United Kingdom	38.1	23.0	39.6

costs) estimated in the HBAI figures for 1990/1991 (DSS, 1993) i.e. the small difference is a function of our choice of households rather than individuals.

Post-transfer poverty rates are a consequence of the level of pre-transfer poverty rates, the level of social transfers and the redistributive force of the system of direct taxation in each country. After transfers the UK has the highest poverty rate for each household group (except for Spain in the case of childless couples and couples with children and Germany for childless couples).

Poverty reduction

The following two tables compare the performance of different countries in reducing poverty. Of the nine countries Belgium is the most successful, reducing over 80 per cent of pre-transfer poverty. The UK is least successful reducing only 39.6 per cent of its pre-transfer poverty. Table 4.5 compares the poverty reduction achieved for different household types. There are some interesting variations between countries in the effectiveness of their transfers for different groups. Thus, for example, the Nordic countries achieve very high reduction rates for all groups except the single childless. In Italy and Spain the tax/benefit system leaves couples with children worse off, because income tax exceeds social benefits overall. The UK is relatively unsuccessful in reducing pre transfer poverty for all groups but in particular lone parents and couples with children.

Table 4.5: Poverty reduction by family type

Country	Aged single	Aged couple	Single no ch	Couple no ch	Lone parent	Couple w/ch	Other	Total
Belgium	87.6	87.1	74.1	79.5	73.9	61.5	85.4	81.5
Denmark	88.7	95.5	58.3	79.2	85.0	71.8	79.9	77.8
Germany	71.0	81.3	1.8	-23.5	15.1	-4.3	48.6	46.5
Spain	82.2	72.0	45.0	46.7	8.6	-20.0	56.6	51.7
Italy	88.8	92.3	71.1	50.9	0.0	-39.0	56.7	64.7
Netherlands	94.9	88.4	56.8	63.9	62.3	23.1	81.3	71.8
Finland	61.2	92.2	38.5	58.6	79.4	76.5	78.0	61.0
Sweden	90.0	99.1	51.7	81.1	91.9	72.1	0.0	78.0
United Kingdom	44.6	55.4	35.1	32.6	34.1	12.1	50.3	39.6

Composition of the poor

Table 4.6 explores the composition of the poor after transfers and shows that there are considerable variations between countries. In the UK there is a greater proportion of single elderly people than any other country together with relatively high proportions of lone parents. In all the Nordic countries the majority of the poor are single (young) people. In Finland there is a high proportion of single elderly people (but not elderly couples) and in Spain and Italy couples with children represent over 40 per cent of the poor. Table 4.7 compares the gender of the head of poor households. Spain has the highest proportion of poor households headed by a male and Finland the highest proportion headed by a female.

Table 4.6: Composition of poor households at 50% average income after social security benefit and direct taxation

Country	Aged single	Aged couple	Single no ch	Couple no ch	Lone parent	Couple w/ch	Other	Total
Belgium	18.0	18.6	14.0	20.2	4.3	20.5	4.5	100
Denmark	16.2	3.0	61.7	6.9	3.5	7.4	1.2	100
Germany	21.0	8.1	25.7	22.4	4.3	14.5	3.9	100
Spain	6.5	19.7	5.3	15.9	1.7	40.1	10.7	100
Italy	9.0	5.8	5.0	26.5	0.4	42.1	11.2	100
Netherlands	4.9	7.7	37.2	16.2	9.1	23.3	1.6	100
Finland	29.6	2.1	46.9	8.2	2.5	7.6	3.1	100
Sweden	16.1	0.8	72.6	3.4	1.4	5.8	0.0	100
United Kingdom	26.7	14.7	14.1	9.8	10.4	18.9	5.4	100

Table 4.7: Characteristics of poor households

Country	Sex of Head		HH with child	HH with aged
	Male	Female		
Belgium	71.0	29.0	25.3	39.4
Denmark	56.3	43.7	11.2	19.3
Germany	60.3	39.7	19.4	32.5
Spain	78.2	21.8	46.5	35.8
Italy	78.2	21.8	44.8	18.7
Netherlands	66.8	33.2	33.0	13.0
Finland	43.3	56.7	10.3	34.1
Sweden	52.7	47.3	7.2	17.0
United Kingdom	57.9	42.1	31.2	44.1

Sensitivity of the poverty threshold

In this analysis, below 50 per cent of average equivalent income has been used as the poverty standard. However, if alternative thresholds had been employed there would have been some variation in the post-transfer poverty rates found in different countries. If the 60 per cent threshold had been used instead, (The Netherlands would have moved up two positions above Italy and Finland (with comparatively higher poverty rates) and Sweden would have moved below Denmark and Germany below Spain (with comparatively lower poverty rates). Apart from these countries the rankings would have been similar to the 50 per cent threshold. If the 40 per cent threshold had been used Germany, Denmark and Sweden would have had relatively higher poverty rates than with the 50 per cent threshold. Indeed Germany would have overtaken the UK as the country with the highest post-transfer poverty rates (however we are still anxious about the LIS data for Germany as there appears to be large number of households without any income). We can conclude from this

analysis that the 50 per cent threshold is for most countries a fairly robust representation of relative overall poverty except at the very lowest threshold. However, the composition of the poor, and the risks of poverty for different groups, may still be sensitive to the threshold employed.

If housing costs, services in kind and indirect taxes were taken into account there is some evidence from previous comparative analyses that positions would alter (Saunders, 1992; Smeeding, 1993; Whiteford and Kennedy, 1995). Ramprakash (1994) also found that if household expenditure is used instead of income then some countries have comparatively lower poverty rates. Similarly, if other elements of poverty had been included – poverty gaps, degrees of inequality among the poor or some kind of aggregate measure of poverty as measured by Sen (1979) there would have been some changes in the overall picture (Forster, 1993; Mitchell, 1991).

Nevertheless all the comparisons indicate that some countries are doing rather better than others in mitigating their pre-transfer poverty rates.

Readers are advised to consult the companion volume for detail on developments in respect of poverty and living standards in individual countries. Poverty was reported as increasing in eight of the Member States during 1995. Inequality rates increased in Sweden, and a UK report (Barclay, 1994) commented on the damage to the social fabric caused by high rates of poverty. Greek consumers experienced a fall in the standard of living, and government expenditure on families was cut in Portugal. In Austria, despite generous benefit provision, certain families have a high risk of poverty, and this is also true in Denmark, where families with parents aged over 50 or under 20 are especially affected. Unemployment, and long-term dependence on benefits are major causes of poverty in Germany, Ireland and France.

Poverty is not, of course, determined only by market forces, international competition or other external factors which affect the primary distribution but also by social and fiscal policies. In the following section we consider the outcome of these policies.

The model families comparisons

Model families are used to allow comparisons to be made of the value and structure of the 'packages' of cash benefits, taxes and services and charges that contribute towards altering the distribution of market incomes in different countries. The members of the Observatory complete a 'matrix' which summarises what a number of selected family types, in specific circumstances and with given earnings levels, would receive in May 1995 in each country. This enables us to compare how the transfer system operates in different countries.

The approach has been used for a number of comparative studies at York. It was initially developed for a comparative study of child benefit packages in initially 15, later 18 countries (Bradshaw *et al*, 1993; Stevens and Bradshaw, 1995; Bradshaw and Uzuhashi, 1994). It was later adapted to compare the incentive structures facing married women engaged in housework (Shaver and Bradshaw, 1995), lone parents (Whiteford and Bradshaw, 1994), and social assistance schemes in OECD countries (Eardley *et al*, 1996). It was used for the first time in the 1994 report of the Observatory (Ditch *et al*, 1996) and in the special study of lone parents labour supply undertaken that year (Bradshaw *et al*, 1996).

The methods employed and the assumptions made were discussed and critically evaluated in the 1994 Observatory report (Ditch *et al*, 1996) and will not be repeated here¹. In summary, in simulating the impact of national policies on model families, in order to compare like with like, a number of choices have to be made. These relate to family type; family earnings; the number and ages of the children; housing costs; the treatment of local taxes; health costs; school costs and benefits; and the type and costs of pre-school provision. The assumptions that have to be made are essential to the task of obtaining comparable information on an up-to-date basis. The results obtained inevitably describe the way the system should work rather than necessarily how it does work. Thus the comparisons assume that those eligible for income-related benefits are claiming their entitlement, despite the fact that the take-up of those benefits is known to be far from complete in some countries. The more assumptions that are made about the circumstances of the model families, the less representative those families will be of actual populations. This is the inevitable cost of achieving comparability and comparability is arguably a more important quality in comparative research than accurate representation. The model families are not likely to exist in all their characteristics in any country: they are illustrative, not representative. In illustrating a range of experiences they enable us to demonstrate and compare the tax/benefit environment implicitly created for families in a variety of circumstances in the EU countries. New data on the size and

Table 4.8: Number of earners per household, families with children (% of h/h type)

Country	Lone parents		/	Couples		
	None	1		None	1	2
Belgium	45	55		8	29	63
Denmark	31	69		4	22	74
Germany	30	70		4	40	56
Greece	33	67		7	54	39
Spain	39	61		10	60	30
France	29	71		8	42	50
Ireland	77	23		20	52	28
Italy	39	61		7	51	42
Luxembourg	24	76		3	50	47
Netherlands	64	36		6	46	48
Austria	—	—		—	—	—
Portugal	30	69		3	34	63
Finland	—	—		—	—	—
Sweden	—	—		—	—	—
UK	59	41		12	30	58

Source: Eurostat, initial results from ECHP

¹ A working paper on the methodology adopted will be available (from mid 1997), on request, from the coordination team.

composition of households which have become available recently from the European Community Household Panel and which are discussed in Chapter Three, enable an assessment of the relevance of the model family types from country to country. For example, Table 4.8 shows the number of earners in lone parent and couple households with dependent children. It shows for example that the lone parent with one earner "case" is much more prevalent in Luxembourg and France than it is in Ireland, The Netherlands and the UK and couple families with two earners are least common in Ireland and Spain.

One assumption that has to be made concerns earnings. No entirely satisfactory and comparable earnings data are available. The earnings figures used in the model families matrix analysis are presented in Table 4.9. They are derived for 1993 from the OECD Annual Report on the Tax Benefit Position of Production Workers 1990-1993 (OECD, 1994) updated from 1993 to May 1995 using the index of hourly earnings in manufacturing industries in the latest version of Main Economic Indicators, (OECD), 1995. These figures refer to all production workers, and so estimates of average male and female earnings in manufacturing industries were derived using the International Labour Office (1994) and data on the usual number of hours worked using Eurostat data.

Table 4.9: Average gross male and female earnings, in local currencies and purchasing power parities £ sterling, per month, May 1995

Country	Male			Female		
	Local currency	ppp=£1	Value in ppps £ sterling	Local currency	Value in ppps £ sterling	Average female earnings as % of average male earnings
Belgium	BFr 73606	57.87	1272	50788	878	69
Denmark	DK 20608	13.94	1528	17334	1243	84
Germany	DM 4931	3.23	1527	3257	1008	66
Greece	Dr 220111	327.16	673	172087	526	78
Spain	P 182854	192.90	948	124341	644	68
France	FF 10552	10.28	1026	7914	770	75
Ireland	Ir 1278	0.98	1252	822	806	64
Italy	L 2523000*	2450.62	1030*	1993939	813	79
Luxembourg	F 84253*	62.19	1355*	76505	1230	91
Netherlands	G 5003	3.29	1521	3213	977	64
Austria	APf 26439*	21.76	1215	18568*	853	70
Portugal	Esc 118799	188.27	631	92516	491	78
Finland	FM 11074	963.00	1149	8671	891	78
Sweden	SEK 16585	15.59	1064	12823	823	77
United Kingdom	£ 1466	1.00	1466	804	804	55

* These countries provided alternative earnings estimates using national data sources.

The level of earnings are broadly what might be expected, given the level of economic development of the countries. There are perhaps three exceptions to this: Sweden, Finland and France, which all have lower earnings than might be expected. This is perhaps a function of the fact that each of these countries has a substantial 'social wage' delivered via employer social security contributions. It may also be the case that purchasing power parities at the aggregate level are not very successful in picking up the relative cost of living in these countries. The female earnings given (for the first time this year) take account of variation in hours supplied between countries and are therefore arguably a better representation of actual average female earnings. It can be seen that there is a good deal of variation in the ratio of female to male earnings between countries with, for example, female earnings varying from of 55 per cent of males in the UK to 84 per cent in Denmark.

In order to compare the living standards of families at different earnings levels the Observatory members were asked to calculate the impact of taxes and benefits on five different earnings levels and for families with no earnings or social insurance income, receiving payments under minimum income guarantees or social assistance arrangements. From these earnings figures income tax payable by a given family was deducted. Then the social security contributions required to be paid by a given family at those earnings was deducted including all compulsory statutory contributions whether they fund social security entitlements, health entitlements or other things. The test is that they are required of employees by the state. This gives post tax income. Then non-income related and income-related cash benefits that may be made to a given family at a given income level are added. These are mainly family allowances or child benefits, but in some countries social assistance may be payable to low earners and lone parents may be entitled to child support maintenance or alimony. This is included if there is a scheme for advancing at least some of the payments due from public funds irrespective of the compliance of the absent parent. At this stage we also make assumptions about health costs. The base line assumption is that health care is provided free of charge and that its quality and availability are equal between countries. Then we price what families might be actually required to pay for a standard package of health care. At this stage account is also taken of the costs or value of free or subsidised pre-school provision and the costs/benefits of schooling. This gives income post-net benefits.

One of the most problematic aspects of this methodology relates to the treatment of housing costs. Tenure patterns vary between countries. Table 4.10 is based on the European Household Panel Survey and shows for example that for couples with children the proportion who rent varies from 49 per cent in Germany to 14 per cent in Spain. In contrast, lone parent families are more likely to rent with the proportion varying from 83 per cent in Germany to 33 per cent in Greece. As well as tenure housing costs vary within countries according to a host of factors – direct and indirect subsidies, geographical location, the size and age of the dwelling, length of occupation and many other factors.

It would be easiest to ignore housing costs altogether. However, housing costs and housing subsidies are in many countries an important element of family policy and to ignore them altogether would be to misrepresent the impact of that policy. Because of the difficulties involved results are presented both before and after housing costs. Local property based taxes used to fund local services are also taken into account at

Table 4.10: Percentage in each housing tenure, by household type

Country	All households			Lone parents			Couples with children		
	Own	Rent	Rent-free	Own	Rent	Rent-free	Own	Rent	Rent-free
Belgium	66	31	3	34	65	1	75	23	2
Denmark	56	44	0	24	76	0	79	21	0
Germany	47	51	2	16	83	1	49	49	2
Greece	76	20	4	59	33	8	74	21	5
Spain	78	16	6	65	28	7	78	14	8
France	53	42	5	31	66	3	59	37	4
Ireland	79	19	2	44	52	4	84	15	1
Italy	70	22	8	55	35	10	69	22	9
Luxembourg	64	33	3	56	40	4	68	29	3
Netherlands	52	47	0	18	82	0	71	29	0
Austria	—	—	—	—	—	—	—	—	—
Portugal	60	29	11	40	51	9	51	26	13
Finland	—	—	—	—	—	—	—	—	—
Sweden	—	—	—	—	—	—	—	—	—
United Kingdom	70	29	1	37	62	1	75	24	1

Source: Eurostat, Initial results from ECHP
 — missing data

this stage. Deducting net housing and local taxes, that is the amount payable after the receipt of any relevant housing benefit or rebates, gives net income after housing costs.

Results of the model family analysis

The first two Figures, 4.1a and 4.1b, show how the tax and benefit system operates to alter the market distribution of income for two selected families.

1. A couple with three school age children, with one earner on half average earnings (or the minimum wage if higher – Belgium, Denmark, France and Luxembourg have minimum wages which are greater than half average earnings). This is in effect a poor larger family. It can be seen from the chart that the families in Denmark and Luxembourg start with the highest gross earnings. After the impact of direct taxes this family in Luxembourg still has the highest income but the family in Denmark has fallen below those in Belgium, the UK and Ireland by virtue of the level of taxes it must pay. When benefits are added to the equation, although the family in Luxembourg still has the highest income, similar families in Sweden, the UK, Belgium and Finland move up the league table. Finally when net housing costs are taken into account the family in Luxembourg is no longer the best off: due to generous housing subsidies for families at this income level families in Finland, France, Ireland, Sweden, Germany and the UK are best off.

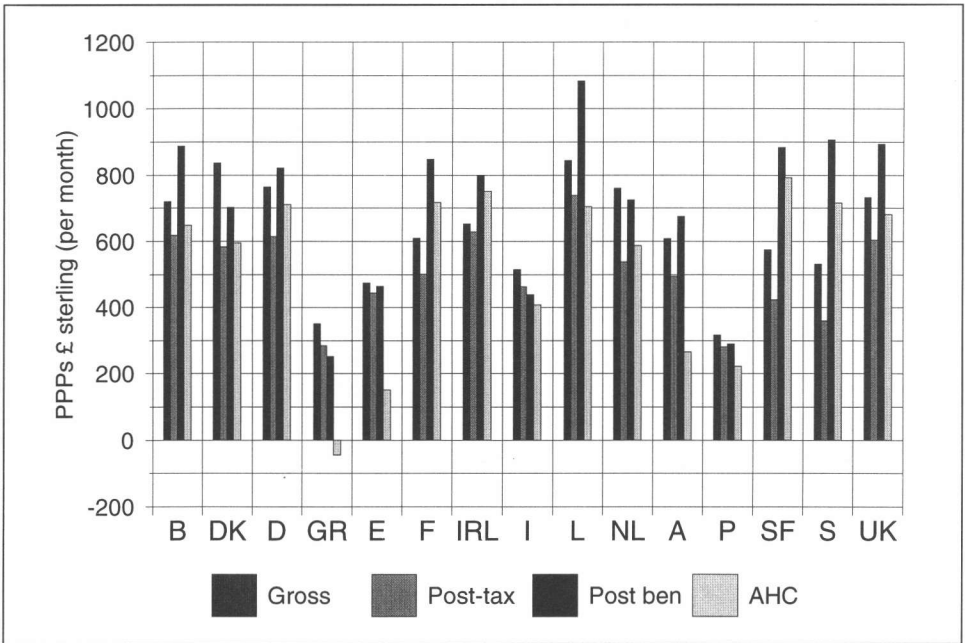


Figure 4.1a: Redistributive effects – couple with three children, one earner 0.5 average earnings

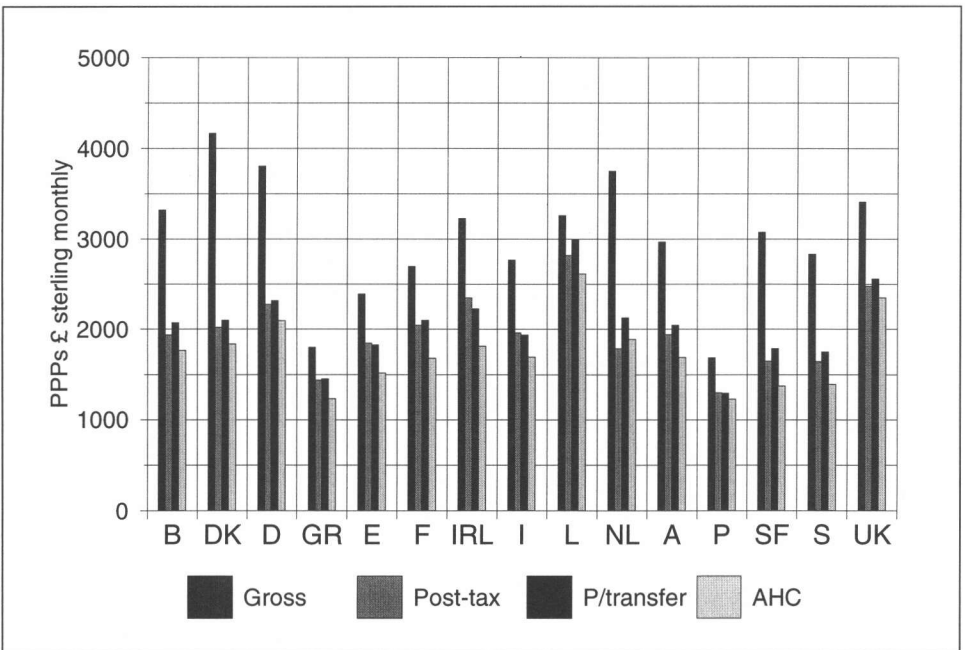


Figure 4.1b: Redistributive effects – couple with two children, two earners, 1.5 average plus 1.5 average earnings.

There are three important lessons to be learned from these comparisons. First, the level of earnings is not (at least at this level) the final determinant of a family's relative after-transfer incomes. Secondly, there is a good deal of re-ranking that goes on at different stages of the distributive process – for example before and after housing costs are taken into account. Thirdly, if Luxembourg, the southern EU countries and Austria are excluded the post transfer (before housing costs) incomes of the families in these countries are remarkably similar – in the range £700 to £900 per month. Fourthly, in most countries the benefit system does little more than replace the earnings taken in taxation, even for this family. In Denmark, The Netherlands and the southern EU countries it fails even to do that.

2. A couple with two school age children both parents working for 1.5 average male and female earnings. This is a well off 'standard' family. No country leaves this family better off after the impact of taxes and benefits but there are still re-rankings between countries at different stages of the redistributive process. The families in Denmark, Germany and The Netherlands have the highest earnings. After tax and benefits families in Luxembourg and the UK are best off. In all countries this family pays more in tax than they receive in benefits – indeed the level of taxation is a more important determinant of final income than gross earnings.

In order to explore how family incomes compare in EU countries the next three charts compare the level of post transfer income (before housing costs) of couples with one, two and three school age children at different earnings levels. Regardless of the number of children, earnings level or number of earners, the families in Luxembourg have the highest disposable income. More unexpectedly perhaps, families in the UK have the next highest disposable income (apart from Ireland, at half average earnings). The relative position of other countries varies with the number of children, the earnings levels and whether there are one or two earners. Thus for example two earner families with three children in France and Germany have the third highest disposable incomes, but families with two children and one earner on average earnings in France are only better off than similar families in the southern European countries and Austria. These variations are a function of the impact of the tax and benefit systems in different countries.

Support for families with children

An important element in a country's tax and benefit system is the support provided towards the costs of rearing children through the package of cash benefits, tax allowances or credits and remissions of charges. This section compares the value of these benefits to working families, expressed as the difference between the net disposable resources of a childless couple and a couple with children at the same earnings.

Tables 4.11 and 4.12 show how that package is made up for a couple with two school age children, at two different earnings levels. In the lower earnings case it can be seen that seven countries deliver some of the child support package through child tax allowances or credits, with France and Germany providing the majority of their assistance in this manner. On low earnings these tax allowances are only of

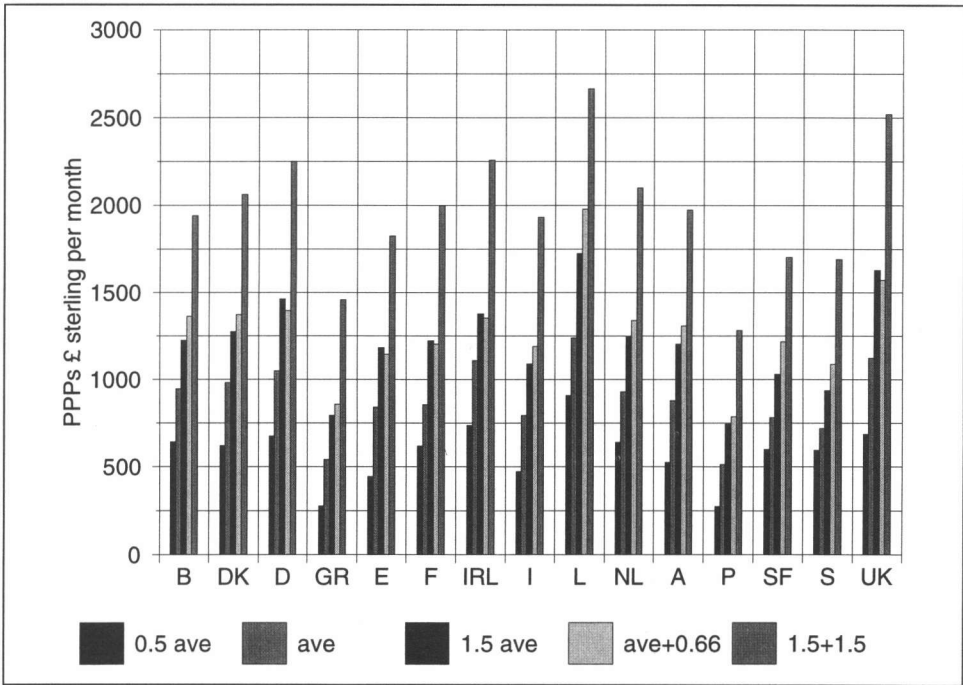


Figure 4.2a: Couple and one school age child – incomes at five earnings levels (after taxes and transfers, before housing)

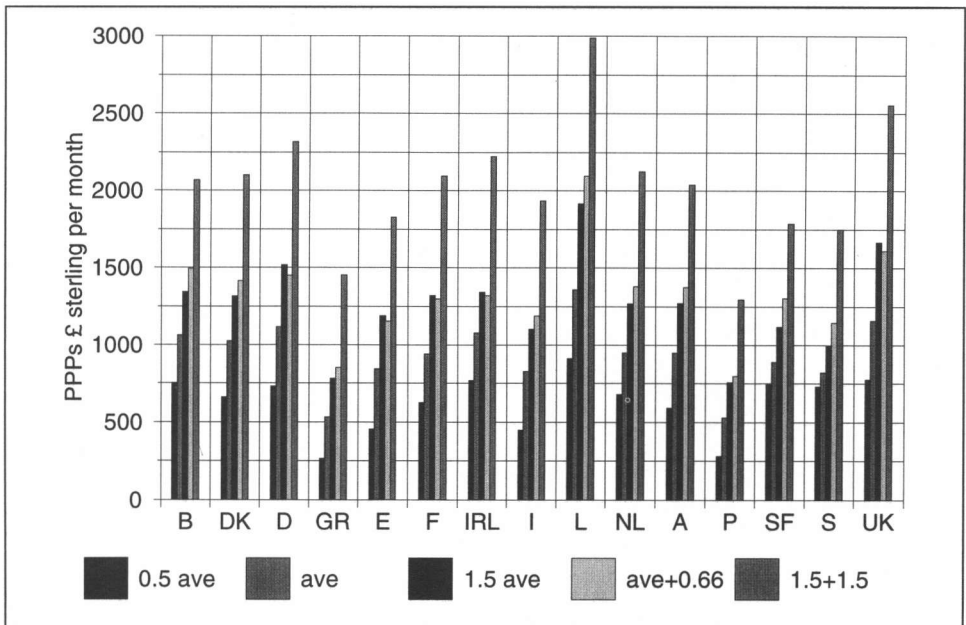


Figure 4.2b: Couple and two school age children – incomes at five earnings levels (after taxes and transfers, before housing)

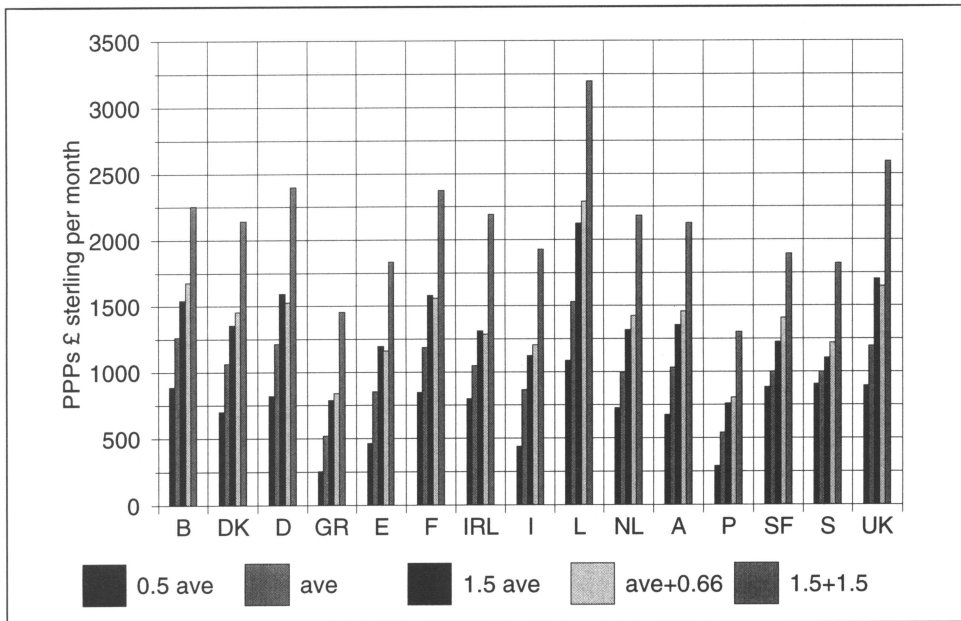


Figure 4.2c: Couple and three school age children – incomes at five earnings levels (after taxes and transfers, before housing)

Table 4.11: Structure of child benefit package – one earner, 0.5 average earnings £ Stg PPPs per month

Country	Child tax allowance/ credit	Non means tested child benefit	Means tested child benefit	Health costs	School costs	Other	Total
Belgium	38.22	159.36		-4.11	-16.66		176.81
Denmark		81.54		-5.9			80.95
Germany		61.92			55.73	117.65	
Greece		13.50		-24.64	-20.38		-31.52
Spain			31.10	-10.64			20.46
France		64.69	6.71	-5.45	63.81		129.77
Ireland		40.82	188.46		-87.90		141.38
Italy	9.79		10.20	-7.75	-9.79		2.45
Luxembourg		176.88		-2.09			174.79
Netherlands		88.75		10.03	-15.20		83.58
Austria		159.70		-29.23	-4.50		125.97
Portugal		27.41		-11.86	-3.72		11.83
Finland		133.96		-2.70	25.34	82.24	238.84
Sweden		96.22		-5.52	28.86	80.89	200.45
United Kingdom		81.68	92.39				174.07

Table 4.12: Structure of child benefit package – two earners, average + 0.66 average earnings. £ Stg PPPs per month

Country	Child tax allowance/ credit	Non means tested child benefit	Means tested child benefit	Health costs	School costs	Other	Total
Belgium	56.16	159.36		-4.11	-16.66		194.75
Denmark		81.54		-.60			80.84
Germany	65.94	43.34					103.28
Greece	13.62	13.50		-24.64	-20.38		-19.31
Spain	23.41			-10.64			12.77
France	94.26	64.69	6.71	-5.35			103.11
Ireland		40.82		-22.78	-94.69		-76.65
Italy	12.65			-7.76	-9.79		-4.90
Luxembourg	57.18	176.88		-2.09			231.97
Netherlands		88.75			-15.20		73.55
Austria		159.70		-29.23	-4.50		125.97
Portugal	19.01	27.41		-11.86	-5.65		28.91
Finland		133.96		-2.70	25.34		156.59
Sweden		96.22		-12.12	28.86		106.35
United Kingdom		81.68					81.68

any value to the families in Belgium and Italy. It is in the nature of child tax allowances that their value increases as earnings increase. All the EU countries except Spain and Italy have a system of universal child or family allowances paid regardless of income (although in Germany it is of more value at low earnings, see below). Spain and Italy have modest (means tested) child allowance schemes. In addition France, Ireland and the UK have in-work income-related schemes and in Germany, Finland and Sweden families with one earner on half average earnings are entitled to social assistance to top up income.

Two earner families are expected to contribute to health costs in every country except Germany, The Netherlands and the UK, though in most countries the amount is modest. For the low-earner family these charges are reduced in Sweden and abolished in Ireland. Seven countries have some charges associated with going to school and these are much higher in Ireland than in the other countries. Finland and Sweden provide a free school meal to all school children regardless of earnings and France provides them for the family with low earnings.

From this we see something of the structure of the child benefit package in each country. Figure 4.3a takes a couple with two school age children and shows how the value of the child benefit package varies with the earnings of the family. For the low, one earner family this package is most generous in Finland followed by Sweden. In these countries families at that income level are entitled to social assistance. Ireland and the UK also have means-tested schemes which supplement low earnings and all four countries have child benefit packages which are more generous at low

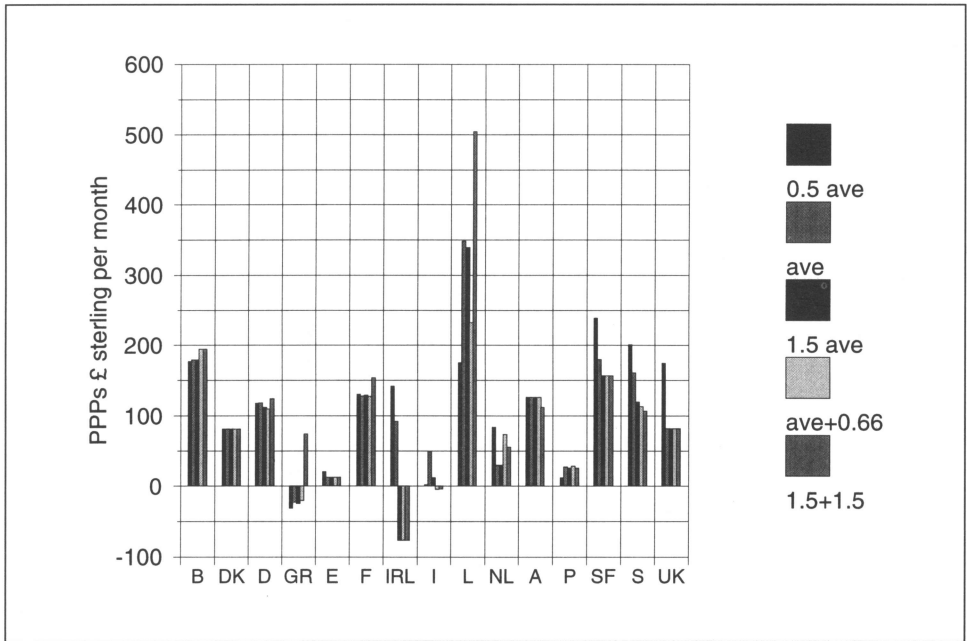


Figure 4.3a: Value of child benefit package by earnings (BHC) couple with two children aged 7 and 8 years old

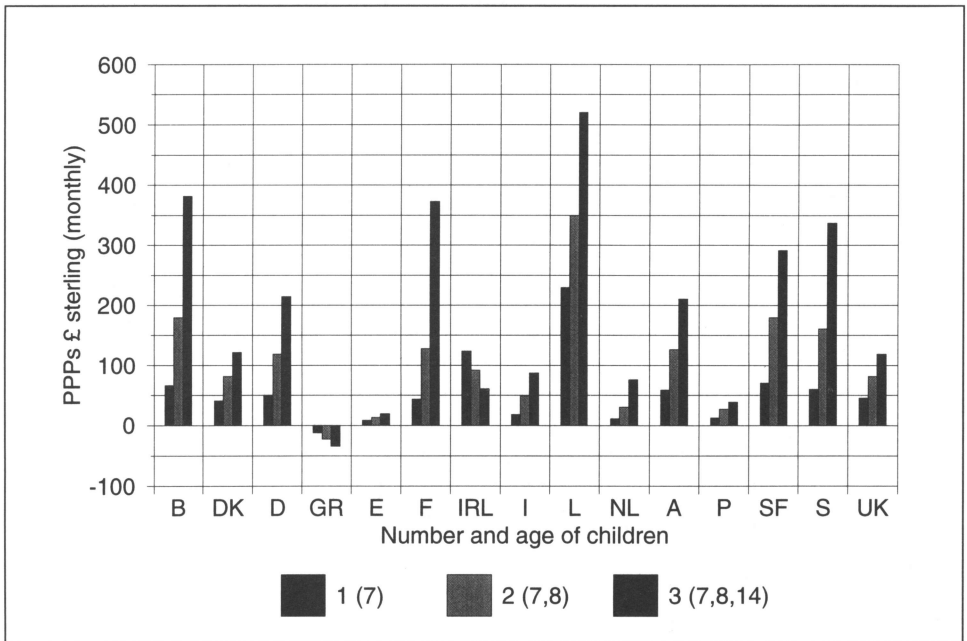


Figure 4.3b: Value of child benefit package by number of children (BHC) one earner family on average earnings

earnings levels. In Belgium, Germany, France and Luxembourg the child benefit package is most generous for two earner couples, because of the increasing value of tax allowances. Denmark is the only country where earnings have no effect on the child benefit package. At higher earnings Italy and Ireland have negative child benefit packages because the benefits do not compensate for educational expenses which parents are expected to pay.

Figure 4.3b shows how the child benefit package varies with the number of children (for a one earner family on average male earnings). Belgium, France, Luxembourg and Sweden are all proportionally more generous to the third child in the family. In the other countries the third child is treated the same or less generously. The UK, Ireland and Luxembourg are the only countries to treat the first child more generously.

The value of the child benefit package varies both between and within countries according to family type, number and age of children and whether housing costs are taken into account. This means that the overall level of the child benefit package is not easy to compare. However an effort is made in the following tables, based on the average value of the package to fifteen different families. These families are of course not fully representative of families in the countries and they deliberately exclude lone parents and families with pre-school children. The overall amount of child benefit paid to these families in a given country is expressed as a percentage of the mean for all countries. Thus the Tables 4.13a and 4.13b give a ranking and a measure of dispersion.

Table 4.13a: Child benefit package – couples with children, before housing

<i>Rankings</i>	<i>% difference from the mean for all countries</i>
Luxembourg	177
Belgium	86
Austria	36
France	32
Finland	29
Sweden	9
Germany	2
Ireland	-9
United Kingdom	-17
Netherlands	-26
Denmark	-33
Greece	-66
Portugal	-67
Italy	-74
Spain	-79

Luxembourg is an outlier in the EU countries with a child benefit package more than twice as generous as any other country. Then there are broadly three groups of countries: Spain, Italy, Portugal and Greece have the least generous child benefit package; Belgium, France and Finland have the most generous; the other countries fall in between these groups with some reranking depending on whether the comparisons are made before or after housing costs.

Table 4.13b: Child benefit package – difference from the mean – couples with children, after housing

<i>Rankings</i>	<i>% difference from the mean for all countries</i>
Luxembourg	331
France	155
Belgium	138
Finland	109
Germany	41
United Kingdom	26
Sweden	25
Netherlands	-28
Denmark	-30
Austria	-62
Portugal	-73
Ireland	-97
Italy	-117
Spain	-129
Greece	-227

Lone parents

The previous analysis was restricted to couples with children. This section concentrates on the treatment of lone parent families by the tax benefit systems. In Figure 4.4 and Tables 4.14a and 4.14b the income of a lone parent is compared with a single person without children. It can be seen from Figure 4.4. that at average earnings lone parents in Luxembourg (followed by Germany and the UK) have the highest overall post-transfer incomes and lone parents in Greece and Portugal have the lowest.

Table 4.14a looks at the differences in disposable incomes of lone parents and single people on the same earnings. In order to compare the role of the benefit system in supporting lone parents, the value of the tax/benefit package for lone parents includes tax allowances as well as the value of the child benefit package. The relative position of a lone parent varies according to the earnings level and the number of children. Thus with one child on half average earnings the lone parent in Germany is best off compared with a single person, with the lone parent in Ireland next best off. With two children the lone parent in Germany still does best but now Finland

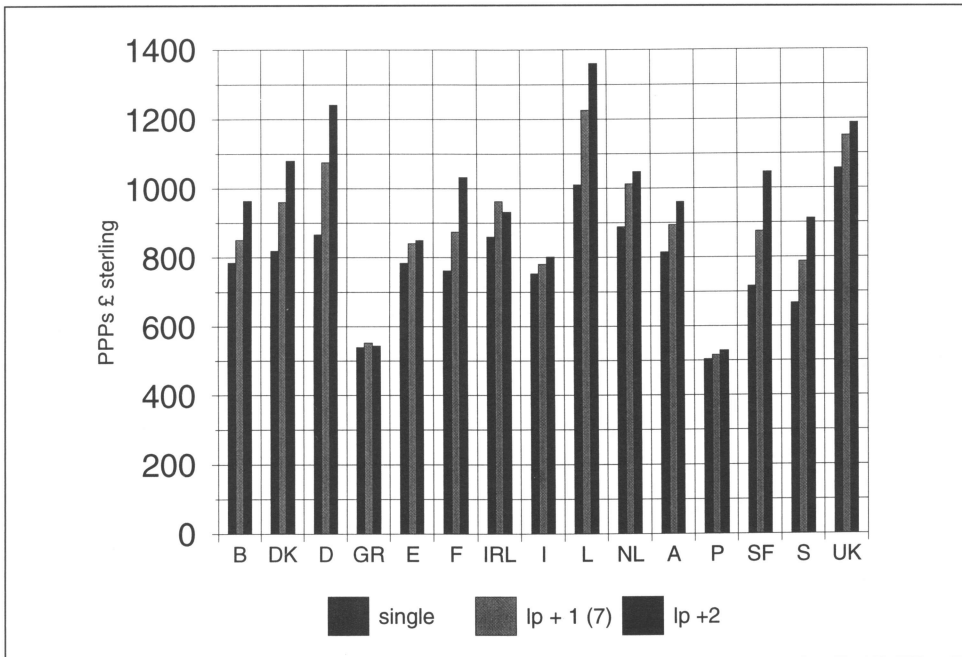


Figure 4.4: Incomes of lone parents and single people

Table 4.14a: Difference between net disposable incomes of lone parents and single people (Before housing costs) Purchasing Power Parities, £ sterling

Country	Half average earnings		Average earnings		1.5 average earnings	
	1 (7)	2 (7, 8)	1 (7)	2 (7, 8)	1 (7)	2 (7, 8)
Belgium	66.15	179.18	66.15	179.18	66.15	179.18
Denmark	140.85	260.93	140.85	260.93	140.85	260.93
Germany	202.79	365.94	210.53	375.23	236.53	412.07
Greece	10.40	-2.43	14.61	5.31	12.85	6.84
Spain	12.99	25.97	57.17	65.52	66.49	74.83
France	71.01	206.81	112.26	271.50	138.42	294.36
Ireland	174.79	207.70	102.50	71.10	32.44	-1.24
Italy	55.90	24.08	27.34	49.38	19.18	9.39
Luxembourg	65.40	174.79	214.84	348.67	182.73	374.53
Netherlands	98.48	138.91	123.40	158.66	140.73	157.14
Austria	78.08	145.08	78.12	145.13	78.08	145.08
Portugal	9.86	15.78	12.65	25.36	12.71	25.33
Finland	157.42	330.43	157.42	330.43	157.42	330.43
Sweden	90.06	228.29	135.02	273.25	135.02	270.04
United Kingdom	136.86	222.87	93.87	130.48	93.87	130.48

comes next. A lone parent with two children in Greece on half average earnings is worse off than a single person and the same is true for the lone parent with two children in Ireland on 1.5 times average earnings – again as a result of school-related costs.

A second way to compare the treatment of lone parents by the tax benefit system is to compare the ratio of the post-transfer incomes of lone parents and couples with the same earnings and number of children (see Table 4.14b). In most countries lone parent families are treated slightly more generously than couples by the tax benefit system but again the picture varies with earnings and the number of children. Thus for example with two children on average earnings a lone parent in Sweden is 15 per cent better off than a one earner couple on average earnings, but if the lone parent were on half average earnings they would have only 86 per cent of the net income of a couple. Belgium is the only country in which the lone parent is consistently worse off than a couple.

Table 4.14b: Net disposable incomes of lone parents as proportion of net income of one earner couples (before housing costs)

Country	Half average earnings		Average earnings		1.5 average earnings	
	1 (7)	2 (7, 8)	1 (7)	2 (7, 8)	1 (7)	2 (7, 8)
Belgium	93	94	90	91	92	93
Denmark	103	115	98	106	96	102
Germany	105	119	103	111	97	105
Greece	104	105	102	102	101	102
Spain	102	102	100	101	100	100
France	92	113	102	110	101	105
Ireland	95	95	87	86	102	102
Italy	101	99	98	97	100	98
Luxembourg	88	100	99	100	90	91
Netherlands	101	101	109	111	108	108
Austria	103	102	102	102	101	101
Portugal	102	102	100	100	96	96
Finland	96	100	112	118	109	116
Sweden	82	86	111	115	109	116
United Kingdom	104	104	103	103	102	102

Child care

So far the analysis has been restricted to families with school age children. Now we try to take account of that element of the tax and benefit package which concerns child-care. The arrangements to help parents with a pre-school child vary considerably from country to country. We asked the informants to provide an estimate of the costs of the most prevalent form of formal day care available in their respective countries. Table 4.15 compares the costs to parents in different circumstances.

Again it is clear that child-care costs vary considerably between countries. In Belgium and France child-care is free of charge regardless of earnings and in Germany the charge is very small across the board. In addition in Luxembourg and Finland child-care is free for the lone parent with a pre-school age child and heavily subsidised in a number of countries. Only in Greece, Spain and the United Kingdom are there no direct subsidies for a lone parent on this income. Child-care continues to be subsidised for the lone parent on average earnings in most countries but for the two earner higher paid couple child care is still only directly subsidised in Germany, Belgium and France. Nevertheless direct and indirect subsidies and differences in the child-care arrangements covered in the matrix mean that the costs of child-care vary substantially as a proportion of average earnings; from 35 per cent in Greece and 33 per cent in Italy to nothing in Belgium and France and three per cent in Germany.

Table 4.15: Costs of child-care. £ sterling, purchasing power parities per month

Country	<i>Net childcare costs lone parent on half average earnings</i>	<i>Net childcare costs lone parent on average earnings</i>	<i>Net childcare costs two earner couple 1.5 average male plus 1.5 average female earnings</i>	<i>Gross childcare costs as a proportion of average earnings</i>
Belgium	—	—	—	—
Denmark	44	113	113	7
Germany	19	43	51	3
Greece	245	245	245	35
Spain	163	163	163	17
France	—	—	—	—
Ireland	44	265	265	20
Italy	42	90	337	33
Luxembourg	—	105	314	23
Netherlands	71	191	318	21
Austria	64	127	127	10
Portugal	26	82	123	19
Finland	—	114	148	13
Sweden	38	76	163	15
United Kingdom	347	347	347	24

Another way to compare the impact of child-care costs is shown in Table 4.16. This shows the value of the child benefit package after the impact of child-care costs. For a lone parent on average earnings the value of the child benefit package is more than completely absorbed by the costs of child-care in all the countries except Belgium, Denmark, Germany, France, Luxembourg, Finland and Sweden. For a two earner couple the value of the child benefit package is completely absorbed in all countries except Belgium, Germany and France.

Table 4.16: 1995 Impact of childcare costs on the child benefit package: Difference in net income before housing, lone parent/single person, couple/childless couple. Lone parents and couples with one pre-school age child. £Stg PPPs per month

Country	Lone parent 0.5 average	Lone parent average	Couple average + 0.66	Couple 1.5 + 1.5
Belgium	59	59	59	59
Denmark	115	46	-54	-54
Germany	167	148	4	11
Greece	-224	-220	-246	-213
Spain	-153	-106	-147	-155
France	154	190	123	55
Ireland	169	-115	-313	-261
Italy	20	-57	-109	-333
Luxembourg	52	96	-81	-150
Netherlands	23	-71	-289	-301
Austria	17	-47	-66	-81
Portugal	-14	-66	-73	-107
Finland	145	31	-56	-91
Sweden	38	45	-76	-131
United Kingdom	-88	-253	-302	-302

Social assistance

Social assistance in many countries represents the floor or minimum income that families are expected to receive. It is thus indicative of each country's evaluation of its poverty level. Variations in social assistance paid to families of different kinds also represent an implied equivalence scale; an evaluation of differences in their needs. The ratio of income on social assistance to net income in work represents a replacement ratio and thus some index of the incentive structure facing families.

However, social assistance is not easy to compare. Eardley *et al* (1996 *a* and *b*) rehearsed the problems in a two volume comparison of social assistance schemes in OECD countries. In many countries social assistance rates of benefit are not fixed nationally but determined locally sometimes with a considerable degree of officer level discretion. The figures given in the tables are based on estimates of the allowances paid in a given place. Location is most likely to make a difference in Sweden, Italy and Spain. Greece and Portugal have no general social assistance scheme. Figures given relate to unemployment assistance and means-tested child benefits. In comparing the levels of social assistance it is particularly important to have regard to the situation before and after housing costs. This is because in some countries some help with rent is included in the basic social assistance scales.

It can be seen in Tables 4.17a and 4.17b that the level of social assistance varies with the type of family and the number and ages of the children. For a couple with two school age children it is highest in Luxembourg and Denmark and lowest in Italy and Spain. This is also the case after housing costs though there are some re-rankings

Table 4.17a: Social assistance incomes (PPPs) £ sterling (before housing costs)

Country	Single	Couple	Lone parent + 1 child (2)	Lone parent + 1 child (7)	Lone parent + 2 children	Couple + 1 child (2)	Couple + 1 child (7)	Couple + 2 children	Couple + 3 children
Belgium	345	459	527	534	637	525	532	635	771
Denmark	373	707	607	585	737	948	929	970	1031
Germany	346	519	543	543	674	625	625	735	841
Greece	29	29	66	55	33	17	6	-16	-39
Spain	194	222	237	240	280	259	262	302	336
France	196	280	431	316	405	365	369	471	573
Ireland	276	453	374	331	374	531	487	522	557
Italy	29	49	61	56	113	61	56	113	169
Luxembourg	512	779	660	649	879	927	916	1146	1414
Netherlands	393	555	538	542	582	584	591	628	674
Austria	205	294	398	398	513	515	515	633	765
Portugal	187	237	250	249	254	244	243	249	287
Finland	291	491	406	419	603	600	612	765	902
Sweden	387	521	429	463	597	562	596	731	906
United Kingdom	202	316	338	355	441	430	447	534	655

Table 4.17b: Social assistance net disposable incomes (PPPs) £ sterling (after housing costs)

Country	Single	Couple	Lone parent + 1 child (2)	Lone parent + 1 child (7)	Lone parent + 2 children	Couple + 1 child (2)	Couple + 1 child (7)	Couple + 2 children	Couple + 3 children
Belgium	167	247	315	322	398	312	320	396	533
Denmark	256	530	499	477	627	757	738	767	858
Germany	346	519	543	543	674	625	625	735	841
Greece	-120	-120	-157	-167	-189	-206	-216	-238	-335
Spain	-37	-53	-38	-35	-33	-54	-51	-11	24
France	98	142	325	211	293	221	224	358	491
Ireland	251	419	342	298	334	492	527	476	504
Italy	24	42	54	49	102	54	49	102	158
Luxembourg	317	533	413	403	581	681	670	848	1116
Netherlands	290	450	441	445	477	482	489	529	578
Austria	162	154	221	221	297	300	300	359	433
Portugal	120	169	183	181	187	177	175	181	219
Finland	203	343	340	353	526	480	492	642	793
Sweden	387	521	429	463	597	562	596	731	906
United Kingdom	202	316	338	355	441	430	447	534	655

of countries when housing costs are taken into account. The negative figures in Table 4.18b illustrate once again the problems with housing costs. The families on social assistance in those countries would be unable to meet the assumed housing costs and would be likely to have to move to cheaper housing, rely on relatives or earn in the informal economy. These are in fact the countries which have the highest proportions of families living in rent-free accommodation (see Table 4.10).

Tables 4.18a and 4.18b compare the replacement rate represented by the social assistance scales. The replacement rate is the proportion of net income and average earnings which is replaced by social assistance. A high replacement rate implies that there is less incentive to enter employment. Replacement rates are high across

Table 4.18a: Net disposable income on social assistance as % net disposable income at 0.5 average earnings, before housing

Country	Single	Couple	Lone parent + 1 child (2)	Lone parent + 1 child (7)	Lone parent + 2 children	Couple + 1 child (2)	Couple + 1 child (7)	Couple + 2 children	Couple + 3 children
Belgium	65	80	90	90	90	83	83	84	87
Denmark	74	122	99	91	97	148	149	146	147
Germany	68	85	81	77	77	93	93	101	102
Greece	10	10	120	19	12	6	2	-6	-15
Spain	44	51	83	53	60	58	59	67	73
France	39	56	66	56	57	70	60	75	68
Ireland	53	72	54	47	51	68	66	68	70
Italy	7	11	14	12	25	13	12	25	39
Luxembourg	69	106	84	81	96	118	101	126	131
Netherlands	72	93	94	84	85	92	92	92	93
Austria	44	63	83	74	85	98	98	107	113
Portugal	69	88	98	89	89	89	89	89	99
Finland	70	97	72	73	81	80	102	103	102
Sweden	98	98	99	95	96	100	100	100	100
United Kingdom	35	53	69	49	55	62	65	69	73

the board in Denmark and Luxembourg. For the couple with three children, replacement rates after housing costs are over 100 per cent in seven countries, and over 90 per cent in a further three, suggesting that such families have very few incentives to take up low paid offers of work. Lone parents with a pre-school child also have replacement rates close to or in excess of 100 per cent in five countries.

Table 4.19 presents a picture of the implied equivalence scale in social assistance with the amounts paid to childless couples set at 100. There is very considerable variation in the ways countries evaluate the relative needs of different type of families. Denmark and Italy are comparatively ungenerous to single childless persons. Austria and France are comparatively generous to lone parent families and Italy is most generous to couples with three children.

The contribution of a working spouse

Finally, we compare the contribution made to family income by the earnings of a working spouse. This will depend on the relative level of female earnings. However, it will also depend on how those earnings are treated by the income tax and social security system and how any cash benefits are altered. In Table 4.20 we present the percentage extra net income that results from a spouse earning 0.66 average female earnings and 1.5 average female earnings. In the first case a working spouse in a childless couple adds an extra 85 per cent in Luxembourg compared with only an extra 35 per cent in Germany. The next two columns compare the extra net income for a couple with children assuming that child-care would be required in the second column and that no child-care would be required in the third column. It can be seen that when child-care is involved a working spouse on this income would only add six per cent to the net income in Finland and The Netherlands and only nine per cent in the UK. The strongest incentive for the spouse to earn after taking account of child-care is in Belgium, Denmark and Luxembourg. If no child-care is involved then the extra contribution of a working spouse varies from 22 per cent in Ireland to 60 per cent in Luxembourg.

Although the patterns are similar when one compares the contribution made by a working spouse at the higher earnings level, the rankings of the countries alter. For higher-income couples with child-care costs, Sweden and France offer the best incentives, while Luxembourg joins the UK and Finland at the bottom end of the incentive structure. For couples at this income level who do not have child-care costs the highest percentage gains are in Greece and Sweden; the lowest in Germany, Luxembourg and the UK. Percentage gains in Portugal and Italy are also much higher than for the lower-earning couple.

Table 4.18b: Net disposable income on social assistance as % net disposable income at 0.5 average earnings, after housing

Country	Single	Couple	Lone parent + 1 child (2)	Lone parent + 1 child (7)	Lone parent + 2 children	Couple + 1 child (2)	Couple + 1 child (7)	Couple + 2 children	Couple + 3 children
Belgium	49	69	85	85	86	74	75	77	82
Denmark	69	126	101	92	98	146	148	143	144
Germany	97	124	112	104	95	125	125	121	118
Greece	-92	-82	93	-251	-352	-319	-398	-575	758
Spain	-18	-34	-358	-20	-22	-41	-39	-8	16
France	34	55	69	55	55	74	57	80	69
Ireland	55	73	54	47	50	67	77	66	67
Italy	6	10	13	11	25	12	11	24	39
Luxembourg	69	130	89	85	109	147	115	159	158
Netherlands	77	100	102	87	88	98	99	98	98
Austria	53	73	99	78	95	128	129	150	163
Portugal	59	84	97	85	85	85	85	85	98
Finland	84	100	75	75	82	86	70	100	100
Sweden	203	161	149	136	128	136	133	135	127
United Kingdom	46	73	105	65	75	83	86	95	96

Table 4.19: Social assistance implied equivalence scale (couple rate = 100), before housing costs

Country	Single	Couple	Lone parent + 1 child (2)	Lone parent + 1 child (7)	Lone parent + 2 children	Couple + 1 child (2)	Couple + 1 child (7)	Couple + 2 children	Couple + 3 children
Belgium	75	100	115	116	139	114	116	138	168
Denmark	53	100	86	83	104	134	131	137	146
Germany	67	100	105	105	130	120	120	142	162
Greece	100	100	227	192	114	57	22	-56	-134
Spain	88	100	107	108	126	117	118	136	152
France	70	100	154	113	145	131	132	168	205
Ireland	61	100	83	73	83	117	108	115	123
Italy	58	100	125	115	230	125	115	230	345
Luxembourg	66	100	85	83	113	119	118	147	181
Netherlands	71	100	97	98	105	105	106	113	122
Austria	70	100	135	135	174	175	175	215	260
Portugal	79	100	106	105	108	103	102	105	121
Finland	59	100	83	85	123	122	125	156	184
Sweden	74	100	82	86	109	108	112	135	166
United Kingdom	64	100	107	112	140	136	141	169	207

Table 4.20: Percentage increase in household income contributed by second earner

Country	0.66 average female earnings			1.5 average female earnings		
	childless couple	one child (2 yrs)	one child (7 yrs)	childless couple	one child (2 yrs)	one child (7 yrs)
Belgium	47	56	44	62	59	58
Denmark	41	46	40	64	52	62
Germany	35	31	33	56	51	54
Greece	57	12	58	71	41	84
Spain	37	17	36	55	40	54
France	44	38	40	63	63	63
Ireland	42	15	22	62	43	64
Italy	53	35	49	78	47	78
Luxembourg	85	44	60	58	37	54
Netherlands	42	6	44	67	42	68
Austria	52	34	49	69	53	64
Portugal	54	34	53	73	56	72
Finland	61	6	56	70	29	65
Sweden	56	36	52	87	64	82
United Kingdom	42	9	40	56	33	55

Conclusion

It is clear from this chapter that there is very considerable diversity within the European Union – diversity in the prevalence of poverty among families with children and diversity in both the structure and level of support that countries provide to help mitigate some of the costs borne by parents in raising children. It is not the case that all countries are experiencing increases in poverty and inequality as a result of international economic pressures and demographic change. Countries are making choices through their social and fiscal policy and some are doing more than others to protect families from these forces. So it is not the case that all countries are having to cut back on the tax and benefit policies designed to help families with children.

It is difficult to discern any single rationale for the degree of difference observed in this analysis. Within countries there is considerable variation of treatment of families according to the type of family, the number and ages of children, whether in a family there is no earner, one earner or two earners, the level of earnings and according to the housing costs of the family. These within country differences make between country comparisons extremely difficult. Nevertheless there are big differences in the overall treatment of families and they cannot be explained simply by the level of GDP or the level of spending on social protection. The character of welfare state systems is derived over a long period of time and has its roots in culture, political structure and economic development. Nevertheless, family policy has been changing quite rapidly in recent years in some countries and in the 1996 report of the Observatory it is intended to focus our analysis on how the tax and benefit system in EU countries has changed over time using the data on model families that has been collected in the last three years.

Notes

- (a) *Earnings cases*: 1. Couples and lone parents with one earner receiving half national average male earnings; 2. Couples and lone parents with one earner receiving national average male earnings; 3. Couples and lone parents with one earner receiving one and a half national average male earnings; 4. Couples with one earner receiving national average male earnings and the other receiving 0.66 average female earnings; 5. Couples with one earner receiving one and a half national average male earnings and the other receiving one and a half national average female earnings; 6. The social assistance case.
- (b) *Package of health care*: Three visits per person (including each child) to a general practitioner per year, three standard courses of antibiotics per person per year (including each child) per year, one visit to the dentist for a check up and a filling per person per year (including each child).
- (c) For childcare costs a standard package is established for each country based on the costs of the most prevalent form of pre-school provision in each country. For example, in Denmark subsidised public nursery schools are the most common form of childcare and so the subsidies costs of childcare is deducted. On the other hand, in the UK private childminders are used most frequently, and the fees charged by childminders are deducted.

For school costs all children are assumed to be attending state school and are living close enough for the children to walk to school thus incurring no transport costs. Small, voluntary contributions to school funds or for outings are ignored. Only costs which parents must pay for books, stationery or equipment or any benefits that families may receive in the form of free or subsidised school meals or in terms of reduced costs for books, stationery or equipment or grant towards school clothing are included.

(d) *Housing assumptions:* It is assumed that all cases are living in rented dwellings, of a kind which is the most common form of renting in a selected city or town in each country, whether this is provided by a local authority, a housing co-operative or a private landlord. It was suggested that the following assumptions were made about the size of the dwelling: single people renting a one bedroom dwelling, couples without children and couples and lone parents with one child renting a two bedroom dwelling and couples and lone parents with two or three children are renting a three bedroom dwelling.

(e) *Locations:*

Belgium	- Antwerp	Luxembourg	- Luxembourg City
Denmark	- Copenhagen	Netherlands	- Nijmegen
Germany	- Mannheim	Austria	- Vienna
Greece	- Athens	Portugal	- Lisbon
Spain	- Madrid	Finland	- Helsinki
France	- Fontanay-aux-Roses	Sweden	- Göteborg
Ireland	- Dublin	United Kingdom	- York
Italy	- Rome		

APPENDIX

Benefit and Tax Changes in 1995/6

The following summaries describe the main details of the 1995/96 changes to national tax and benefit system provided by the members of the Observatory. The impact of these changes is not fully reflected in the model families analysis, which is fixed at May 1995.

Belgium

From 1 September 1995 young people are entitled to child benefit if they follow part-time vocational education or secondary education with limited curriculum.

Denmark

From January 1996 all children up to the age of 16 years are offered nine preventive medical examinations by general practitioners free of charge. The new Act also includes measures on enhanced support for children and adolescents at risk. Rates of compensation for parental leave were reduced from 1 January 1995, from 80 per cent to 70 per cent of the base amount and will be further reduced to 60 per cent from 1 April 1997.

Germany

In the 1996 Annual Taxation Law new regulations were laid down for, among other things, the equalisation of the family burden, the exemption of the subsistence minimum from taxation and the promotion of property ownership for the family. The child benefit for the first and second child will be increased as from 1.1.1996 to DM200 each for the first and second child, to DM300 for the third child and to DM350 a month for each subsequent child. As from 1 January 1997 the child benefit for the first and second child will be increased again to DM220 a month. The child benefit supplement for low incomes has been abandoned, also the reduction of child benefit for higher incomes. In most cases child benefit will in future be calculated by the employer with income tax and – in the case of a positive residual amount – paid out directly with wages. The child benefit fund takes over the payment of child benefit only for claimants who have no employment or whose employers are exempt from the obligation to pay. The annual children's tax allowance will be raised as from 1 January 1996 to DM6,264 and from 1 January 1997 to DM6,912. In comparison with child benefit, the amount of tax saved is higher, the higher the income. The general age threshold was raised from 16 to 18 years of age. Up to the eighteenth year child benefit is paid in each case, regardless of whether the child is in education or has his/her own income.

In 1996 the annual income of single persons below DM12,095, and of married persons below DM24,190, remains tax free. In 1997 and 1998 the thresholds will be DM12,365 for single persons and DM24,730 for married persons. The existence minimum for children will be assured by the revision of the equalisation of the family benefit.

Greece

The most notable changes are the doubling of the tax exemption in respect of home purchase (which is related to both housing policy and to the cost of housing,) which has risen by between 20 per cent and 30 per cent in the five years to 1995 and the increase in tax exemption where a property is transferred to children or inherited by them (Law 2362/95). A small increase to the (generally low) monthly allowances was announced in July 1995. It is to be noted that all family allowances have failed to keep pace with prices during 1995, as in the past few years.

Spain

The State Budget Law for 1995 introduced some important innovations concerning families. Deductions for family dependants were adjusted upwards in proportion to inflation forecasts for 1995 (3.5 per cent). The increase will maintain the deductions at their 1994 level, although nothing has been done to compensate for the reduction in real terms caused by the failure to index since the fiscal reform of 1991. Tax thresholds have also been correspondingly increased.

The maximum rental costs deduction remained unchanged at Pta 75,000. However, as in 1994, the 1995 increase in the taxable income threshold for this type of deduction considerably exceeded the rate of inflation, as it was raised from Pta 3 million to Pta 3.5 million for individual tax declarations and from Pta 4.5 million to Pta 5 million for joint declarations, increasing the number of eligible beneficiaries.

The major change, as far as the family is concerned, is the introduction for the first time of differential levels of deductions for children on the basis of their birth order. The deduction for the first and second child is unchanged (Pta 20,700, adjusted for inflation). For the third, the deduction is raised to Pta 25,000 (Pta 30,000 for fourth and subsequent children). Value added tax was raised from 15 to 16 per cent on 1 January 1995 and this disproportionately affects large families, whose consumption represents a larger part of their income.

France

By August 1995, the government had already decided to increase the VAT rate (from 18.6 per cent to 20.6 per cent). Under the Juppé Plan, all family benefits managed by the state as employer, and certain public companies, will be transferred to the CNAF over the next two years, and contributions, which are currently paid at a reduced rate, will be brought into line with those paid by other companies, making savings of FF0.7 billion in 1996.

Ireland

Child Benefit payments were substantially increased (*ie.* by £7 per month per child), while simultaneously putting a freeze on Child Dependant Allowance. One of the principal benefits of this policy change is that it reduces child poverty and addresses the unemployment and poverty traps created by the existing Child

Dependant Allowances. Child Benefit was also extended to include all children up to 18 years old, except those between the ages of 16 to 18 who are in employment. Child Benefit Supplement is to replace existing Child Dependant Allowances and Family Income Supplement. It is intended that this Supplement will be paid to Social Welfare recipients and to families on low to middle incomes (Budget, 1995).

There were no changes in the income tax rates, with the lower rate remaining at 27 per cent and the higher rate at 48 per cent. There were, however, changes in the amount of income taxable at these rates. The income level charged at the lower rate increased from £16,400 to £17,800 for a married couple, and from £8,200 to £8,900 for a single person. Personal tax allowances were increased by £150 for a single person and £300 for a married couple, with related increases for widowed, single parent and widowed parent allowances. However, with the reductions in the amount of income tax relief for mortgage interest repayments and health insurance, benefits gained from the improved taxation are for the most part lost.

Italy

From 1996, benefits for each family nucleus with children under 18 years of age will increase in inverse proportion to the income of the family and, vice versa, in direct proportion to the number of family members, with increases specifically aimed at lower income families and those with four or more members. From the same date, benefits for single-parent families will increase by 25 per cent.

Luxembourg

From 1 January 1995, the basic social minimum wage and the minimum social wage for people with dependants no longer exist. Only two categories now remain: the SSM for unskilled workers and the SSM for skilled workers. An increase of more than three per cent was applied at the same time.

The tax allowance for dependent children was raised from LF237,000 in 1994 to LF243,600 in 1995 and 1996. The threshold above which the tax reduction for dependent children ceases to be progressive has also been raised. It was LF754,080 for lone parent families and LF1,239,000 for couples in 1994. For 1995 and 1996, it was set at LF764,790 for lone parent families and LF1,213,800 for couples. The tax reduction is LF60,000 for income above these amounts but below LF1,855,000. It is then applied on a sliding scale reaching zero at income equal to or above LF2.4 million. With regard to welfare, there has been an increase of 3.5 per cent in the amount of the RMG (guaranteed minimum income) from 1st January 1995, on top of the increase due to indexing.

Austria

The Austrian Family Allowance Fund (*Familienlastenausgleichsfonds*) is mainly financed through employers' contributions (4.5 per cent) and payments out of the revenues of the income tax. One of the major grants paid out by the fund are the **family allowances**. In 1995 these allowances have been reduced by AS100, – per month per child. After this reduction they are now AS1.300, – for every child under 10, AS1.550, – between age 10 and 19, and AS1.850, – for children older than 19 (eligible only if attending a school or university, in which case the allowance is paid until the age of 27). Higher allowances (without age limit) are paid for severely handicapped children.

Austrian tax law has several tax allowances for special kinds of expenditures, for example private health or retirement insurances, for housing loans, etc. (*Sonderausgaben*). The size of these allowances varies with the number of children and the number of breadwinners in a family, which has an important effect on the tax load of families. Severe reductions in these allowances are planned for 1996, especially for higher income brackets which will probably have stronger effects on families with one breadwinner than on those with two incomes.

Portugal

Changes in conditions of entitlement were announced at the end of 1995 by the new Ministry of Solidarity and Social Security, the initial idea being that selectivity should be introduced, with the most 'needy' families receiving higher benefits. In December, it was announced that this targeting of benefits would not be implemented during 1996. Changes expected in 1996: introduction of income support, more selectivity in entitlement to benefits, other measures to support low-income families and vulnerable families.

Finland

Almost all benefits were reduced again in 1995. The greatest pressure has been on the benefits for the unemployed. Family benefits have also been targeted. For the first time, child allowances were lowered in 1995. Since the child allowances increased with number of children, the reduction was six per cent for the first child, and rose to 16 per cent for the fifth child. In compensation for earlier cuts, paternity allowance was lengthened by six days so that this leave does not shorten the parental leave period, as earlier.

Sweden

For children under 16 residing in Sweden, child allowance was payable at the rate of SEK750 a month until 31 December 1995. This is a universal, non-means-tested benefit. For children over 16 still attending compulsory school, extended child allowance is payable in the same amount as the general child allowance. It was decided in 1995 that child allowance should be reduced by 1/6 in the general amount for all children from 1 January 1996. There has been a reduction in the special benefit for large families – with three or more children – which is linked to child allowance, 1995 and 1996. It was decided in 1995 that this special benefit will be abolished completely for children born after 1 January 1996.

UK

From April 1996 Unemployment Benefit will only be available for six months instead of a year, and from October 1996 the Jobseekers Allowance will be introduced, replacing Unemployment Benefit and Income Support. Concerns have been expressed as to how lone parents will be affected, in particular with regard to the loss of 'passported' benefits (other benefits they may be entitled to because of their entitlement to Income Support, such as free school meals) and the difficulties involved in job seeking when only limited child care is available. The government has announced that it will not be increasing the rates of One Parent Benefit and the lone parent premiums in the income related benefits in April 1996. At the same time the government is introducing a number of other measures designed to help lone parents into work.

Conclusions

From year to year the changes which may be observed in either family form or family policies in European countries are likely to be modest: cumulatively, however, they shape perception, policy and service provision. In this report we have chosen to concentrate on demographic trends, the impact of tax and benefit policies on family well-being and to review two special topics: cohabitation and social protection. Although we draw on data provided from a national perspective, the purpose of this volume is to identify cross-national trends and developments: the extent of similarity or difference, convergence or divergence. Even allowing for limitations in data provision (there are inevitable gaps and inconsistencies) it is clear that despite common membership of the European Union there remains considerable diversity and disparity in both family formation and structure, policy and practice.

For example, although every country in the EU now has a fertility rate which is below replacement level, uniformity must not be exaggerated: there are high rates of births outside of marriage in Denmark, the UK and France but Germany has a high proportion of childless women and in France, where there are fewer childless women, many more women are having just one child. Whereas low fertility rates can bring unexpected benefits – social, economic and ecological, including substantial savings on child related expenditures – there are adverse implications for the costs of supporting the elderly. These tensions and policy dilemmas are observed in all countries.

The available evidence begins to challenge whether pro-natalist policies, as presently formulated, are having the effects which are intended. Such policies may encourage women to have babies at a slightly earlier age, but there is little evidence to suggest that pro-natalist policies encourage women to have more babies. Either pro-natalist policies are not working or they are not sufficiently generous to provide either effective compensation or incentives. In the context of Europe-wide expenditure constraint it is most unlikely that the aggregate value of universal policies and benefits will be increased.

That all countries have fertility rates below replacement level may imply some limited convergence but there is much less evidence of similarity when it comes to family structure. There is considerable variation in the size and composition of households, with Ireland having the highest proportion of large families and

Denmark the highest proportion of small families. Young people are spending longer in the parental home, especially in the Mediterranean countries and the UK. To draw a line between northern and southern countries is too simplistic, failing to acknowledge differences within each bloc. Indeed, within individual countries there can be significant regional variation: in some instances differences can be greater within rather than between countries.

Variation in the prevalence of cohabitation across countries is matched by disparity in status and legal standing of cohabitantes. In some instances cohabitation is deemed to be more like marriage (for example, by extending entitlement to survivor's benefits) whereas in other countries, marriage is being made to look more like cohabitation (as in the contractual allocation of owner-occupied property). The clearest examples of convergence are to be found in the fields of tax and benefit policies and the extension of parental responsibility. There is least convergence of practices when dealing with the allocation of property following death or relationship breakdown.

Pressure continues to be applied to social protection budgets: the prospects for EMU, and more particularly the alleged impact of specific convergence criteria set out in the Maastricht Treaty, are providing a context within which macro-economic policies and linked debates are being considered. Policy makers find they have limited flexibility, with little prospect of taxes being either substantially increased or decreased; the fiscal impact of demographic and social change is, on balance, more likely to be adverse rather than favourable. However, families (especially those with dependent children) have been relatively insulated from the worst effects of EMU linked financial re-structuring: certainly this appears to be the case in Germany, Belgium, Luxembourg and France but significantly less so in Austria and The Netherlands. It would also appear that social assistance budgets and benefits are more vulnerable to cut-back than either insurance or categorical benefits.

As Europe moves toward the new millennium there are grounds for continuing concern at the impact of high levels of unemployment on families, at the extent of family poverty and the limited progress being made to reconcile professional and family interests and obligations. Mechanisms need to be found, and consolidated, which will ensure the more effective inclusion of family interests and perspectives within the European policy making process.

Bibliography

- Agell, A. (1988) *Underhåll till barn och make Volume 4*. Uppsala: Justus Förlag.
- Agell, A. (1989) *Äktenskaps-och samboenderätt Volume 3*. Uppsala: Justus Förlag.
- Alabart, A. *et al.* (1988) 'Changing patterns in household formation in Barcelona and Madrid' in Moors and Schoorl (1988).
- Badelt, Ch. (1990) 'Die ökonomische Situation der Familien in Österreich', in: Gisser, R. *et al* (Hrsg), *Lebenswelt Familie, Familienbericht 1989*, Wien: Bundesministerium für Umwelt, Jugend und Familie.
- Badelt, Ch. (1996) 'Die ökonomische Lage der Familie in Deutschland und Österreich', to be published in: E Thoni, (Ed), *Familienbesteuerung aus Ökonomischer Sicht*, Innsbruck: Schriftenreihe der Universität Innsbruck.
- Barclay, P. (1994) *Chair. Report of an Inquiry into Income and Wealth* York: Joseph Rowntree Foundation.
- Bayley, R., Condy, A., Roberts, C. (1995) *Policies for families: work, poverty and resources*. London: Family Policy Studies Centre.
- Bégeot, F., Smith, L., and Pearce, D. (1993) 'First results from the Western European Census', *Population Trends*, 74, 18-23.
- Bradshaw *et al* (1996) 'Policy and Employment of Lone Parents in 20 countries'. York: SPRU.
- Bradshaw, J.R., (1991) 'Audit of an Era: the impact on inequality of social policies under Thatcher', in Saunders, P. and Graham, S. (eds), *Beyond Economic Rationalism: alternative futures for social policy*, Social Policy Research Centre: Reports and Proceedings, Sydney, University of New South Wales.
- Bradshaw, J. (1993) 'Developments in social security policy', in Jones, C. (ed), *New Perspectives on the Welfare State in Europe*, London: Routledge.
- Bradshaw, J. and Chen, J.R. (1997) 'Poverty in the UK. A Comparison with Nineteen other Countries', *Benefits*, Issue 18 (Jan 1997).

Bradshaw, J. and Uzuhash, K. (1994) 'Child Support in Japan, *Japanese Journal of Household Economics*' 24, 2-62.

Bradshaw, J., Kennedy, S., Kilkey, M., Hutton, S., Corden, A., Eardley, T., Holmes, H. and Neale, J. (1996) *Policy and the Employment of Lone Parents in 20 Countries: The EU Report*, European Observatory on National Family Policies, DGV/Social Policy Research Unit, University of York.

Brass, W. (1989) 'Is Britain facing the twilight of parenthood?', in Joshi, H. (ed) *The Changing Population of Britain*, Oxford: Blackwell.

Buhmann, B. et al. (1988) 'Equivalence scales, well-being, inequality and poverty: sensitivity estimates across ten countries using the Luxembourg Income Survey database', *The Review of Incomes and Wealth*, June, 115-141.

Cantero, G. (1995) 'Spain – cohabitation in the courts', *University of Louisville Journal of Family Law*, 33 (2), 507-511.

Caselli, G., and Egidi, V. (1992) 'New frontiers in survival. The length and quality of life in Eurostat', *Human Resources in Europe at the dawn of the 21st century*, Conference Proceedings, Eurostat.

Commaille, J. and de Singly, F. (1996) 'La famille dans la construction de l'Europe politique', FNSP - CNRS.

Commission of the European Communities (1995) *The Major Issues of European Demography 1994*, Brussels: Commission of the European Communities.

Cordon, J.A.F. (1994) 'Annex on some aspects of the demographic situation in the European Union', in Dumon, W. and Nuelant, T. (eds) *European Observatory on National Family Policies: National Family Policies in the Member States of the European Union in 1992 and 1993, Synthesis Report*, Leuven: European Commission DGV.

Council of Europe (1995) *Recent demographic developments in Europe*, Strasbourg: Council of Europe.

Cousins, M. (1995) *The Irish Social Welfare System: Law and Social Policy*, Dublin: Roundhall Press.

Craig, J. (1992) 'Recent fertility trends in Europe', *Population Trends*, 68, 20-24.

Deech, R. (1980) 'The case against legal recognition of cohabitation', in Krause, H. (ed) *Family Law Volume 2*.

Department of Social Welfare (1994) *Families First*, Dublin: Department of Social Welfare.

Ditch, J., Bradshaw, J., Clasen, J., Huby, M. and Moodie, M. (1997) 'Comparative Social Assistance: Localisation and Discretion. (Forthcoming).

- Ditch, J. Pickles, S. and Whiteford, P. (1993) 'The New Structure of Child Benefit', London: Coalition for Child Benefit.
- Ditch, J., Bradshaw, J. and Barnes, H. (1997) *Developments in National Family Policies 1995*, York, Commission of the European Communities.
- Dormor, D. (1992) *The relationship revolution: cohabitation, marriage and divorce in contemporary Europe*, London: One plus One.
- Dufourcq, N. (1994) 'Vers un Etat – providence sélectif', *Esprit*, No. 207.
- Dumon, W. (ed) (1994) *Development of Family Policies in the Member States of the European Union*, Brussels.
- Eardley, T. et al (1996a) *Social Assistance in OECD Countries: A Synthesis Report*, DSS Research Report No. 46. HMSO: London.
- Eardley, T. et al (1996b) *Social Assistance in OECD Countries: Country Reports*, DSS Research Report No. 47. HMSO: London.
- Ermisch, J. (1995) *Pre-marital Cohabitation, Childbearing and the Creation of One Parent Families*, Working Papers of the ESRC Research Centre on Micro-Social Change, Colchester: University of Essex.
- European Commission (1995) *The Demographic Situation in the European Union 1994*, DGV – COM (94) 595, Brussels.
- European Commission (1995) *The Major Issues in European Demography*, EC, Luxembourg.
- Eurostat (1991) *Study of the relationship between female activity and fertility: Volume 1 Synthesis Report: Issues and Policy in the relationship between female activity and fertility*, EC, Brussels.
- Eurostat (1995) *Eurostat Yearbook*, Luxembourg: Eurostat.
- Forster, M. (1993) *Comparing Poverty in 13 OECD Countries: Traditional and synthetic approaches*, Luxembourg Income Study Working Paper 100, CEPS/INSTEAD.
- George, V. and Taylor-Gooby, P. (1996) 'European Welfare Policy: Squaring the Welfare Circle', Macmillan: London.
- Gieve, K. (1995) *Cohabitation and the law* (paper for the JRF Family and Parenthood Seminars).
- Hagenaars, A. et al (1994) *Poverty statistics in the late 1980s: research based on micro data*, Eurostat.
- Hantrais, L. and Letablier, M-T. (1996) *Families and Family Policies in Europe*, London: Longman.

Haskey, J. (1995) 'Trends in marriage and cohabitation: the decline in marriage and the changing pattern of living in partnerships', *Population Trends*, 80, 5-15.

Haskey, J. and Kiernan, K. (1989) Cohabitation in Britain: *Population Trends*, No. 53.

Herzog, R. (1993) 'Family and Family Policy in the Judgements of the Federal Constitutional Court', in *40 Years of Family Policy in the German Federal Republic: Retrospect and Prospect*, Federal Ministry for the Family and Senior Citizens.

Joseph Rowntree Foundation (1995) *Inquiry into Income and Wealth*, Chairman Sir Peter Barclay, York: Joseph Rowntree Foundation.

Jowell, R. *et al* (1996) 'British Social Attitudes Survey: the 13th Report', Aldershot: Dartmouth.

Kaufmann, J.C. (1993) *Single people, single person household, isolation, loneliness: A status report*, European Commission DG V, Brussels.

Kiernan, K. (1993) 'The future of partnership and fertility' in Cliquet, R. (Ed) *The Future of Europe's Population*, Strasbourg: Council of Europe Press.

Kiernan, K. and Estaugh, V. (1993) *Cohabitation: extra-marital childbearing and social policy*, London: Family Policy Studies Centre.

Kingdom, E. (1996) Cohabitation contracts and the private regulation of time. *Time and Society*. Vol. 5, part 4, pp.47-60.

Lillard, L., Brien, M. and Waite, L. (1995) 'Premarital cohabitation and subsequent marital dissolution - a matter of self-selection?', *Demography*, 32 (3), 437-457.

McRae, S. (1993) *Cohabiting Mothers*, London: Policy Studies Institute.

Manning, W.D. (1995) 'Cohabitation, marriage and entry into motherhood', *Journal of Marriage and the Family*, 57 (1), 191-200.

Millar, J. and Warman, A. (1996) *Defining Family Obligations in Europe*, London: Family Policy Studies Centre.

Mitchell, D. (1991) *Income Transfers in Ten Welfare States*, Aldershot: Avebury.

Moors, H. and Schoorl, J. (Eds) (1988) *Lifestyles, Contraception and Parenthood*, Amsterdam: Netherlands Interdisciplinary Demographic Institute.

Morgan, P. (1995) *Farewell to the Family?*, London: IEA.

Oberhauser, A. (1989) *Family and Household as Receivers of Transfer Benefits: Situation, Deficiencies and Attempts at Reform*, Frankfurt: Campus.

OECD (1990) *Lone-parent families: the economic challenge*, Paris: OECD.

- OECD (1993) *Breadwinners or child rearers: The dilemma for lone mothers*, Paris: OECD.
- OECD (1994) *Main Economic Indicators*, Paris: OECD.
- OECD (1996) *Main Economic Indicators*, Paris: OECD.
- O'Neill, B.J. (1987) *Social Inequality in a Portuguese Hamlet*, Cambridge: Cambridge University Press.
- Prinz, C. (1995) *Cohabiting, Married or Single*, Aldershot: Avebury.
- Prioux, F. (1995) 'Frequency of cohabitation in France', *Population*, 50 (3), 828-844.
- Pryke, R. (1995) *Taking the Measure of Poverty* London: IEA.
- Ramprakash, D. (1994) 'Poverty in the countries of the European Union: a synthesis of Eurostat's statistical research on poverty', *Journal of European Social Policy*, 4, 2, 117-129.
- Ressler, R. and Waters, M. (1995) 'The economics of cohabitation', *Kyklos*, 48 (4), 577-592.
- Roll, J. (1992) *Lone Parent Families in the European Community*, London: European Family and Policy Unit.
- Roussel, L. (1992) 'The family in Western Europe – divergences and convergences', *Population*, 47 (1), 133-152.
- Rubellin-Devechi, J. (1996) 'Continuity of specific national characteristics in family law', in Commaille, J. and de Singly, F. (eds), 81-108.
- Saunders, P. (1992) 'The social wage in international perspective', *SPRC Newsletter*.
- Sen, A.K. (1979) 'Issues in the measurement of poverty', *Scandinavian Journal of Economics*, 81, 285-307.
- Shaver, S. and Bradshaw, J. (1995) 'The Recognition of Wifely Labour by Welfare States', *Social Policy and Administration*, 29 (i), 10-25.
- Smeeding, T. et al. (1993) 'Poverty, inequality and family living standards impacts across seven nations: the effects of non cash subsidies for health, education and housing', *The Review of Income and Wealth*, series 39, 3, 229-256.
- Stephens, B. and Bradshaw, J. (1995) 'The generosity of New Zealand's assistance to families with dependent children: an eighteen country comparison', *Social Policy Journal of New Zealand*, 4, 53-75.
- Trost, J. (1988) 'Cohabitation and marriage: transitional pattern, different lifestyle, or just another legal form?', in Moors and Schoorl, *op cit*.

United Nations (1993) *Demographic Yearbook, Special Issue: Population Ageing and the Situation of Elderly Persons*, United Nations, New York.

Utting, D. (1995) *Family and parenthood*, York: Joseph Rowntree Foundation.

Wall, R. (1996) 'Mapping European family and household patterns', Paper presented to the conference, *The research value of census microdata*, Manchester Business School, 13-14 March 1996

Whiteford, P. (1985) *A family's needs: Equivalence scales, poverty and social security*, Research Paper No. 27, Canberra, Department of Social Security.

Whiteford, P. and Bradshaw, J. (1994) 'Benefits and incentives for lone parents: a comparative analysis', *International Social Security Review*, 47, 3-4, 69-89.

Whiteford, P. and Kennedy, S. (1995) *Incomes and Living Standards of Older People*, Department of Social Security Research Report 43, London: HMSO.

Wingen, M. and Stuzer, E. (1994) 'Germany: Family policy, transverse obligations of social policy' in Dumon, *op cit.*

OBSERVATORY MEMBERS

NAME	TELEPHONE	FAX	EMAIL
Prof. Christoph BADELT	(43) 13 69 23 55 72	(43) 13 69 23 55 79	Christoph.Badelt@wu-wien.ac.at
Dr. Thomas BAHLE	(49) 62 12 92 85 89	(49) 62 12 92 17 23	tbahle@mzes.sowi.uni-mannheim.de
Prof. Ulla BJORNBERG	(46) 31 77 34 789	(46) 31 77 34 764	Ulla.Bjornberg@sociology.gu.se
Prof. Bea CANTILLON	(32) 32 20 43 31	(32) 32 20 43 25	
Dr. Jeanne FAGNANI	(33) 1 45 65 57 00	(33) 1 45 65 53 77	100723.3127@compuserve.com
Dr. Juan Antonio FERNÁNDEZ CORDÓN	(34) 14 11 23 57	(34) 15 62 55 67	jafc@ieg.csic.es
Dr. Torben FRIDBERG	(45) 33 48 08 47	(45) 33 48 08 33	tf@smsfi.dk
Dr. Pierre HAUSMAN	(352) 58 58 55 528	(352) 58 55 60	Pierre@post.ceps.lu
Dr. Gabriel KIELY	(353) 17 06 85 10	(353) 17 06 11 97	
Prof. Jane MILLAR	(44) 12 25 82 61 41	(44) 12 25 82 63 81	HSSJIM@bath.ac.uk
Prof. Loukia MOUSSOUROU	(30) 19 23 88 41	(30) 19 23 82 90	
Dr. Franz ROTHENBACHER	(49) 62 12 92 17 38	(49) 62 12 92 17 23	Franz.Rothenbacher@mzes.uni-mannheim.de
Prof. Hans-Joachim SCHULZE	(31) 20 44 48 884	(31) 20 44 48 745	HJ.Schulze@psy.vu.nl
Prof. Giovanni B. SGRITTA	(39) 64 99 19 520	(39) 68 53 03 374	sgritta@dsd.sta.uniroma1.it
Dr. Pierre STROBEL	(33) 1 45 65 52 62	(33) 1 45 65 53 77	
Dr. Sirpa TASKINEN	(358) 9 39 67 21 48	(358) 9 39 67 22 01	Sirpa.Taskinen@STAKES.fi
Dr. Karin WALL	(351) 17 93 22 72	(351) 17 96 49 53	karin.wall@ics.ul.pt
Prof. Anna Laura ZANATTA	(39) 64 99 19 523	(39) 68 53 03 374	zanaatta@dsd.sta.uniroma1.it

The Observatory produces two Annual Reports. The companion to this volume is a synthesis of trends which compares the structure and value of support for different families in EU countries and comments on the prospects for family policy in the context of rapid social and demographic change. The Annual Reports are also available in French and German.

For further information about the Observatory please contact:

Nathalie Constantino
 Administrator
 European Observatory on National Family Policies
 Department of Social Policy and Social Work
 Goodricke College
 University of York
 Heslington
 York YO1 5DD
 United Kingdom

Tel: 00 44 1904 432629
 Fax: 00 44 1904 433475
 Email: NC8@york.ac.uk
 Web site: <http://www.york.ac.uk/inst/spru/eonfp>



The European Observatory on National Family Policies is coordinated
from the Social Policy Research Unit

THE UNIVERSITY *of York*

ISBN 1-871713-56-0

ISBN 1-871713-46-3



9 781871 713565



9 781871 713466