

# **Investing in childcare. The Barcelona childcare targets and the European social model .**

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**Janneke Plantenga**

[J.Plantenga@econ.uu.nl](mailto:J.Plantenga@econ.uu.nl)

## **Three topics**

1. The European social model
2. European childcare strategies. I give some information about leave facilities and childcare arrangements. In addition, in order to give some background information. I will also present some details on employment levels
3. Finally whether we do need co-ordination in this field

### **1. European social model**

Up until now, the European union is above all an economic union – it is a market, a currency, and a set of agreements to regulate that market. Europe is less strong when it comes to social matters. In fact, the principles and organisation of the social system are mainly national responsibilities. Despite the economic integration, and despite all the co-ordination and harmonisation, national policy makers can still decide on issues like the introduction of a minimum wage, the structure of unemployment insurance and the availability of child care services. (and some might add – thank god for that )

Yet, the social dimension is an important issue for the European Union. From the very start the importance of the social dimension of the European integration process has been acknowledged. In the early stages, social progress and social convergence was presumed to be the result of economic integration. Hence policy co-ordination in the social domain has been limited. In the years to follow, economists pointed to the fact that there is an strong argument for policy co-ordination in this field because it lessens the threat of

social dumping or benefit tourism. In addition, politicians pointed to the fact that fostering social cohesion and solidarity is important for the legitimacy of the integration process. Europe needs a social face in order to be accepted by its citizens. In this respect, the Amsterdam treaty and the addition of the social protocol to the basic Treaty have been real steps forward. Four years later, the European Council in Lisbon formulated the ambition to become the most competitive and dynamic knowledge based economy, capable of sustained economic growth with more and better jobs and greater social cohesion. The Lisbon agenda thus coupled explicitly the economic objective of becoming the most competitive and dynamic economy with the social objective of greater social cohesion. The aim is to create a viable and feasible economic community, not by eliminating social rules and practices, but by redefining rules and practices so that they support economic efficiency and social cohesion.

The growing concern with the European social profile, within a context of national sovereignty, even created a new form of social policy co-ordination within EU: the open method of co-ordination.

The open method of co-ordination does not refer to co-ordinate in the strict sense. Nor does it refer to the introduction of minimum standards. Rather, it implies a movement away from directives towards a process of consultation and joint target setting; member states define and evaluate common objectives. In line with the open character, there are no sanctions for non-compliance but policy improvement is stimulated by benchmarking and peer-group review.

Of course, the effectiveness of this method depends to a large extent on jointly agreed and easily applicable indicators. This was explicitly recognised at the top in Lisbon, which agreed to draw up an annual synthesis report on the basis of structural indicators, relating to employment, innovation, economic reform and social cohesion. The Lisbon summit also agreed on targets to raise the employment rate from an average of 61 to 70 percent and the female participation rate from an average of 51 to 60 percent by 2010.

Two years later, at the Barcelona summit, targets were set with regard to childcare arrangements. Confirming the goal of full employment, the Barcelona European council agreed that: “Member States should remove disincentives to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of provision, to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age” (infobase Europe, 2002).

To be honest, this was a little unexpected. Although non-binding, the targets set at Lisbon were already quite ambitious and far reaching as they leave relatively little room for national diversity. The Barcelona targets went even a step further, in the sense that they focus on an instrument, a means to reach a target, whereas the OMC is explicitly supposed not to prescribe how to achieve the targets. Of course, 10 years earlier in March 1992, the European Council passed a recommendation on childcare to the effect that Member states should ‘- and I quote - take and/or progressively encourage initiatives to enable women and men to reconcile their occupational, family and upbringing responsibilities arising from the care of children’. Setting targets on childcare, however, is quite another matter. Although – again - the targets are not binding, they should be seen as pointers towards future developments. It seems as if suddenly the open methods of coordination, and the possibilities to set targets, was used to emphasize the importance of child care facilities in the working lives of men and women. Against the background of an aging Europe, and the implications for the sustainability of pensions and benefits, an increase in the female participation rate seemed inevitable. In this context, there is a growing concern on childcare and other facilities to reconcile work and family.

## **2. The European childcare strategies**

Let us now shift from the EU policy agenda to the reality of the EU member states. What can be said about the implications of the Lisbon strategy and more in particular the Barcelona targets at the level of the EU member states. Which countries have already

reached the targets and how diverse are the realities of EU citizens when it comes to employment, and facilities to combine work and family.

### *1. participation*

Lets start with employment and the Lisbon targets. According to the *Joint Employment Report 2003/2004*, Member States are progressing in developing comprehensive strategies to increase labour participation. Especially trends in employment rates women are encouraging. At the same time, it is clear that there are still large differences as is illustrated by Graph 1. From the graph it appears that female participation rates vary throughout Europe from over 70% in Sweden and Denmark to 40% or less in Greece, Italy and Malta. (*please bear in mind that all the graphs are also published in the position paper – if you can't read the abbreviations, you will have ample opportunities to study these graph in more details – My main concern here its to given to a fair account of the current labour market situation and the diversity in this respect*) When it comes to the Lisbon targets set for women, Graph 1 indicates that 7 countries (Sweden, Denmark, Netherlands, Finland, United Kingdom, Austria, and Portugal) have already met or exceed the Lisbon criterion of 60 percent female employment. Estonia and Germany are very close to the target. At the bottom of the ranking, it appears that especially Spain, Poland, Greece, Italy and Malta are considerable far from the Lisbon target.

The differences in female employment rates mirror to a large extent differences in the employment rates of mothers. Parenthood still plays an important role in the labour market of most women, but in some countries the effects are more pronounced than in other. The impact of parenthood is illustrated by graph 2 that compares the absolute difference in employment rates of men and women without and with the presence of any child in the age category of 0-6. In general, women without children are much more employed than women with children – so there is a positive difference. The figures differ from close to 40 percentage point in Czech republic and Hungary to 3 percentage points in Denmark and minus 8 in Slovenia. Figures for men are quite the opposite – men without children have a lower participation rate than men with children – as a result of which the difference is negative. There is an old economic wisdom that children demand

time and money. As is nicely illustrated by table 2 women take care of the time – men take care of the money.

## **Leave**

Let us now shift to facilities to combine work and family responsibilities. Taking the birth of a child as a starting point, the leave system is the first relevant aspect of the care system. Since June 1996, national policy in the field of leave arrangements has been underpinned by a directive of the European Council, which obliges member states to introduce a parental leave of three months. In principle this refers to an individual, non-transferable entitlement. This directive ensures that a certain minimum standard is guaranteed. Over and above this, however, there is a broad range of national regulation with countries differing as to payments, duration, flexibility and entitlement. If only the length of the leave is taken into account it appears that the differences range from 156 weeks for the Czech republic, Spain, France, Poland and Sweden to 13 weeks in Cyprus. However, given the differences in payment level, it would be an oversimplification to rank the countries simply on the length of the consecutive weeks of maternity and parental leave. Country differences may be overestimated, as formal regulations with regard to length say little about the actual impact. This calls for information on the take-up rate, that is the actual use of leave facilities. Unfortunately this information is scarce. Therefore, we have used the payment level in stead, arguing that the take-up will presumably increase with the payment level. By weighting the duration of the parental leave by the level of payment, we have computed the so-called ‘effective’ parental leave. As Graph 3 indicates, this effective leave varies from 119 weeks in Sweden to less than 10 weeks for Belgium, Greece, Ireland, the Netherlands, and Cyprus (data for Lithuania, Malta and Slovenia not available).

Of course, leave facilities are important when monitoring childcare facilities. Almost by definition, extended leave facilities, especially in combination with an early admission age for pre-school facilities, will lower the need for childcare services. Graph 4 is rather informative in this respect. This graph ranks the countries by the number of weeks between the end of the total leave facility (maternity and effective parental leave) and the

beginning of the pre-school system. Taking an uninterrupted career of parents as point of departure, it appears that especially Dutch and Greek parents rely heavily on the availability of childcare services. In Finland, Spain, France, Hungary, Sweden and Latvia, the need is considerably less, as a result of extended leave facilities and/or a low admission age of pre-school facilities.

Graph 5 summarises the current share of childcare per member state. On the basis of these more or less harmonised and comparable figures, it appears that seven EU member states have reached the Barcelona target of 33% childcare for children under three. Especially, in Belgium-Flanders and Denmark, the coverage of the childcare sector is rather high. France, Sweden and Ireland also score rather favourably, whereas the Netherlands and Belgium (French part) score just above the target. In several countries the availability of childcare is below 10%, this is especially the case for Spain, Austria, Czech Republic, Greece, Germany, Italy and Hungary. Figures for seven countries are missing, though.

Finally, the second age group for which the childcare coverage rate is recalculated are the children aged three to the mandatory school age. The Barcelona target states that the actual coverage should be at least 90 percent. Again, the national scores have been recalculated, using national sources, and taking into account the different national arrangements. In particular, pre-school arrangements have been included given the impossibility to differentiate between care within and outside of the education system. Graph 6 shows that eight countries meet the Barcelona target or score rather close: Belgium (French and Flemish part), France, Netherlands, Spain, Denmark, Italy, Sweden and Germany. From a comparative perspective, Ireland, Greece and Poland score fairly low. When interpreting this graph, it has to be taken into account, that the coverage rate is, to a large extent, influenced by the (high) coverage rate of pre-school arrangements. As in most countries pre-school is only part-time, working parents still need additional childcare facilities, which are much less available.

Summarizing the results so far it seems fair to say that the increasing participation rate of women, the changing family forms and the demographic pressure from an ageing population have made the reconciliation of work and family one of the major topics of the European social agenda. Yet there is no common European policy in this respect. Some of the diversity in scope and policy is nicely formulated in the recently published Joint Employment Report, stating that some member states have improved opportunities to work part-time. Some still consider reconciliation a women's issue, whereas others recognise the role of men in care and family responsibilities (mainly encouraging take-up or improving paternity leave schemes). Childcare is a policy priority in practically all Member States, even though the approach varies in focus and ambition.

### **3. Do we need co-ordination**

Having illustrated the diversity of national systems of the 25 EU member states with regard to female employment level, leave facilities and child care arrangements, the question now to be answered is: do we need any EU co-ordination in this field. Why bother? Why bother in particular because this concerns the organisation of care. And the organisation of care is closely related to the national identity; because care strategies bear important signals about what is considered the most desirable organization of society. This is a strong argument in favor of the principle of subsidiarity. Member states should not be limited in following their own national preferences. In addition, evidence suggests that there is not a strong case in favor of harmonisation or the introduction of minimum standards. There does not seem to be a race to the bottom in this particular area. Perhaps because different care arrangements are equally efficient (or inefficient) in economic terms.

So, why do we need co-ordination even if it is not binding. What can be said about the strengths and weaknesses of the open method of co-ordination with regard to care issues. How about benchmarking and peer reviews in the field of childcare. In general terms, the strengths and weaknesses are pretty obvious. No doubt the European Employment Strategy and the Open Method of Co-ordination have increased the political relevance of

the child care issue. The targets set and the process of peer review keep responsible ministers and civil servants alert and raises the awareness of policy makers. It is in particular because of this reason that we are gathered here; I am quite sure that there would not have been an EU conference on childcare in a changing world had not the OMC raised the political relevance of the topic. There is also much more emphasise to gather relevant information. Childcare figures are now published in the Joint Employment Report. This demands easily understandable, reliable and harmonised data. Two Eurostat publications offer insight into data problem and the complexities of trying to collect harmonised statistics of childcare. This is also to a large extent due to the open method of co-ordination. The targets set also help to legitimise new policy initiatives and to mobilise powers to certain policy decisions that would have been much more difficult to realise without the backing of the Barcelona targets. Finally, especially the peer review procedures stimulate learning and maybe even adaptation of national policy on the basis of experiences of other countries.

Of course, there are also weaknesses. Bureaucracy is one, window dressing is another. European targets might simply add to the administrative burden that national policy makers have to deal with. Nothing will change - no policy will be corrected – it is just paper that is being produced. In addition, poor performance and bad examples are of course never mentioned. In the context of childcare, for example, little information is available on the time dimension. Care may be provided on a full time and a part time basis with large implications for the working parents. But if there is only a quantitative target to worry about, there is no incentive to bother about the difference. In addition, there might be a lot of emphasis on policy intentions, whereas the actual policy receives much less attention.

Simply counting the arguments pro and con, it seems we have a mildly positive attitude towards the open method of co-ordination being applied to this field. But this does not resolve our next question – do we need the Barcelona targets. There are a few problems and I will mention three of them.

Firstly: the Barcelona target refers to a means to reach a goal – increasing the participation rate of women. I am still not completely convinced whether this is a viable

strategy. After all the overarching principles refer to dependent variables like full employment, strengthening social cohesion and improving quality and productivity at work. The EU should not prescribe how to achieve these objectives – that is for the national member states to decide. Of course the Barcelona targets leave some room for flexibility because the exact formulation includes phrases like ‘taking into account the demand for childcare facilities’ and ‘in line with national patterns of provision’. Yet the basic problem is that the Barcelona targets focus on an instrument; on a way to reach a certain goal.

The second problem refers to the scope of the target. The reference is simply to quantity – there is no reference to quality. Investing in childcare may be efficient in economic terms but the quality of the care provided is of significant importance for the viability and sustainability of that strategy.

Finally, there does not seem to be a very clear vision behind the Barcelona targets as a result of which the monitoring process is rather difficult. Especially the position of leave facilities is not clear. This is best illustrated by an example. Let's introduce a country A which offers a leave period of one year. After that year, childcare facilities are available; the enrolment rates for childcare in the age category 1 and 2 are 45%. Does this country comply with the Barcelona targets: no, if leave is excluded – yes if leave is included.

This is just an example but including leave has major implications on monitoring progress at the level of the national member states. Remember graph 5, which summarises the current share of childcare per member state, with seven member states reaching the Barcelona target of 33%. On the basis of these figures also an ‘adjusted’ score has been calculated that corrects for the extent of maternity and effective parental leave. Of course, taking into account leave facilities implies that the coverage rate increases, see Graph 7. As a result, almost all member states seem to have reached the Barcelona target, the only exceptions being Portugal, Latvia and Italy (data for seven countries missing). Including leave implies that the focus of the debate shifts from childcare services as such, towards the most optimal division between leave facilities and childcare services. In the search towards this optimal division, key factors are equal opportunities, the importance of

raising the female participation rate, the healthy and sound development of a child and the importance of parental choice.

### **Let me conclude**

and let me conclude by mentioning a few issues which I know will be discussed later this conference and which are absolutely indispensable for a successful European childcare strategy. The first issue refers to availability and affordability. When we talk about childcare, the availability of childcare is not enough. Childcare should also be affordable to give parents more incentive to use it and to improve parental choice. There is only limited information available on the amount of money spent on childcare services and on the most optimal division of childcare costs between the government, the employers and the individual parents. Evidence seems to suggest that in most states childcare services are not freely accessible. Parents pay an income-related fee which, on average, amounts to 25-35 % of childcare costs. Pre-school facilities on the other hand, are in most countries freely accessible as part of the educational system. A real insight into the affordability of childcare services and on the differences between countries in this respect, demands harmonised figures on the costs per household type, per income level and by number of children.

A second issue refers to quantity and quality. There seems to some agreement on indicators to be used when it comes to measuring quality, like group size, the educational level of the staff and the ratio of children to staff. Comparable research in this field is limited, however, given the fact that many countries have different care facilities with different quality measures and requirements. Partly as a result of this diversity, there seems to be little scope to set minimum standards or to introduce relative standards, like the minimum group size or the qualification levels in childcare services compared to pre-school or the group size and qualification levels in pre-school compared to primary school. Still we should be able to think about a common framework, based on shared values and standards, generating at the same time scope for national diversity.

Thirdly, an important issue for the coming years seem to be the streamlining of childcare services into one integrated system of services of care, education and leisure. Diversity, variety and parental choice are extremely important when it comes to reconciling work and family. Fragmentation, and non-corresponding time schedules and difficulties in transitions from one service to another should be considered inefficiencies which hinder the optimal use of services and the growth of female labor force participation. Using the perspective of a child's life course and linking childcare, education, and leisure activities, while at the same time enhancing flexibility and diversity may be an important topic for the future.

Finally, I think it is important to go beyond the Barcelona targets. At this moment, key indicator 26 of the European Employment Strategy refers to the difference in employment rates between men and women whereas key indicator 28 refers to gender pay gap. What they have in common is that they concentrate on dependent variables. Benchmarking and peer reviews do not prescribe how to achieve objectives and should offer scope for diversity.

Another way to go beyond the Barcelona target and maybe also a way to bridge the quantitative and the qualitative is to formulate targets in terms of public spending. How much money do European member state pay per child? Statistics on social spending and benefits are known to be difficult to compare across countries. Still, in the end we should be able to compare countries not just on their record with regard to child care services, but also taking into account tax allowances and leave facilities. That is we need a more integrated perspective in which time, money and services all play a part.

Maybe the most important issue is that we should think about targets which take into account national diversity. The European Union has been described as a unity in diversity. With regard to employment rates and the reconciliation of work and family there may be liberal, social-democratic, and corporatistic responses to the challenges Europe is facing. And maybe we can even add a fourth or fifth welfare state regime referring to the new member states. This diversity is important - it refers to what we are.

A social Europe should take care of its children and should also provide room for national particularities and divergence.